Board of County Commissioners
Leon County, Florida
www.leoncountyfl.gov

Office of Management and Budget
Management Review:
Leon County Educational Facilities Authority

Executive Summary:

This management review identifies and evaluates the structure, duties, and responsibilities of the Leon County Educational Facilities Authority (Authority). The management review was Board directed at the June 10, 2008 meeting and was conducted by the Office of Management and Budget.

The Florida Statute and the enabling Resolution states the Authority shall exist if the county finds that "the youth in the community (Leon County) do not have the fullest opportunity to learn and develop their intellectual and mental capacities because there is a shortage of educational facilities or projects at the institutions of higher education located within the county" (FS 243.21(2)). In addition, Florida Statute states that the purpose of the Authority is to assist institutions for higher education in the construction, financing, and refinancing of projects.

The review explores the organizational structure, duties and powers, projects, budget and finances, and community involvement of the Authority. It also presents a comparison of other educational facilities authority across the state of Florida. Staff's findings and recommendations are incorporated within each section of the review. These findings and recommendations were made in order to ensure that the Authority fulfills its statutory obligation to assist institutions for higher education in the construction, financing, and refinancing of projects (FS 243.22). Each finding directly corresponds to a recommendation. A summary of these findings and recommendations are listed in Table #1.

Table #1: Summary of Findings and Recommendations

Finding	Recommendation
Organizational Structure:	
1. The Authority does publicly notice its meetings; however, it is not in a manner consistent with other County Authorities or Boards.	1. Require that the Authority coordinate with the Public Information Officer to include meetings on the County Calendar.
Duties and Powers:	
2. The Authority currently submits an annual audit to the Clerk of Court but since March 16, 1993 the Authority has not given a formal annual report to the Board.	2. Require the Authority to prepare an annual report, complete with operating and financial statements, and present it to the Board by March 1st of each year.

Continued: Table 1: Summary of Findings and Recommendations

Projects:	
3. The Authority's application and evaluation process is as follows: 1) an applicant submits an application and fee to the Authority; 2) the Authority reviews the application and determines whether or not the project meets a public purpose beneficial to the institutions of higher education; 3) the applicant secures financing; 4) the Authority requests a TEFRA hearing from the Board; and 5) the bonds are then issued. However, this process was not followed when a TEFRA was requested for Create Inc.	3. Require the Authority to only request a TEFRA hearing from the Board once all financing for a project is in place, in accordance with the application and evaluation process.
4. The Authority manages two student housing projects and makes decisions on whether or not other student housing projects are beneficial to the community. These projects could be in direct conflict with the Authority's own projects. In addition, the Leon County Authority is the only authority in the state of the Florida that owns and manages projects. All other authorities surveyed are a means of conduit financing.	4. Require that the Authority not own or operate any educational facilities or dormitories beyond its current properties.
Budget and Financing:	
5. The Authority and the County currently share the same Financial Advisor.	5. In order to have another level of financial analysis, require the Authority to obtain an independent Financial Advisor, which is not affiliated with the County.
6. The auditor for the Authority reports in the management letter for the FY2008 financial statements that the Authority has a deficit in net assets of over $23 million. A deficit in the fund balance/net assets is a required disclosure since this condition meets one of the conditions under the Florida Statutes 218.503(1) for financial emergency. The Authority also has concerns regarding the current debt service on the A bonds for Southgate. In the past, the Authority has used a portion of the bond reserves for debt services. The bond reserve has not been fully replenished. Additionally, the FY2008 audit reports that the debt coverage required for Heritage Grove fell below the required 1.20 to 1.07. The auditor notes that a financial consultant must be engaged. Due to these conditions, and the low rate of occupancy at Southgate, the Authority, Bond Trustees, and the Management Company are currently developing an aggressive marketing campaign and cost cutting measures.	6. Require that the authority provide updates to the Board on these contingency plans, as soon as they are available.
7. Due to the fact that the Heritage Grove Project was built on state land and that the Issuer, the Authority, and the Borrower, LCEFA, are both tax exempt entities, a TEFRA hearing was not required for the project. The Authority did not request the Board's involvement for the project.	7. Due to the large portion of tax exempt bonds that the Authority has the ability to issue, require the Authority to notify the Board of any projects receiving tax exempt bonds, even if a TEFRA hearing is not required for the project.

Continued: Table 1: Summary of Findings and Recommendations

Community Involvement:	
8. Southgate currently has an occupancy rate of 52%, the debt service reserve is not fully funded, and approximately 45% of the total fee revenue, from Southgate and Heritage Grove, is contributed to scholarships.	8. Require that the Authority no longer use Southgate revenue to support scholarships due to the current financial status of the dormitory. If net assets associated with Heritage Grove continue to decline, the Authority should re-evaluate the on-going scholarship funding.
9. The Authority issues scholarships to institutions of higher education from revenue derived from its own projects. In addition, the Leon County Authority is the only Authority in the state to issue scholarships according to the statewide comparison study.	9. Support the Authority's scholarship contributions to public institutions of higher education and require that funds for the scholarship continue to be derived solely from the Authority's fee revenue when this revenue is available.
10. The Authority was created to provide an opportunity for the youth of the community (Leon County) to learn and develop their intellectual and mental capacities because of a shortage of educational facilities.	10. Require that the Authority ensure that all projects, exclusive of any scholarship funds, fulfill its statutory mission of providing educational opportunities (when there is a shortage) and assist institutions for higher education in the construction, financing, and refinancing of projects.
11. Both Florida State University and Tallahassee Community College expressed their support for the Authority, especially concerning the scholarship donations.	11. Require that the Authority include a letter of support from an institution of higher education as part of the application process for potential educational facilities projects, thus allowing the Authority to document fulfilling its statutory purpose of assisting these institutions.

Background:
During the July 17, 1990 meeting, the Board approved a resolution establishing the Authority (attachment #1). The Authority was established by the Board as a "mechanism to encourage the funding of educational facilities and as one way to fund the University PUD South Gate Residence Hall Project" (attachment #2). The Florida Statute states the Authority shall exist if the county finds that "the youth in the community do not have the fullest opportunity to learn and develop their intellectual and mental capacities because there is a shortage of educational facilities or projects at the institutions of higher education located within the county" (FS 243.21(2)). The Board did not issue any additional guidelines other than what was in the establishing resolution and Florida Statutes.

Florida Statutes defines that the purpose of the Authority is to assist institutions for higher education in the construction, financing, and refinancing of projects (FS 243.22). The Authority is authorized, among other powers, to acquire and convey property, enter into contracts, make loans, issue notes, and issue revenue bonds related to the acquisition, construction, and equipping of higher education-related projects. Notes, bonds or other obligations incurred by the Authority shall not be deemed a pledge of the faith or credit of the County. The governing statutes for Educational Facilities Authorities are attached (attachment #3).

During the April 26, 1994 meeting, the Board was presented with an agenda item discussing the future of the Authority. The agenda item discussed a memorandum from the County Attorney to the County Administrator and Members of the Board, which responded to an inquiry about the status and options for the future of Authority (attachment #4). The memorandum lists four options that the Board could consider. The Board did not consider dissolving the Authority at that time but did agree to review the financial status of the Authority and then discuss its options.

The Authority owns and operates two projects: Southgate Campus Centre and Heritage Grove. A third project associated with the Authority is the University Courtyard. This project is a conduit financing project and is not directly owned or operated by the Authority. The Authority also issues scholarships to institutions of higher education. Proceeds from the Authority's projects are re-invested in the community through these scholarships.

Methodology:
The overall methodology of the management review process consisted of meetings with the Authority, document review and analysis, statewide comparison, and community input. The Clerk of Courts' Finance Division assisted the Office of Management and Budget with the financial analysis of the Authority.

On October 23, 2008, staff met with the Executive Director and Chairman of the Authority to discuss the outline of the management review (attachment #5). Staff also requested several documents from the Authority during this meeting such as audits, budgets, bond documents, project applications, project information, and minutes of the Authority. After reviewing the documents, staff requested clarification regarding the Authority's financial documents and operations (attachment #6). Staff also met with the Authority's auditors to discuss the financial status of the Authority and its projects.

In addition to meetings and document review and analysis, staff also conducted a comparison of other educational facilities authorities across the state of Florida. Nine out of the twelve authorities responded to the survey (attachment #7). The survey was conducted in order to compare the duties and responsibilities of the Leon County Authority to others in the state.

In order to gain community input regarding the Authority, the County Administrator sent a letter to each of three public institution of higher education. Letters were sent to the Presidents of the Florida State University, Florida A&M University, and Tallahassee Community College. Two out of three institutions responded to the letter.

On February 13, 2009, County Staff, the Clerk's Finance Director, and the County Attorney met with the Executive Director and General Counsel for the Authority to discuss the draft management review report and the factual information contained within the report (attachment #8). Staff also requested clarification regarding the provisions of the Southgate and Heritage Grove Bonds.

On February 24, 2009, staff presented the Authority with a copy of the management review. The Authority's comments are included in attachment #9.

Organizational Structure:

In accordance with Florida Statute, the Authority consists of seven members, and each member is appointed by the Board to serve a term of five years (attachment #10). All members must be residents of Leon County and at least one member must be a trustee, director, officer, or employee of an institution for higher education. The terms are for five years and expire on July 31st. Members are eligible for reappointment, and there is not a limitation on the number of terms a member may serve. The Board may remove members from the Authority for misfeasance, malfeasance, or willful neglect of duty.

Each year the Authority elects one of its members as Chairman and one as Vice-Chairman. The members of the Authority are not compensated but may be paid for necessary expenses incurred while performing duties on behalf of the Authority. The members of the Authority are volunteers who dedicate their personal time toward the betterment of educational facilities. These members are fully committed to the mission of the Authority which is to assist institutions for higher education in the construction, financing, and refinancing of projects and for this purpose the authority is authorized and empowered as set forth in Chapter 243.22, Florida Statutes.

The Authority also appoints an Executive Director, who is not a member of the Authority, serves at the pleasure of the Authority, and is compensated. The Executive Director's duties include keeping a record of the procedures of the Authority, and serving as custodian of the Authority's books, documents, papers, minutes, and official seal.

Meetings are held on a quarterly schedule or as needed. A majority of the Authority members constitutes a quorum, and an affirmative vote of the majority of members present at a meeting is necessary for any action taken by the Authority. In accordance with the Sunshine Law, the Authority must publicly notice all meetings, which is done through a publication notice in the Tallahassee Democrat. Staff has found that these meetings are not always included on the County Calendar. Similar Citizen Advisory Boards, such as the Housing Finance Authority, Tourist Development Council, and Library Advisory Board, coordinate with the Public

Information Officer to include their meetings on the County Calendar. Staff recommends that the Authority coordinate with the Public Information Officer to include meetings on the County Calendar.

Finding:
1. The Authority does publicly notice its meetings; however, it is not in a manner consistent with other County Authorities or Boards.

Recommendation:
1. Require that the Authority coordinate with the Public Information Officer to include meetings on the County Calendar.

Leon County Educational Facilities Authority's Response:
1. The Authority had not been previously apprised of this opportunity provided by the County Public Information Office. The Authority will gladly make use of this service in addition to its normal public notice practices.

Duties and Powers:
Florida Statutes 243.22 defines the powers and duties of the Authority. Listed below is a summary of the duties and powers of the Authority:

- To have perpetual succession as a body politic and corporate and to adopt bylaws for the regulation of its affairs and the conduct of its business; to sue and be sued in its own name, and plead and be impleaded.
- Determine the location and character of any project to be financed under the provisions of this part; and (a) to construct, reconstruct, maintain, repair, operate, lease as lessee or lessor and regulate the same; (b) to enter into contracts for any or all of such purposes; (c) to enter into contracts for the management and operation of a project; and (d) to designate a participating institution for higher education as its agent to determine the location and character of a project undertaken by such participating institution for higher education under the provisions of this part and as the agent of the authority, to construct, reconstruct, maintain, repair, operate, lease as lessee or lessor, and regulate the same, and, as the agent of the authority, to enter into contracts for any or all of such purposes, including contracts for the management and operation of such project.
- Issue bonds, bond anticipation notes and other obligations of the authority for any of its corporate purposes, and to fund or refund the same, all as provided in this part.
- Establish rules and regulations for the use of a project or any portion and designate a participating institution for higher education as its agent to establish rules and regulations for the use of a project undertaken by such participating institution for higher education.
- Mortgage any project and the site thereof for the benefit of the holders of revenue bonds issued to finance such projects.
- Make loans to any participating institution for higher education for the cost of a project, including a loan in anticipation of tuition revenues, in accordance with an agreement between the authority and the participating institution for higher education; provided no such loan shall exceed the total cost of the project

- Charge to and equitably apportion among participating institutions for higher education its administrative costs and expenses incurred in the exercise of the powers and duties conferred by this part.

According to the Florida Statutes, the Authority is required to give an annual report to the Board of its activities for the preceding calendar year, including a complete operating and financial statement of its operations during such year (FS 243.36). In addition, the Authority must conduct a yearly audit by a certified CPA. Previously, the Authority has submitted the annual audit directly to the Clerk of Court. It is staff's recommendation that the Authority prepare an annual report, complete with operating and financial statements, to present to the Board by March 1st of each year. By preparing an annual report to the Board, the Authority will have an opportunity to inform the Board of the annual activities, scholarship donations, and financial status of the Authority.

Finding:
2. The Authority currently submits the annual audit to the Clerk of Court but since March 16, 1993 the Authority has not given a formal annual report to the Board.

Recommendation:
2. Require the Authority to prepare an annual report, complete with operating and financial statements, and present it to the Board by March 1st of each year.

Leon County Educational Facilities Authority's Response:
2. In its early years, the Authority provided the Board of County Commissioners (BCC) with detailed reporting of its activities. Subsequently, the Authority was advised by county staff that submission of its annual audit would be sufficient, and was all that was desired by the BCC for reporting purposes. The Authority asks that the BCC advise as to what other specific information it now wishes to be provided, and the Authority will of course be please to comply.

Projects:
The Authority owns and operates two projects: Southgate Campus Centre and Heritage Grove. A third project associated with the Authority, is the University Courtyard. This project is a conduit financing project and is not directly owned or operated by the Authority. In addition to researching the Authority's projects, staff conducted a statewide comparison study of other educational facilities authorities. This survey, the application and evaluation process, and a description of each project will be summarized in the following paragraphs. The financial status of each project will be discussed under the separate heading of *Budget and Financing.*

Statewide Comparisons to Other Educational Facilities Authorities:
Staff conducted a survey of other educational facilities authorities across the state. Nine authorities out of the twelve responded to the survey (attachment #7). The responding authorities represented counties with both private and public institutions of higher education. Table #2 shows the responses from the nine educational facilities authorities across the state.

Table #2: Educational Facilities Authorities: Statewide Comparison

Counties	Are bonds issued for Private or Public Universities	Projects Sponsored: School Infrastructure? Student Housing?	Are bonds issued only for institutions of higher education?	Does the Authority own or operate projects it issued bonds for?	Donate scholarships to institutions of higher education?
Broward	Private Universities	School Infrastructure and Student Housing	Yes	No	No
Collier	Private Universities	School Infrastructure and Student Housing	Yes	No	No
Hillsborough	Private Universities	Student Housing	Yes	No	No
Lee	Private Universities	School Infrastructure	Yes	No	No
Leon	Neither	Student Housing	No	Yes	Yes
Miami-Dade	Public/Private Universities	School Infrastructure and Student Housing	Yes	No	No
Orange	Private Universities	School Infrastructure and Student Housing	Yes	No	No
Palm Beach	Private Universities	School Infrastructure and Student Housing	Yes	No	No
Volusia	Public/Private Universities	School Infrastructure	Yes	No	No

Many of the authorities issue bonds for private institutions of higher education, and a few public institutions, for school infrastructure and student housing. Some of these projects include libraries, laboratories, classrooms, stadiums, and dormitories. None of the authorities surveyed manage projects that they have issued bonds for and do not make scholarship donations. Leon County was the exception for both. A Wall Street Journal Article published in 1995 also explores responsibilities and oversight of the authorities, including one of the authorities that was not responsive to the survey (attachment #11).

Project Application and Evaluation Process:

The Authority does have an application and evaluation process for approving the bonds for projects. The Authority requires all applicants to submit a generic application and a fee (attachment #12).

During the Authority's January 14, 2009 quarterly meeting, the application fee was raised from $10,000 to $25,000. The new fee structure requires a $10,000 non-refundable deposit and a $15,000 professional services escrow account (attachment #13). Once these professional expenses reach 80% of the escrow amount, the applicant will be notified and requested to refill the account. A refund will be issued if the additional funds are not needed. The application fee was raised due to the increased cost in project evaluations, such as financial advisor and attorney fees.

Upon submittal of a completed application, the Authority reviews the application. In response to staff's questions, the Authority stated that the only common requirements among projects are that they meet the "statutory objectives and serve a public purpose/need which is supportive or complimentary of the missions of institutions of higher education, and that the operational and financing plan and long term projections for the project appear sustainable, credible, and would meet requirements to obtain reasonable financing through the private funding mechanisms" which must be secured by the applicant (attachment #6). The Authority determines whether or not the project meets a public purpose beneficial to the institutions of higher education.

Once the applicant has secured private financing, the Authority requests a Tax Equity and Fiscal Responsibility Act (TEFRA) Hearings from the Board. The TEFRA is a requirement of Federal law in order to obtain the federal income tax benefits. Depending on the outcome of the TEFRA hearing, the Authority will or will not proceed with issuing the bonds to the applicant. Recently, the Authority requested a TEFRA hearing for Create Inc. prior to securing private financing for the project. Staff recommends that the Authority only request a TEFRA hearing from the Board once all financing for the project is in place, in accordance with the application and evaluation process.

During the November 25, 2008 meeting, the Board adopted a conduit financing policy and directed all Authorities seeking to request TEFRA hearings from the County adopt policies equal to the County policy (attachment #14). Staff will forward the policy to the Authority for implementation.

Southgate Campus Centre: Project Overview

The Southgate Campus Centre is a student only housing facility that serves Florida State University (FSU), Florida A&M University (FAMU), and Tallahassee Community College (TCC). Southgate has a total of 268 rooms (536 beds) all of which are fully furnished with study lounges and a full service dining program. The Authority owns this student housing project and has employed a management company to oversee the daily operations. The Authority and the bondholders approve Southgate's annual budget. Currently, Southgate's occupancy rate is 52%.

On November 16, 1990, in response to the Board of Regents request for information, FSU's Vice President for Student Affairs, Jon Dalton, voiced concerns about the cost of the project and the market demand for such a dormitory (attachment #15). As previously mentioned, the July 17, 1990 agenda item indicated that the Authority could be used for such financing. The Authority did decide to secure financing for the project. In July 1991, $28.7 million in tax-free bonds were issued through the Authority. Two years later the developer of Southgate filed for bankruptcy with the construction only 85% complete. In the spring of 1994, Southgate defaulted on the bonds. The Authority decided to take ownership of the project in order to ensure its completion. The Authority has stated that since August 1995 Southgate has operated successfully and continues to be a safe student housing alternative.

Heritage Grove: Project Overview

In addition to Southgate, the Authority also owns the Heritage Grove Project and leases the land from FSU and the State of Florida. Heritage Grove provides housing for several student organizations, including fraternities, as well as an alternative housing solution for FSU students. Only registered FSU students may live at Heritage Grove. Since 2004, the rate of occupancy for Heritage Grove has remained close to 100%, with the exception of 2007 when the rate was 93%.

University Courtyard:

The University Courtyard is a conduit financing project sponsored by the Authority. In response to staff inquiries on the Authority's involvement in University Courtyard, the Authority stated that the project is managed by Muni Mae, on behalf of itself and the bondholders. The Authority has never actively managed the project (attachment #6).

Summary of Authority's Projects:
Staff observed that while the Authority manages two student housing projects, it still makes decisions on whether or not other student housing projects are beneficial to the community. These housing projects could be in direct competition with the Authority's own projects. For instance, as discussed above, the Authority's own Southgate project has a low occupancy rate. Recommending issuance of tax free bonds for additional student housing would put new rooms on the market that could be competing for the Authority's residential opportunities. In fact, Bondholder's Risk section of the Heritage Grove bond documents state that "any competing facilities... including the existing Southgate student housing facility owned by the issuer, could adversely affect occupancy of the project" (attachment #16).

This apparent conflict of interest does not support the Authority purpose of assisting institutions for higher education in the construction, financing, and refinancing of projects, which is not limited to student housing. These projects can range from stadiums, administrative buildings, libraries, classrooms, and laboratories. According to the comparison of other authorities across the state, the Leon County Authority is the only authority that has issued bonds for projects that it owns and operates.

Finding:
3. The Authority's application and evaluation process is as follows: 1) an applicant submits an application and fee to the Authority; 2) the Authority reviews the application and determines whether or not the project meets a public purpose beneficial to the institutions of higher education; 3) the applicant secures financing; 4) the Authority requests a TEFRA hearing from the Board; and 5) the bonds are then issued. However, this process was not followed when a TEFRA was requested for Create Inc.
4. The Authority manages two student housing projects and makes decisions on whether or not other student housing projects are beneficial to the community. These projects could be in direct conflict with the Authority's own projects. In addition, the Leon County Authority is the only authority in the state of the Florida that owns and manages projects. All other authorities surveyed are a means of conduit financing.

Recommendation:
3. Require the Authority to only request a TEFRA hearing from the Board once all financing for a project is in place, in accordance with the application and evaluation process.
4. Require that the Authority not own or operate any educational facilities or dormitories beyond its current properties.

Leon County Educational Facilities Authority's Response:
3. The Board of County Commissioners (BCC) hearings for the CREATE proposal were done out of the normal sequence, at the specific request of the County's Bond Counsel. Situations will arise, such as occurred in the CREATE process, where the ultimate financing arrangement cannot be confirmed as "in place" until TEFRA approval is given.
4. The Florida Statutes which authorize the creation of the County Educational Facilities Authorities, the BCC Enabling Resolution which gave birth to the Leon County EFA, and opinions from the Circuit Court and the Florida Supreme Court regarding the activities of the Leon County EFA in particular, confirm and validate the Leon County EFA's authority to own, operate, and manage projects. The Legislature expressly allowed for the establishment of EFAs

by county, so that communities could decide what was best for their own particular situations. There is not a mandate or even a recommendation in the statute that all Authorities operate using the same priorities, methods, policies, or procedures. The mix of higher educational institutions and population in Leon County is unique to this community, and it should not be presumed that the Leon County EFA would operate in the same way as an Authority in a very different community, such as Broward, Miami-Dade, etc. The projects which the Authority now has, or has recently had/considered, were each analyzed and considered in depth, and determined to be unique in their own right and were not felt by the Authority to be in competition with one another. This is a basic policy issue, and one of many reasons why the law provides for the creation of an entity such as the Authority.

Budget and Financing:

In accordance with Florida Statutes 243.23, all expenses incurred in carrying out the provisions of the duties and powers of the Authority must be paid solely by the Authority. The statutes state that notes, bonds, or other obligations incurred by the Authority shall not be deemed a pledge of the faith or credit of the County (FS 243.29). In addition, the Authority may also acquire real property solely from funds provided by the Authority.

Budgets and Financial Statements:

In preparation for this review, staff requested the Authority's budgets for the past three years (attachment #17). These budgets show the amount of revenue the Authority receives from monthly fees, issuer fees, and interest earned. The fee revenue is for the Authority's oversight and management of the Southgate and Heritage Grove projects. In FY07, the Authority received $145,762 in fees and donated 45% to scholarships for institutions of higher education. The Authority's expenses for the executive director, general counsel, meetings, audits, and scholarship donations are also detailed in these budget documents.

Staff also requested the past five years of audits from the Authority (attachment #18). Staff has reviewed these audits and has met with the Authority and the auditors to discuss the reports. Table #3 outlines the total assets, liabilities, and net assets of the Authority.

Table #3: Leon County Educational Facilities Authority: Total Statement of Net Assets

	2004	2005	2006	2007	2008
Total Assets	$52,201,952	$48,191,633	$46,633,568	$44,297,079	$41,927,989
Total Liabilities	$65,414,334	$63,372,360	$64,063,497	$64,806,739	$65,521,655
Total Net Assets	**($13, 212,382)**	**($15,180,727)**	**($17,429,929)**	**($20,509,660)**	**($23,593,666)**

The auditor for the Authority reports in the management letter for the year ending September 30, 2008 financial statements that the Authority has a deficit in net assets of over $23 million, as shown above. A deficit in the fund balance/net assets is a required disclosure since this condition meets one of the conditions under the Florida Statutes 218.503(1) for financial emergency. Florida Statute states that the determinations of a financial emergency is "failure to make bond debt service or other long-term debt payments when due, as a result of a lack of funds; or unrestricted or total net assets deficit, as reported on the balance sheet or statement of net assets, are not available to cover the deficit."

Currently the County and the Authority employ the same Financial Advisor. Staff recommends that in order to have another level of financial analysis, the Authority obtain an independent Financial Advisor, which is not affiliated with the County.

Southgate Campus Centre: Financial Overview

In May 29, 1998, the Authority issued $12 million in Series A bonds, with 6.75% interest, and $20.5 million in B bonds, with 7.625% interest, in order to pay for the 1991 bonds (attachment #19). The September 30, 2008 audit for the Authority shows $26.2 million in payable revenue bonds with $15 million in accrued interest payable.

Currently, the Authority's immediate concern is its ability to make the A bond payments. Table #4 shows the decreased rate of occupancy for Southgate over the past three years. The bond documents state that the Authority must maintain a reserve fund of $955,412, for the debt service payment on the bonds in the event of a shortfall. The Authority has acknowledged that the student housing market has experienced a significant downturn. One of these factors is the additional 1,700 new dormitory units that have been opened by FSU.

Table #4: Southgate: Statement of Net Assets

	2004	2005	2006	2007	2008
Rate of Occupancy	100%	100%	96%	78%	52%
Total Assets	$20,110,131	$19,694,198	$18,919,969	$17,551,812	$16,240,513
Total Liabilities	$38,253,623	$39,689,514	$40,601,825	$41,661,168	$42,546,039
Total Net Assets	**($18,143,492)**	**($19,995,316)**	**($21,681,856)**	**($24,109,356)**	**($26,305,526)**

During the January 14, 2009 quarterly meeting, the Authority met with the Bond Trustees and the Southgate management company to discuss the current financial situation of the dormitory. A discussion was held regarding how the March bond interest payment would be made. It was agreed that a decision would be stayed pending the success of the revised marketing campaign and a strategy implemented to replace the reserve funds, which have recently been used to make past bonds payments.

In conversations with the Authority, staff learned that in light of the project's current financial status the Authority agreed to suspend the issuer fee for Southgate, approximately $35,000. These fees are ordinarily used to fund scholarship donations.

Staff inquired about the steps the Authority is taking regarding the decrease in revenue. The Authority stated that it is working with the management company to "aggressively increase marketing and cost-cutting measures" (attachment #6). In an effort to strengthen the marketing campaign and attract more students to Southgate, a budget amendment was approved to add $72,000 to the current marketing budget during the January 2009 quarterly meeting. However, this marketing effort will be directed toward next year's occupancy rate and according to the 2009 Budget and Marketing Calendar that projected occupancy rate is 85% (attachment #20).

Currently, Southgate is only maintaining a 52% occupancy rate, a 26% decrease over the previous year. The Authority has stated that "due to many fixed costs and the need to maintain attractiveness of these projects for the long run, expenses cannot necessarily be pared down." The Bond Trustees, the Authority, and the management company are continuing to work together in order improve the financial status of the facility. The Authority is working on contingency plans with the Bond Trustees for the March bond payment, if the financial environment does not improve. Staff recommends that the Authority continue to work with the Bond Trustees and the management company in order to develop contingency plans for the

current and future bond payments, as well as develop a plan to replenish the bond reserve fund, and provide timely updates to the Board of County Commissioners as soon as additional information becomes available.

Heritage Grove: Financial Overview

On November 18, 2003, the Authority created a separate Limited Liability Company, LCEFA Ocala Road, LLC (LCEFA), in order to be the borrower for the Heritage Grove bonds (attachment #21). The LCEFA is a single member company and is comprised of the Board appointed members of the Authority. The Authority stated that a TEFRA hearing was not required for this project, due to the project's location on state land and that the Authority, the Issuer, and the LCEFA, the Borrower, are both tax exempt entities; therefore, the Authority did not request the Board's involvement.

In December 2003, the Authority issued revenue bonds for the Heritage Grove project in the amount of $23.3 million (attachment #16). In addition, the Authority entered into a contract with FSU and the State of Florida for a 50 year land lease on the Heritage Grove site. FSU also contributed $4 million to the project for infrastructure and parking.

Prior to the issuance of the Heritage Grove Bonds, the County Administrator asked the Executive Director of the Authority to brief the County's Finance Advisory Committee of current projects and future projects being considered (attachment #22). This request was made in order to notify the Finance Advisory Committee of how projects may impact the overall indebtedness and future bonding capacity. Staff recognizes the independent nature of the Authority as noted in FS 243.38. However, due to the large portion of tax exempt bonds that the Authority has the ability to issue, staff recommends that the Authority provide notice to the Board regarding any projects that receive tax exempt bonds, even if a TEFRA hearing is not required for the project.

Since 2004, the rate of occupancy for Heritage Grove has remained close to 100%, with the exception of 2007 when the rate was 93%. Although Heritage Grove has been able to maintain a high rate of occupancy, the total net assets for Heritage Grove continue to decrease as shown in Table #5.

Table #5: Heritage Grove: Statement of Net Assets

	2004	2005	2006	2007	2008
Rate of Occupancy	100%	100%	100%	93%	99%
Total Assets	$28,872,917	$28,131,122	$27,378,058	$26,367,290	$25,366,289
Total Liabilities	$23,579,597	$23,682,846	$23,461,672	$23,143,635	$22,795,616
Total Net Assets	**$5,293,320**	**$4,448,276**	**$3,916,386**	**$3,223,655**	**$2,570,673**

Staff inquired about this decrease in net assets and the Authority stated that Heritage Grove has had to "maintain its rental structure at close to 2005 rates in order to remain competitive" (attachment #6). By not increasing rental rates at 3% annum, as originally intended, the total net assets for Heritage Grove have decreased by $2.7 million in the past five years. Additionally, in the September 30, 2008 audit of the Authority, the auditors noted that the fixed charges coverage ratio fell below the required Bond covenant of 1.20 to 1.07. As required by the bond documents, the Authority has stated that it is working with financial consultants to address this note and that it "may require longer term adjustments of present financing structures."

According to the Heritage Grove bond documents, five years from the date the original bonds were issued the bonds are eligible for defeasance, thus allowing student organizations that are

leasing property to purchase it. Defeasance will also be allowed again in another five years. Defeasance is a financing tool by which outstanding bonds may be retired without bond redemption or implementing an open market buy-back. In essence, these student organizations will be able to purchase property allowing the Authority to pay back that portion of the bond. The cost of each eligible property site is $2.9 million, which is the minimum selling price, as determined by an independent consultant. According to the bond documents, the bonds for Heritage Grove must be defeased or the property sold for the consultant's value or an independent appraised value, whichever is higher.

The Authority has issued letters to these student organizations notifying them of this opportunity (attachment #23). A meeting was also held in which five out of the eight organizations attended. Though not noted in the minutes, during the Authority's January 14, 2009 quarterly meeting, staff observed one student organization express their concern over the high cost of the property and state that many organizations do not have the ability to pay such a high cost (attachment #13). The organization also expressed concern over the property value, which it believes to be lower than $2.9 million. The Authority has created a committee to explore obtaining an additional independent appraisal of Heritage Grove in order to determine the property value.

University Courtyard: Financial Overview

As stated previously, the University Courtyard is a conduit financing project sponsored by the Authority. The University Courtyard went through the application process with the Authority and a TEFRA hearing was conducted by the Board on February 15, 2000 (attachment #24). Financing for the project, in an amount not to exceed $10.4 million, was approved by the Board. The Authority is not involved in the day-to-day management of University Courtyard.

It is important to note that that Authority's audits indicate that upon repayment of the bonds, in 2040, that the Authority would take ownership of the University Courtyard. According to the Authority, the project would be "directed to the use, benefit, and ownership of Florida A&M University" if the university accepted. However, the Authority has stated that Muni Mae has intentions of taking over all ownership interest in University Courtyards.

Finding:

5. The Authority and the County currently share the same Financial Advisor.

6. The auditor for the Authority reports in the management letter for the FY2008 financial statements that the Authority has a deficit in net assets of over $23 million. A deficit in the fund balance/net assets is a required disclosure since this condition meets one of the conditions under the Florida Statutes 218.503(1) for financial emergency. The Authority also has concerns regarding the current debt service on the A bonds for Southgate. In the past, the Authority has used a portion of the bond reserves for debt services. The bond reserve has not been fully replenished. Additionally, the FY2008 audit reports that the debt coverage required for Heritage Grove fell below the required 1.20 to 1.07. The auditor notes that a financial consultant must be engaged. Due to these conditions, and the low rate of occupancy at Southgate, the Authority, Bond Trustees, and the Management Company are currently developing an aggressive marketing campaign and cost cutting measures.

7. Due to the fact that the Heritage Grove Project was built on state land and that the Issuer, the Authority, and the Borrower, LCEFA, are both tax exempt entities, a TEFRA hearing was not required for the project. The Authority did not request the Board's involvement for the project.

Recommendation:

5. In order to have another level of financial analysis, require the Authority to obtain an independent Financial Advisor, which is not affiliated with the County.
6. Require that the Authority provide updates to the Board on these contingency plans, as soon as they are available.
7. Require the Authority to notify the Board of any projects receiving tax exempt bonds, due to the large portion of tax exempt bonds that the Authority has the ability to issue, even if a TEFRA hearing is not required for the project.

Leon County Educational Facilities Authority's Response:

5. The Authority believes that it makes good sense and offers certain economies of operation, to share the same Financial Advisor. This allows for yet another means of communication between the Authority and County staff/BCC and is viewed as an added benefit and safeguard to the County's interests, as the County has previously established a working and trusting relationship with its Financial Advisor, who is already very familiar with the pertinent workings, concerns, and interests of the BCC. Should the BCC feel that another, wholly separate financial advisor/opinion is warranted in a particular situation, the BCC could always retain one for that specific project.

6. The Authority is well aware of the financial issues presented, and has been in consultation with various financial, bond and legal counsel, the project management company, the bond trustee and bondholder representatives, to develop appropriate plans moving forward. The Authority will continue to work with these advisors and others in its ongoing efforts to address the financial concerns. In years past, a county staff person had been designated as a liason to the Authority, and regularly attended its meeting for the purposes of providing continual reporting and feedback on Authority's activities to the county staff/BCC. The Authority would like to see a renewed involvement by County staff or commissioners. In forthcoming recommendations from the Authority chairman to the BCC it will be requested that a county commissioner be designated as an additional member of the Authority (such as is done with some other county appointed authorities and committees), and it will also be requested that at least an annual meeting be held between the Authority chairman and the chairman of the BCC.

7. The Authority presented the entire Heritage Grove project to both the BCC and the Tallahassee City Commission as well as the Planning and Zoning Commission and other governmental authorities, all of which were required to approve the project. As a matter of practice, the Authority has and will always keep the BCC apprised of any projects receiving tax exempt bonds, even if a TEFRA hearing is not required.

Community Involvement:

Scholarships:

The Authority has been issuing scholarships locally for about 15 years. Proceeds from the Authority's projects are re-invested in the community through these scholarships. The Authority estimates that $20,000 is given annually to each the following higher education institutions: Florida State University (FSU), Florida A&M University (FAMU), and Tallahassee Community College (TCC) (attachment #25).

The Authority has budgeted $70,000 for its scholarship donation for the past fiscal year. As stated previously, funding for scholarships is derived from the Authority's fee revenues from

Southgate and Heritage Grove. Approximately 45% of the total fee revenue, from Southgate and Heritage Grove, is contributed to scholarships. According to the statewide comparison, Leon County Authority is the only authority that issues scholarships to institutions of higher education. Staff recommends that the Authority no longer use Southgate revenue to support scholarships due to the current financial status of the dormitory. Also if the net assets associated with Heritage Grove continue to decline, the Authority should re-evaluate the on-going scholarship funding. Staff supports the Authority's scholarship contributions to public institutions of higher education and recommends that funds for the scholarship continue to be derived solely from the Authority's fee revenue when this revenue is available.

While financial assistance is provided to the institutions of higher education through the Authority's scholarship donations, the projects from which the revenue for the scholarships are derived may not directly fulfill the Authority's statutory mission. As stated previously, the Authority was created to provide an opportunity for "the youth in the community (Leon County) to learn and develop their intellectual and mental capacities because a shortage of educational facilities." Staff recommends that the Authority ensure that all projects, exclusive of any scholarship funds, fulfill its statutory mission of providing educational opportunities, when there is a shortage, and assist institutions for higher education in the construction, financing, and refinancing of projects.

Institutions of Higher Education:

In order to gain input from the institutions of higher education regarding the Authority, the County Administrator wrote a letter to each of the three public institutions in Leon County (attachment #26). Both TCC and FSU expressed support of the Authority. In the letter from the President of TCC, Dr. Bill Law, he stated that the Authority has made valuable donations to the scholarship funds of TCC (attachment #27). However, Dr. Law did urge caution about a "quasi-governmental entity operating day-to-day enterprises in a competitive and fast moving environment" such as student housing. Dr. Law also expressed his support for the continuation of the Authority as "an alternative means of funding projects." In a similar letter, FSU Senior Vice President of Finance and Administration, John Carnaghi, has indicated that in the last five years the Authority has donated $90,000 in scholarships (attachment #28). Mr. Carnaghi did note that the Authority offers safe off-campus housing for students and serves as a "screening of investors/developers interested in building/operating student housing" which are often referred by FSU to the Authority for evaluation. Mr. Carnaghi also expressed his support for the Authority. FAMU did not respond to the County Administrator's letter.

According to Florida Statute, the Authority is to "designate a participating institution for higher education as its agent to establish rules and regulations for the use of a project" (FS 243.22(8)). Based on the input of the institutions of higher education, TCC and FSU, staff recommends that the application process for potential educational facilities projects include a letter of support from an institution of higher education. This letter of support will allow the Authority to document fulfilling its statutory obligation to "assist institutions for higher education in the construction, financing, and refinancing of projects" (FS 243.22) as well as provide community support of such a project. For instance, the Authority reviewed an application for a student housing project and attached was a letter from FSU called "Form of Florida State Referral Agreement" (attachment #29). In this letter, FSU expressed its support for reasonably convenient, suitable, and affordable housing for students. The application for this project was later withdrawn.

Finding:

8. Southgate currently has an occupancy rate of 52%, the debt service reserve is not fully funded, and approximately 45% of the total fee revenue, from Southgate and Heritage Grove, is contributed to scholarships.

9. The Authority issues scholarships to institutions of higher education from revenue derived from its own projects. In addition, the Leon County Authority is the only Authority in the state to issue scholarships according to the statewide comparison study.

10. The Authority was created to provide an opportunity for the youth community (Leon County) to learn and develop their intellectual and mental capacities because of a shortage of educational facilities.

11. Both Florida State University and Tallahassee Community College expressed their support for the Authority, especially concerning the scholarship donations.

Recommendation:

8. Require that the Authority no longer use Southgate revenue to support scholarships due to the current financial status of the dormitory. If net assets associated with Heritage Grove continue to decline, the Authority should re-evaluate the on-going scholarship funding.

9. Support the Authority's scholarship contributions to public institutions of higher education and require that funds for the scholarship continue to be derived solely from the Authority's fee revenue when this revenue is available.

10. Require that the Authority ensure that all projects, exclusive of any scholarship funds, fulfill its statutory mission of providing educational opportunities, when there is a shortage, and assist institutions for higher education in the construction, financing, and refinancing of projects.

11. Require that the Authority include a letter of support from an institution of higher education as part of the application process for potential educational facilities projects, thus allowing the Authority to document fulfilling its statutory purpose of assisting these institutions.

Leon County Educational Facilities Authority's Response:

8. The Authority does not use "revenue" to fund scholarships and could not do so without being in violation of the bond documents. The Authority funds scholarships from the administrative fees earned by it in accordance with the bond documents. Scholarships will continue to be derived from the Authorities administrative fees and funds.

9. Please see the foregoing response to Item No. 8. The Authority is proud to apparently be the only authority in the state to award scholarships.

10. The Authority has and will continue to abide by the Florida statutory provisions and BCC enabling resolution which created and authorized the Authority's mission of providing higher educational opportunities and assistance to benefit the institutions of higher education in the community.

11. As part of its due diligence, the Authority always takes into consideration how its projects fulfill its statutory mission of assisting the community's institutions of higher education. A "letter of support" is a board statement, and one that educational administrators may not be in a position to issue on a given project. Historically and by design, the Authority has always had members from the FSU, TCC, and FAMU administrations, so as to assure open lines of

communications as to the needs and desires of the three institutions of higher education in Leon County.

Conclusion:

Consistent with the findings in this management review, staff recommends that the Board adopt all of the recommendations, which include the following:

- Require that the Authority coordinate with the Public Information Officer to include meetings on the County Calendar.
- Require the Authority to prepare an annual report, complete with operating and financial statements, and present it to the Board by March 1st of each year.
- Require the Authority to only request a TEFRA hearing from the Board once all financing for a project is in place, in accordance with the application and evaluation process.
- Require that the Authority not own or operate any educational facilities or dormitories beyond its current properties.
- In order to have another level of financial analysis, require the Authority to obtain an independent Financial Advisor, which is not affiliated with the County.
- Require that the authority provide updates to the Board on these contingency plans, as soon as they are available.
- Due to the large portion of tax exempt bonds that the Authority has the ability to issue, require the Authority to notify the Board of any projects receiving tax exempt bonds, even if a TEFRA hearing is not required for the project.
- Require that the Authority no longer use Southgate revenue to support scholarships due to the current financial status of the dormitory. If net assets associated with Heritage Grove continue to decline, the Authority should re-evaluate the on-going scholarship funding.
- Support the Authority's scholarship contributions to public institutions of higher education and require that funds for the scholarship continue to be derived solely from the Authority's fee revenue when this revenue is available.
- Require that the Authority ensure that all projects, exclusive of any scholarship funds, fulfill its statutory mission of providing educational opportunities, when there is a shortage, and assist institutions for higher education in the construction, financing, and refinancing of projects.
- Require that the Authority include a letter of support from an institution of higher education as part of the application process for potential educational facilities projects, thus allowing the Authority to document fulfilling its statutory purpose of assisting these institutions.

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Attachment #1

RESOLUTION

A RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF LEON COUNTY, FLORIDA, CREATING THE LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY PURSUANT TO CHAPTER 243, PART II, FLORIDA STATUTES; APPOINTING THE INITIAL MEMBERS OF THE AUTHORITY; PROVIDING THAT NEITHER THE FUNDS NOR THE FAITH AND CREDIT OF THE COUNTY SHALL BE OBLIGATED BY THE AUTHORITY AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the Board of County Commissioners finds that the youth of Leon County do not have the fullest opportunity to learn and to develop their intellectual and mental capacities because there is a shortage of educational facilities or projects at the institutions for higher education located within the county; and

WHEREAS, the Board of County Commissioners declares that there is a need in Leon County for an educational facilities authority as authorized by Chapter 243, Part II, Florida Statutes.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF LEON COUNTY, FLORIDA;

Section 1. Creation of Authority. Pursuant to Chapter 243,, Part II, Florida Statutes, and upon its motion, the

Board of County Commissioners does hereby create the Leon County Educational Facilities Authority consisting of seven members, as described herein, and one of such members shall be a trustee, director, officer, or employee of an institution for higher education located in Leon County.

Section 2. Appointment of Initial Members and Term of Each. The initial members of the Authority and the term of each (from the date this Resolution becomes effective) is as follows:

1.	Penny Dehler	One Year
2.	Jerry Draper	Two Years
3.	Richard E. Flamer	Three Years
4.	Bob Kellum	Four Years
5.	John Kraft	Four Years
6.	Marshall Miller	Five Years
7.	Ray Solomon	Five Years

Section 3. Organization of Authority. Of the members first appointed, one shall serve for one year, one for two years, one for three years, two for four years, and two for five years, and in each case until his successor is appointed and has qualified. Thereafter, the Commission shall appoint for terms of five years each a member or

members to succeed those whose terms expire. The Commission shall fill any vacancy for an unexpired term. A member of the Authority shall be eligible for reappointment. Any member of the Authority may be removed by the Commission for misfeasance, malfeasance or willful neglect of duty. Each member of the Authority before entering upon his duties shall take and subscribe the oath or affirmation required by the State Constitution. A record of each such oath shall be filed in the office of the Secretary of State and with the Clerk. The Authority shall annually elect one of its members as Chairman and one as Vice-Chairman, and shall also appoint an executive director who shall not be a member of the Authority and who shall serve at the pleasure of the Authority and shall receive such compensation as shall be fixed by the Authority. The Executive Director shall keep a record of the proceedings of the Authority and shall be custodian of all books, documents, and papers filed with the Authority and of the minute book or journal of the Authority and of its official seal. He may cause copies to be made of all minutes and other records and documents of the Authority and may give certificates under the official seal of the Authority to the effect that such copies are true copies,

and all persons dealing with the Authority may rely upon such certificates. A majority of the Authority shall constitute a quorum and the affirmative vote of a majority of the members present at a meeting of the Authority shall be necessary for any action taken by an Authority; provided, however, any action may be taken by an Authority with the unanimous consent of all of the members of the Authority. No vacancy in the membership of the Authority shall impair the right of a quorum to exercise all the rights and perform all the duties of the Authority. Any action taken by the Authority under the provisions of Chapter 243 may be authorized by resolution at any regular or special meeting, and each such resolution shall take effect immediately and need not be published or posted. The members of the Authority shall receive no compensation for the performance of their duties hereunder, but each such member shall be paid his necessary expenses incurred while engaged in the performance of such duties. Notwithstanding any other law to the contrary, it shall not be or constitute a conflict of interest for a trustee, director, officer, or employee of an institution for higher education to serve as a member of the Authority.

Section 4. Powers of Authority. The Authority is vested with those powers specified in Chapter 243, Part II, and no other powers or authority, such powers to be exercised in accordance with the provisions of Chapter 243, Part II.

Section 5. Expenses. All expenses incurred in carrying out the provisions of Chapter 243 shall be payable solely from funds provided under the authority of Chapter 243 and no liability or obligations shall be incurred by an Authority hereunder beyond the extent to which moneys shall have been provided under the provisions of Chapter 243. Neither the notes, bonds nor any other obligation incurred by the Authority shall be deemed a pledge of the faith or credit of Leon County nor shall any act or inaction of the Authority directly or indirectly or contingently obligate Leon County to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment.

Section 6. Reports. Within the first ninety (90) days of each calendar year, the Authority shall make a report to the governing body of the county of its activities for the preceding calendar year. Each such report shall set forth a

complete operating and financial statement covering its operations during such year. The Authority shall cause an audit of its books and accounts to be made at least once each year by certified public accountants and the cost thereof shall be paid by the Authority from funds available to it pursuant to Chapter 243.

Section 7. Effective Date. The provisions of this resolution shall become effective upon its enactment.

DULY PASSED AND ADOPTED by the Board of County Commissioners of Leon County, Florida, this 17th day of July, 1990.

BOARD OF COUNTY COMMISSIONERS
LEON COUNTY, FLORIDA

By: _____
Gary Yordon, Chairman

APPROVED AS TO FORM:

Herbert W.A. Thiele, Esq.
County Attorney

By: _____
Sam Hurst
Deputy Clerk

Attachment #2

Board of County Commissioners

Agenda Request

DATE: July 17,1990

TO: Honorable Chairman and Members of the Board

FROM: Parwez Alam, County Administrator

SUBJECT: Educational Facilities Authority Resolution

STATEMENT OF ISSUE:

Should the Board of County Commissioners pass a resolution (Attachment 1.) creating a Leon County Educational Facilities Authority pursuant to Chapter 243, Part II, Florida Statutes?

BACKGROUND:

Mr. Kent Deeb approached the County Administration in early July about the County's possible interest in creating an educational facility authority as a mechanism to encourage the funding of educational facilities and as one way to fund the University PUD South Gate Residence Hall project. Mr. Deeb has also provided the Administration with information on these authorities (See the Attachments) and he has spoken with interested parties about the feasibility of establishing an authority.

In 1969 the Legislature enacted Chapter 243, Part II, F.S. (Attachment 2.) which empowers boards of county commissions to establish by ordinance or resolution educational facilities authorities. The purpose of the authority "shall be to assist institutions for higher education in the construction, financing, and refinancing of projects..." s. 243.22, F.S.

These authorities have the power to furnish revenue bond financing for any structure suitable for use as a student housing facility, dining hall, student union, administration building, academic building, library, health care facility, or maintenance facility. (See Attachment 3 for an executive summary of Ch. 243, Part II, F.S.) Funds must be used for the construction of facilities that are required by or useful for the instruction of students, research, and the operation of educational institutions. Bonds obtained by the authority are paid off by revenues received from room rentals, admission charges, and other charges. When these bonds are paid off, the authority is required by statute to deed the project over to the University free of all encumbrances.

Two authorities exist in the state. These are located in Dade and Pinellas counties. (See Attachment 4 for a copy of the Dade County Ordinance establishing their authority.) The Dade County

Authority was formed in 1969 and has issued $377 million in revenue bonds for 21 projects for use in six post-secondary institutions, while the Pinellas Authority has issued $67 million in bonds for three projects (Attachment 5).

ANALYSIS:

The central question is what, if any, are the costs and benefits of the creation and operation of an educational facilities authority to the county and to the educational institutions in the county?

According to s. 243.29, Florida Statutes:

> Revenue bonds issued under the provisions of this part shall not be deemed to constitute a debt or liability of ... the county or a pledge of the faith and credit of the ... county....

There does not appear to be any short or long run costs to the county if an authority is established. In addition, the County Attorney reviewed the educational facility authority law and is of the opinion that the County would not have to assume any debt or liability were a project to fail. To confirm these conclusions, County staff spoke with Mr. James A. Christison, Chairman of the Pinellas County Education Facilities Authority. He indicated to us that the authority has been quite successful in obtaining funding for Eckard College. Pinellas County officials were unaware of any negative impacts related to the formation of the authority. (For a contact list, see Attachment 6.)

Given the experience of Dade and Pinellas county it appears that an authority would meet some of the educational facility needs of the County's three institutions of higher learning.

OPTIONS:

1. Approve the Resolution establishing an educational facilities authority.

2. Do not approve the Resolution.

3. Amend the Resolution.

RECOMMENDATION:

It is recommended that Option 1 be approved by the Board because this option does not present any liability or cost to the County nor does it impact the County's bond allocation limits.

This Option is also recommended because it appears to be a useful device to obtain facilities funding for the community's institutions of higher learning.

PA/BW

Attachments

1. A draft resolution creating a Leon County Educational Facilities Authority
2. A copy of Chapter 243, Part II, F.S.
3. An executive summary of Chapter 243, Part II, F.S.
4. A copy of the Dade County ordinance establishing their authority
5. A summary of projects completed by other educational facilities authorities
6. A list of contact persons

Attachment 1

RESOLUTION NO. _____

A RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF LEON COUNTY, FLORIDA CREATING THE LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY PURSUANT TO CHAPTER 243, PART II, FLORIDA STATUTES; APPOINTING THE INITIAL MEMBERS OF THE AUTHORITY; PROVIDING THAT NEITHER THE FUNDS NOR THE FAITH AND CREDIT OF THE COUNTY SHALL BE OBLIGATED BY THE AUTHORITY AND PROVIDING AN EFFECTIVE DATE

WHEREAS, the Board of County Commissioners finds that the youth of Leon County do not have the fullest opportunity to learn and to develop their intellectual and mental capacities because there is a shortage of educational facilities or projects at the institutions for higher education located within the county; and

WHEREAS, the Board of County Commissioners declares that there is a need in Leon County for an educational facilities authority as authorized by Chapter 243, Part II, Florida Statutes.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF LEON COUNTY, FLORIDA;

Section 1. Creation of Authority. Pursuant to Chapter 243, Part II, Florida Statutes, and upon its own motion, the Board of County Commissioners does hereby create the Leon County Educational Facilities Authority consisting of five members, as described herein, and one of such members shall be a trustee, director, officer or employee of an institution for higher education located in Leon County.

Section 2. Appointment of Initial Members and Term of Each. The initial members of the Authority and the term of each (from the date this Resolution becomes effective) is as follows:

	TERM
1.	One Year
2.	Two Years
3.	Three Years
4.	Four Years
5.	Five Years

Section 3. Organization of Authority. Of the members first appointed, one shall serve for one year, one for two years, one for three years, one for four years, and two for five years, and in each case until his successor is appointed and has qualified. Thereafter, the Commission shall appoint for terms of five years each a member or members to succeed those whose terms expire. The Commission shall fill any vacancy for an unexpired term. A member of the Authority shall be eligible for reappointment. Any member of the Authority may be removed by the Commission for misfeasance, malfeasance or willful neglect of duty. Each member of the Authority before entering upon his duties shall take and subscribe the oath or affirmation required by the State Constitution. A record of each such oath shall be filed in the office of the Secretary of State and with the Clerk. The Authority shall annually elect one of its members as Chairman and one as Vice-Chairman, and shall also appoint an executive director who shall not be a member of the Authority and who shall serve at the pleasure of the Authority and shall receive such compensation as shall be fixed by the Authority. The Executive Director shall keep a record of the proceedings of the Authority and shall be custodian of all books, documents and papers filed with the Authority and of the minute book or journal of the Authority and of its official seal. He may cause copies to be made

of all minutes and other records and documents of the Authority and may give certificates under the official seal of the Authority to the effect that such copies are true copies, and all persons dealing with the Authority may rely upon such certificates. Three members of the Authority shall constitute a quorum and the affirmative vote of a majority of the members present at a meeting of the Authority shall be necessary for any action taken by an Authority; provided, however, any action may be taken by an Authority with the unanimous consent of all of the members of the Authority. No vacancy in the membership of the Authority shall impair the right of a quorum to exercise all the rights and perform all the duties of the Authority. Any action taken by the Authority under the provisions of Chapter 243 may be authorized by resolution at any regular or special meeting, and each such resolution shall take effect immediately and need not be published or posted. The members of the Authority shall receive no compensation for the performance of their duties hereunder, but each such member shall be paid his necessary expenses incurred while engaged in the performance of such duties. Notwithstanding any other law to the contrary, it shall not be or constitute a conflict of interest for a trustee, director, officer, or employee of an institution for higher education to serve as a member of the Authority.

Section 4. Powers of Authority. The Authority is vested with those powers specified in Chapter 243, Part II and no other powers or authority, such powers to be exercised in accordance with the provisions of Chapter 243, Part II.

Section 5. Expenses. All expenses incurred in carrying out the provisions of Chapter 243 shall be payable solely from funds provided under the authority of Chapter 243 and no liability or obligations shall be incurred by an Authority hereunder beyond the extent to which moneys shall have been provided under the provisions of Chapter 243. Neither

the notes, bonds nor any other obligation incurred by the Authority shall be deemed a pledge of the faith or credit of Leon County nor shall any act or inaction of the Authority directly or indirectly or contingently obligate Leon County to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment.

Section 6. Reports. Within the first ninety (90) days of each calendar year, the Authority shall make a report to the governing body of the county of its activities for the preceding calendar year. Each such report shall set forth a complete operating and financial statement covering its operations during such year. The Authority shall cause an audit of its books and accounts to be made at least once each year by certified public accountants and the cost thereof shall be paid by the Authority from funds available to it pursuant to Chapter 243.

Section 7. Effective Date. The provisions of this resolution shall become effective upon its enactment.

PASSED AND ADOPTED ON
THE ___ DAY OF
_____, 1990.

BOARD OF COUNTY COMMISSIONERS
LEON COUNTY, FLORIDA

By:_____
Its Chairman

FFH:Ordinance

Attachment 2

shall be validated, and said board's capacity to act in such cases ratified and confirmed.

History.—ss. 1, 2, 4, ch. 69-404; ss. 27, 35, ch. 69-106; s. 12, ch. 75-302; s. 1, ch. 79-216; s. 116, ch. 79-222; ss. 1, 2, ch. 80-359; s. 4, ch. 82-137; s. 44, ch. 82-241.

PART II

COUNTIES HIGHER EDUCATIONAL FACILITIES AUTHORITIES LAW

243.18 Short title.
243.19 Findings and declaration of necessity.
243.20 Definitions.
243.21 Creation of educational facilities authorities.
243.22 Powers of authority.
243.23 Payment of expenses.
243.24 Acquisition of real property.
243.25 Conveyance of title or interest to participating institutions.
243.26 Notes of authority.
243.27 Revenue bonds.
243.28 Security of bondholders.
243.29 Payment of bonds.
243.30 Rates, rents, fees, and charges.
243.31 Trust funds.
243.32 Remedies of bondholders.
243.33 Tax exemption.
243.34 Refunding bonds.
243.35 Legal investment.
243.36 Reports.
243.37 State agreement.
243.38 Alternate means.
243.39 Liberal construction.
243.40 Provisions of part controlling.

243.18 Short title.—Part II of chapter 243, may be referred to as the "Higher Educational Facilities Authorities Law."

History.—s. 1, ch. 69-345.

243.19 Findings and declaration of necessity.—It is declared that for the benefit of the people of the state, the increase of their commerce, welfare, and prosperity, and the improvement of their health and living conditions, it is essential that this and future generations of youth be given the fullest opportunity to learn and to develop their intellectual and mental capacities; that it is essential that institutions for higher education within each county in the state be provided with appropriate additional means to assist such youth in achieving the required levels of learning and development of their intellectual and mental capacities and that it is the purpose of part II of this chapter to provide a measure of assistance and an alternate method to enable institutions of higher education in each county of this state to provide the facilities and structures which are sorely needed to accomplish the purposes of this part. The necessity in the public interest of the provisions hereinafter enacted is hereby declared as a matter of legislative determination.

History.—s. 2, ch. 69-345.

243.20 Definitions.—The following terms, wherever used or referred to in this part of chapter 243, shall have the following respective meanings, unless a different meaning clearly appears from the context:

(1) "Authority" or "educational facilities authority" means any of the public corporations created by s. 243.21 or any board, body, commission, department, or officer of the county succeeding to the principal functions thereof or to whom the powers conferred upon each authority by this part shall be given by this part.

(2) "Commission" means the board of county commissioners or other legislative body charged with governing the county (as the case may be).

(3) "Clerk" means the clerk of the commission or the officer of the county charged with the duties customarily imposed upon the clerk thereof.

(4) "Real property" includes all lands, including improvements and fixtures thereon, and any property of any nature appurtenant thereto, or used in connection therewith and every estate, interest and right, legal or equitable, therein, including terms for years and liens by way of judgment, mortgage or otherwise and the indebtedness secured by such liens.

(5) "Project" means a structure suitable for use as a dormitory or other housing facility, dining hall, student union, administration building, academic building, library, laboratory, research facility, classroom, athletic facility, health care facility, and maintenance, storage, or utility facility, and other structures or facilities related thereto, or required thereto, or required or useful for the instruction of students, or the conducting of research, or the operation of an institution for higher education, including parking and other facilities or structures, essential or convenient for the orderly conduct of such institution for higher education and shall also include equipment and machinery and other similar items necessary or convenient for the operation of a particular facility or structure in the manner for which its use is intended but shall not include such items as books, fuel, supplies or other items which are customarily deemed to result in a current operating charge.

(6) "Cost," as applied to a project or any portion thereof financed under the provisions of this part, embraces all or any part of the cost of construction and acquisition of all lands, structures, real or personal property, rights, rights-of-way, franchises, easements and interests acquired or used for a project, the cost of demolishing or removing any buildings or structures on land so acquired, including the cost of acquiring any lands to which such buildings or structures may be removed, the cost of all machinery and equipment, financing charges, interest prior to, during and for a period of 30 months after completion of such construction, provisions for working capital, reserves for principal and interest and for extensions, enlargements, additions and improvements, cost of engineering, financial and legal services, plans, specifications, studies, surveys, estimates of cost and of revenues, administrative expenses, expenses necessary or incident to determining the feasibility or practicability of constructing the project and such other expenses as may be necessary or incident to the construction and acquisition of the project, the financing of such

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(7) "Bonds" or "revenue bonds" mean revenue bonds of the authority issued under the provisions of this part, including revenue refunding bonds, notwithstanding that the same may be secured by mortgage or the full faith and credit of a participating institution for higher education or any other lawfully pledged security of a participating institution for higher education.

(8) "Institution for higher education" means an educational institution which by virtue of law or charter is an accredited, nonprofit educational institution empowered to provide a program of education beyond the high school level.

(9) "Participating institution" means an institution for higher education which, pursuant to the provisions of this part, shall undertake the financing and construction or acquisition of a project or shall undertake the refunding or refinancing of obligations or of a mortgage or of advances as provided in and permitted by this part.

History.—s. 3, ch. 69-345.

243.21 Creation of educational facilities authorities.—

(1) In each county there is hereby created a public body corporate and politic to be known as the "____ County Educational Facilities Authority." Each of said authorities is constituted as a public instrumentality and the exercise by an authority of the powers conferred by this part shall be deemed and held to be the performance of an essential public function. Each of said authorities shall not transact any business or exercise any power hereunder until and unless the commission by proper ordinance or resolution shall declare that there is a need for an authority to function in such county. The determination as to whether there is such need for an authority to function:

(a) May be made by the commission on its own motion, or

(b) Shall be made by the commission upon filing of a petition signed by 25 residents of the county asserting that there is need for an authority to function in such county and requesting that the commission so declare.

(2) The commission may adopt the ordinance or resolution declaring that there is need for an educational facilities authority in the county if it shall find that the youth of the county do not have the fullest opportunity to learn and to develop their intellectual and mental capacities because there is a shortage of educational facilities or projects at the institutions for higher education located within the county.

(3) In any suit, action, or proceeding involving the validity or enforcement of or relating to any contract of the authority, the authority shall be conclusively deemed to have been established and authorized to transact business and exercise its powers hereunder upon proof of the adoption of an ordinance or resolution by the commission declaring the need for the authority. Such ordinance or resolution shall be sufficient if it declares that there is such a need for an authority in the county. A copy of such ordinance or resolution duly certified by the clerk shall be admissible in evidence in any suit, action or proceeding.

(4) The aforementioned ordinance or resolution shall designate not less than five persons as members of the authority created for said county. One of such members shall be a trustee, director, officer, or employee of an institution for higher education if there be such an institution located in such county. Of the members first appointed, one shall serve for 1 year, one for 2 years, one for 3 years, one for 4 years, and the remainder for 5 years, and in each case until his successor is appointed and has qualified. Thereafter, the commission shall appoint for terms of 5 years each a member or members to succeed those whose terms expire. The commission shall fill any vacancy for an unexpired term. A member of the authority shall be eligible for reappointment. Any member of the authority may be removed by the commission for misfeasance, malfeasance, or willful neglect of duty. Each member of the authority before entering upon his duties shall take and subscribe the oath or affirmation required by the State Constitution. A record of each such oath shall be filed in the office of the Department of State and with the clerk.

(5) The authority shall annually elect one of its members as chairman and one as vice chairman, and shall also appoint an executive director who shall not be a member of the authority and who shall serve at the pleasure of the authority and receive such compensation as shall be fixed by the authority.

(6) The executive director shall keep a record of the proceedings of the authority and shall be custodian of all books, documents and papers filed with the authority and of the minute book or journal of the authority and of its official seal. He may cause copies to be made of all minutes and other records and documents of the authority and may give certificates under the official seal of the authority to the effect that such copies are true copies, and all persons dealing with the authority may rely upon such certificates.

(7) A majority of the members of the authority shall constitute a quorum, and the affirmative vote of a majority of the members present at a meeting of the authority shall be necessary for any action taken by an authority; provided, however, any action may be taken by an authority with the unanimous consent of all of the members of an authority. No vacancy in the membership of the authority shall impair the right of a quorum to exercise all the rights and perform all the duties of the authority. Any action taken by the authority under the provisions of this part may be authorized by resolution at any regular or special meeting, and each such resolution shall take effect immediately and need not be published or posted.

(8) The members of the authority shall receive no compensation for the performance of their duties hereunder but each such member shall be paid his necessary expenses incurred while engaged in the performance of such duties.

(9) Notwithstanding any other law to the contrary, it shall not be or constitute a conflict of interest for a trustee, director, officer, or employee of an institution for higher education to serve as a member of the authority.

History.—s. 4, ch. 69-345; ss. 10, 35, ch. 69-106; s. 4, ch. 86-214.

243.22 Powers of authority.—The purpose of the authority shall be to assist institutions for higher educa-

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tion in the construction, financing, and refinancing of projects, and for this purpose the authority is authorized and empowered:

(1) To have perpetual succession as a body politic and corporate and to adopt bylaws for the regulation of its affairs and the conduct of its business.

(2) To adopt an official seal and alter the same at pleasure.

(3) To maintain an office at such place or places in the county as it may designate.

(4) To sue and be sued in its own name, and plead and be impleaded.

(5) To determine the location and character of any project to be financed under the provisions of this part; and

(a) To construct, reconstruct, maintain, repair, operate, lease as lessee or lessor and regulate the same;

(b) To enter into contracts for any or all of such purposes;

(c) To enter into contracts for the management and operation of a project; and

(d) To designate a participating institution for higher education as its agent to determine the location and character of a project undertaken by such participating institution for higher education under the provisions of this part and as the agent of the authority, to construct, reconstruct, maintain, repair, operate, lease as lessee or lessor, and regulate the same, and, as the agent of the authority, to enter into contracts for any or all of such purposes, including contracts for the management and operation of such project.

(6) To issue bonds, bond anticipation notes and other obligations of the authority for any of its corporate purposes, and to fund or refund the same, all as provided in this part.

(7) Generally, to fix and revise from time to time and charge and collect rates, rents, fees and charges for the use of and for the services furnished or to be furnished by a project or any portion thereof and to contract with any person, partnership, association, or corporation or other body public or private in respect thereof.

(8) To establish rules and regulations for the use of a project or any portion thereof and to designate a participating institution for higher education as its agent to establish rules and regulations for the use of a project undertaken by such participating institution for higher education.

(9) To employ consulting engineers, architects, attorneys, accountants, construction and financial experts, superintendents, managers, and such other employees and agents as may be necessary in its judgment, and to fix their compensation.

(10) To receive and accept from any public agency loans or grants for or in aid of the construction of a project or any portion thereof, and to receive and accept loans, grants, aid, or contributions from any source of either money, property, labor, or other things of value, to be held, used, and applied only for the purposes for which such loans, grants, aid, and contributions are made.

(11) To mortgage any project and the site thereof for the benefit of the holders of revenue bonds issued to finance such projects.

(12) To make loans to any participating institution for higher education for the cost of a project in accordance with an agreement between the authority and the participating institution for higher education; provided no such loan shall exceed the total cost of the project as determined by the participating institution for higher education and approved by the authority.

(13) To make loans to a participating institution for higher education to refund outstanding obligations, mortgages or advances issued, made or given by such participating institution for higher education for the cost of a project.

(14) To charge to and equitably apportion among participating institutions for higher education its administrative costs and expenses incurred in the exercise of the powers and duties conferred by this part.

(15) To do all things necessary or convenient to carry out the purposes of this part.

History.—s. 5, ch. 69-345.

243.23 Payment of expenses.—All expenses incurred in carrying out the provisions of this part shall be payable solely from funds provided under the authority of this part, and no liability or obligation shall be incurred by an authority hereunder beyond the extent to which moneys shall have been provided under the provisions of this part.

History.—s. 6, ch. 69-345.

243.24 Acquisition of real property.—The authority is authorized and empowered, directly or by and through a participating institution for higher education as its agent, to acquire by purchase solely from funds provided under the authority of this part, or by gift or devise, such lands, structures, property, real or personal, rights, rights-of-way, franchises, easements, and other interests in lands, including lands lying under water and riparian rights, which are located within or without the state as it may deem necessary or convenient for the construction or operation of a project, upon such terms and at such prices as may be considered by it to be reasonable and can be agreed upon between it and the owner thereof, and to take title thereto in the name of the authority or in the name of a participating institution for higher education as its agent.

History.—s. 7, ch. 69-345.

243.25 Conveyance of title or interest to participating institutions.—When the principal of and interest on revenue bonds of the authority issued to finance the cost of a particular project or projects at a participating institution for higher education, including any revenue refunding bonds issued to refund and refinance such revenue bonds, have been fully paid and retired or when adequate provision has been made fully to pay and retire the same, and all other conditions of the resolution or trust agreement authorizing and securing the same have been satisfied and the lien of such resolution or trust agreement has been released in accordance with the provisions thereof, the authority shall promptly do such things and execute such deeds and conveyances as are necessary and required to convey title to such project or projects to such participating institution for higher education, free and clear of all liens and encum-

brances, all to the extent that title to such project or projects shall not, at the time, then be vested in such participating institution for higher education.

History.—s. 8, ch. 69-345.

243.26 Notes of authority.—The authority is authorized from time to time to issue its negotiable notes for any corporate purpose and renew from time to time any notes by the issuance of new notes, whether the notes to be renewed have or have not matured. The authority may issue notes partly to renew notes or to discharge other obligations then outstanding and partly for any other purpose. The notes may be authorized, sold, executed and delivered in the same manner as bonds. Any resolution or resolutions authorizing notes of the authority or any issue thereof may contain any provisions which the authority is authorized to include in any resolution or resolutions authorizing revenue bonds of the authority or any issue thereof, and the authority may include in any notes any terms, covenants or conditions which it is authorized to include in any bonds. All such notes shall be payable solely from the revenues of the authority, subject only to any contractual rights of the holders of any of its notes or other obligations then outstanding.

History.—s. 9, ch. 69-345.

243.27 Revenue bonds.—

(1) The authority is authorized from time to time to issue its negotiable revenue bonds for any corporate purpose. In anticipation of the sale of such revenue bonds, the authority may issue negotiable bond anticipation notes and may renew the same from time to time, but the maximum maturity of any such note, including renewals thereof, shall not exceed 5 years from the date of issue of the original note. Such notes shall be paid from any revenues of the authority available therefor and not otherwise pledged, or from the proceeds of sale of the revenue bonds of the authority in anticipation of which they were issued. The notes shall be issued in the same manner as the revenue bonds. Such notes and the resolution or resolutions authorizing the same may contain any provisions, conditions, or limitations which a bond resolution of the authority may contain.

(2) The revenue bonds and notes of every issue shall be payable solely out of revenues of the authority, subject only to any agreements with the holders of particular revenue bonds or notes pledging any particular revenues. Notwithstanding that revenue bonds and notes may be payable from a special fund, they shall be and be deemed to be for all purposes negotiable instruments, subject only to the provisions of the revenue bonds and notes for registration.

(3) The revenue bonds may be issued as serial bonds or as term bonds; or the authority, in its discretion, may issue bonds of both types. The revenue bonds shall be authorized by resolution of the members of the authority and shall bear such date or dates, mature at such time or times not exceeding 50 years from their respective dates, bear interest at such rate or rates, be payable at such time or times, be in such denominations, be in such form, either coupon or registered, carry such registration privileges, be executed in such manner, be payable in lawful money of the United States at such place or places, and be subject to such terms of redemption, as such resolution or resolutions may provide. The revenue bonds or notes may be sold at public or private sale for such price or prices as the authority shall determine. Pending preparation of the definitive bonds, the authority may issue interim receipts or certificates which shall be exchanged for such definitive bonds.

(4) Any resolution or resolutions authorizing any revenue bonds or any issue of revenue bonds may contain provisions, which shall be a part of the contract with the holders of the revenue bonds to be authorized, as to:

(a) Pledging of all or any part of the revenues of a project or any revenue-producing contract or contracts made by the authority with any individual, partnership, corporation, or association or other body, public or private, to secure the payment of the revenue bonds or of any particular issue of revenue bonds, subject to such agreements with bondholders as may then exist.

(b) The rentals, fees, and other charges to be charged, and the amounts to be raised in each year thereby, and the use and disposition of the revenues.

(c) The setting aside of reserves or sinking funds, and the regulation and disposition thereof.

(d) Limitations on the right of the authority or its agent to restrict and regulate the use of the project.

(e) Limitations on the purpose to which the proceeds of sale of any issue of revenue bonds then or thereafter to be issued may be applied and pledging such proceeds to secure the payment of the revenue bonds or any issue of the revenue bonds.

(f) Limitations on the issuance of additional bonds, the terms upon which additional bonds may be issued and secured and the refunding of outstanding bonds.

(g) The procedure, if any, by which the terms of any contract with bondholders may be amended or abrogated, the amount of bonds the holders of which must consent thereto, and the manner in which such consent may be given.

(h) Limitations on the amount of moneys derived from the project to be expended for operating, administrative, or other expenses of the authority.

(i) The acts or omissions to act which shall constitute a default in the duties of the authority to holders of its obligations and providing the rights and remedies of such holders in the event of a default.

(j) The mortgaging of a project and the site thereof for the purpose of securing the bondholders.

(5) Neither the members of the authority nor any person executing the revenue bonds or notes shall be liable personally on the revenue bonds or notes or be subject to any personal liability or accountability by reason of the issuance thereof.

(6) The authority shall have power out of any funds available therefor to purchase its bonds or notes. The authority may hold, pledge, cancel, or resell such bonds, subject to and in accordance with agreements with bondholders.

History.—s. 10, ch. 69-345; s. 23, ch. 73-302; s. 1, ch. 77-174; s. 2, ch. 81-195.

243.28 Security of bondholders.—In the discretion of the authority any revenue bonds issued under the provisions of this part may be secured by a trust agreement by and between the authority and a corporate trustee

Attachment 3

HIGHER EDUCATIONAL FACILITIES AUTHORITY LAW

INTRODUCTION

The Legislature enacted the Higher Educational Facilities Authority Law, Chapter 243, Florida Statutes (the "Act"), for the purpose of providing a measure of assistance and an alternative method by which institutions of higher education can provide needed facilities and structures. The method by which this purpose is to be carried out is through the use of County Educational Facilities Authorities.

CREATION

The Act established within each county a County Educational Facilities Authority (the "Authority" or "Authorities"). Before an Authority can transact any business or exercise any of the powers conferred on it by the Act, the Board of County Commissioners (the "Board") of the county in which the Authority is located must make a determination as to whether there is a need for the Authority to function. If the Board finds that the youth of the county do not have the fullest opportunity to learn and to develop their intellectual and mental capacities because there is a shortage of educational facilities or Projects (as hereinafter defined) at the institutions for higher education located within the county, then the Board may, on its own motion, adopt an ordinance or resolution declaring that there is a need for the Authority.

The ordinance or resolution must also name at least five persons to serve on the Authority, one of which must be a trustee, director, officer, or employee of one of the institutions for higher education located within the county. Of these members first appointed, one will serve for 1 year, one for 2 years, one for 3 years, one for 4 years and the remainder for 5 years. As each member's term expires, the Board will appoint for a term of 5 years a successor.

OPERATION

Annually, the Authority must elect one of its members to serve as chairman and one to serve as vice chairman. It must also appoint an executive director, who cannot be a member of the authority. The executive director will keep a record of the proceedings of the Authority and will serve as custodian of all books, documents and papers filed with the Authority.

Within the first 90 days of each calendar year, the Authority is required to make a report to the Board of its activities for the preceding calendar year. The report must include a complete operating and financial statement covering its operations during such year. The Authority must also have its books and accounts audited at least once each year by a certified public accountant.

POWERS

The powers conferred upon the Authority by the Act are sufficient to enable the Authority to assist institutions for higher education in the construction, financing and refinancings of Projects. The term Project is defined in the Act to mean:

> [A] structure suitable for use as a dormitory or other housing facility, dining hall, student union, administration building, academic building, library, laboratory, research facility, classroom, athletic facility, health care facility, and maintenance, storage or utility facility, and other structures or facilities related thereto, or required thereto, or required or useful for the instruction of students, or conducting of research, or the operation of an institution for higher education, including parking and other facilities or structures, essential or convenient for the orderly conduct of such institution for higher education and shall also include equipment and machinery and other similar items necessary or convenient for the operation of a particular facility or structure in the manner for which its use is intended but shall not include such items as books, fuel, supplies or other items which are customarily deemed to result in a current operating charge.

Among the powers granted the Authority, a detailed list of which is included in the Act attached hereto, is the power to:

1. have perpetual succession, adopt a seal, maintain an office and sue and be sued;
2. construct, reconstruct, maintain, repair, lease as lessee or lessor and regulate projects;
3. to determine the location and character of any project to be financed by the Authority;
4. enter into contracts and designate institutions of higher education to act as agent on the Authority's behalf;
5. fix and collect rates, rents and fees for the use of projects and establish rules and regulations for the use of Projects;
6. to issue bonds and other obligations for any of its purposes and to fund and refund the same;
7. to mortgage any project for the benefit of holders of revenue bonds issued to finance such projects;

CONVEYANCE OF TITLE

When the principal of and interest on the revenue bonds of the Authority issued to finance the cost of a particular project or projects for the benefit of an institution for higher education have been fully paid and retired, or adequate provision made therefor, and all other conditions of the resolution or trust agreement authorizing and securing the bonds have been satisfied, unencumbered title to the project will be deeded by the Authority to the institution of higher learning that was the beneficiary of the project.

LIABILITY

Revenue bonds issued by an Authority pursuant to the Act do not constitute a debt or liability of the state, the county or the institution benefitting from the project. Neither the State of Florida, the Authority nor the institution for higher learning is obligated to pay the principal of or interest on any bonds except from revenues of the project for which the bonds were issued.

EXPENSES

Other than expenses incurred in the performance of their duties, members of the Authority receive no compensation for the performance of their duties. The executive director does receive compensation in an amount set by the Authority. All expenses incurred by the Authority must be payable solely from funds provided under the Act.

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Agenda Item No. 6 (a)
10-1-69

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ORDINANCE NO. _____

ORDINANCE CREATING DADE COUNTY EDUCATIONAL FACILITIES AUTHORITY PURSUANT TO CHAPTER 69-345, LAWS OF FLORIDA; PROVIDING THAT NEITHER THE FUNDS NOR THE FAITH OR CREDIT OF THE COUNTY SHALL BE OBLIGATED BY THE AUTHORITY AND PROVIDING EFFECTIVE DATE.

WHEREAS, the Board of County Commissioners finds that the youth of Dade County do not have the fullest opportunity to learn and to develop their intellectual and mental capacities because there is a shortage of educational facilities or projects at the institutions for higher education located within the county; and

WHEREAS, the Board of County Commissioners declares that there is a need in Dade County for an educational facilities authority as authorized by Chapter 69-345, Laws of Florida,

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF COUNTY COMMISSIONERS OF DADE COUNTY, FLORIDA:

Section 1. Creation of Authority. Pursuant to Chapter 69-345, Laws of Florida, and upon its own motion, the Board of County Commissioners does hereby create the Dade County Educational Facilities Authority consisting of five members to be appointed by resolution of the County Commission. One of such members shall be a trustee, director or officer of an institution for higher education located in Dade County.

Section 2. Organization of Authority. Of the members first appointed, one shall serve for one year, one for two years, one for three years, one

for four years, and one for five years, and in each case until his successor is appointed and has qualified. Thereafter, the commission shall appoint for terms of five years each a member or members to succeed those whose terms expire. The commission shall fill any vacancy for an unexpired term. A member of the Authority shall be eligible for reappointment. Any member of the Authority may be removed by the commission for misfeasance, malfeasance or willful neglect of duty. Each member of the Authority before entering upon his duties shall take and subscribe the oath of affirmation required by the state constitution. A record of each such oath shall be filed in the office of the Secretary of State and with the Clerk. The Authority shall annually elect one of its members as chairman and one as vice-chairman, and shall also appoint an executive director who shall not be a member of the Authority and who shall serve at the pleasure of the Authority and receive such compensation as shall be fixed by the Authority. The executive director shall keep a record of the proceedings of the Authority and shall be custodian of all books, documents and papers filed with the Authority and of the minute book or journal of the Authority and of its official seal. He may cause copies to be made of all minutes and other records and documents of the Authority and may give certificates under the official seal of the Authority to the effect that such copies are true copies, and all persons dealing with the Authority may rely upon such certificates. Three members of the Authority shall constitute a quorum and the affirmative vote of a majority of the members present at a meeting of the Authority shall be necessary for any action taken by an Authority, provided, however, any action may be taken by an Authority with the unanimous consent of all

of the members of an Authority. No vacancy in the membership of the Authority shall impair the right of a quorum to exercise all the rights and perform all the duties of the Authority. Any action taken by the Authority under the provisions of Chapter 69-345 may be authorized by resolution at any regular or special meeting, and each such resolution shall take effect immediately and need not be published or posted. The members of the Authority shall receive no compensation for the performance of their duties hereunder but each such member shall be paid his necessary expenses incurred while engaged in the performance of such duties. Notwithstanding any other law to the contrary, it shall not be or constitute a conflict of interest for a trustee, director, officer or employee of an institution for higher education to serve as a member of the Authority.

Section 3. Powers of Authority. The Authority is vested with those powers specified in Chapter 69-345 and no other powers or authority, such powers to be exercised in accordance with the provisions of Chapter 69-345.

Section 4. Expenses. All expenses incurred in carrying out the provisions of Chapter 69-345 shall be payable solely from funds provided under the Authority of Chapter 69-345 and no liability or obligation shall be incurred by an Authority hereunder beyond the extent to which moneys shall have been provided under the provisions of Chapter 69-345. Neither the notes, bonds nor any other obligation incurred by the Authority shall be deemed a pledge of the faith or credit of Dade County nor shall any

Attachment 4

or trustees, which may be any trust company or bank having the powers of a trust company within or without the state. Such trust agreement or the resolution providing for the issuance of such revenue bonds may pledge or assign the revenues to be received or proceeds of any contract or contracts pledged and may convey or mortgage the project or any portion thereof. Such trust agreement or resolution providing for the issuance of such revenue bonds may contain such provisions for protecting and enforcing the rights and remedies of the bondholders as may be reasonable and proper and not in violation of law, including particularly such provisions as have hereinabove been specifically authorized to be included in any resolution or resolutions of the authority authorizing revenue bonds thereof. Any bank or trust company incorporated under the laws of this state which may act as depository of the proceeds of bonds or of revenues or other moneys may furnish such indemnifying bonds or pledge such securities as may be required by the authority. Any such trust agreement may set forth the rights and remedies of the bondholders and of the trustee or trustees, and may restrict the individual right of action by bondholders. In addition to the foregoing, any such trust agreement or resolution may contain such other provisions as the authority may deem reasonable and proper for the security of the bondholders. All expenses incurred in carrying out the provisions of such trust agreement or resolution may be treated as a part of the cost of the operation of a project.

History.—s. 11, ch. 69-345.

243.29 Payment of bonds.—Revenue bonds issued under the provisions of this part shall not be deemed to constitute a debt or liability of the state or of the county or a pledge of the faith and credit of the state or of any such county, but shall be payable solely from the funds herein provided therefor from revenues. All such revenue bonds shall contain on the face thereof a statement to the effect that neither the State of Florida nor the authority shall be obligated to pay the same or the interest thereon except from revenues of the project or the portion thereof for which they are issued and that neither the faith and credit nor the taxing power of the state or of any political subdivision thereof is pledged to the payment of the principal of or the interest on such bonds. The issuance of revenue bonds under the provisions of this part shall not directly or indirectly or contingently obligate the state or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment.

History.—s. 12, ch. 69-345; s. 1, ch. 77-174.

243.30 Rates, rents, fees, and charges.—

(1) The authority is authorized to fix, revise, charge and collect rates, rents, fees and charges for the use of and for the services furnished or to be furnished by each project and to contract with any person, partnership, association or corporation, or other body, public or private, in respect thereof. Such rates, rents, fees and charges shall be fixed and adjusted in respect of the aggregate of rates, rents, fees and charges from such project so as to provide funds sufficient with other revenues, if any:

(a) To pay the cost of maintaining, repairing and operating the project and each and every portion thereof, to the extent that the payment of such cost has not otherwise been adequately provided for.

(b) To pay the principal of and the interest on outstanding revenue bonds of the authority issued in respect of such project as the same shall become due and payable.

(c) To create and maintain reserves required or provided for in any resolution authorizing, or trust agreement securing, such revenue bonds of the authority.

Such rates, rents, fees and charges shall not be subject to supervision or regulation by any department, commission, board, body, bureau or agency of this state other than the authority.

(2) A sufficient amount of the revenues derived in respect of a project, except such part of such revenues as may be necessary to pay the cost of maintenance, repair and operation and to provide reserves and for renewals, replacements, extensions, enlargements and improvements as may be provided for in the resolution authorizing the issuance of any revenue bonds of the authority or in the trust agreement securing the same, shall be set aside at such regular intervals as may be provided in such resolution or trust agreement in a sinking or other similar fund which is hereby pledged to, and charged with, the payment of the principal of and the interest on such revenue bonds as the same shall become due, and the redemption price or the purchase price of bonds retired by call or purchase as therein provided. Such pledge shall be valid and binding from the time when the pledge is made; the rates, rents, fees and charges and other revenues or other moneys so pledged and thereafter received by the authority shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of any such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the authority, irrespective of whether such parties have notice thereof. Neither the resolution nor any trust agreement by which a pledge is created need be filed or recorded except in the records of the authority.

(3) The use and disposition of moneys to the credit of such sinking or other similar fund shall be subject to the provisions of the resolution authorizing the issuance of such bonds or of such trust agreement. Except as may otherwise be provided in such resolution or such trust agreement, such sinking or other similar fund shall be a fund for all such revenue bonds issued to finance projects at a particular institution for higher education without distinction or priority of one over another; provided the authority in any such resolution or trust agreement may provide that such sinking or other similar fund shall be the fund for a particular project at an institution for higher education and for the revenue bonds issued to finance a particular project and may, additionally, permit and provide for the issuance of revenue bonds having a subordinate lien in respect of the security herein authorized to other revenue bonds of the authority and, in such case, the authority may create separate sinking or other similar funds in respect of such subordinate lien bonds.

History.—s. 13, ch. 69-345.

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243.31 Trust funds.—All moneys received pursuant to the authority of this part, whether as proceeds from the sale of bonds or as revenues, shall be deemed to be trust funds to be held and applied solely as provided in this part. Any officer with whom, or any bank or trust company with which, such moneys shall be deposited shall act as trustee of such moneys and shall hold and apply the same for the purposes hereof, subject to such regulations as this act and the resolution authorizing the bonds of any issue or the trust agreement securing such bonds may provide.
History.—s. 14, ch. 69-345.

243.32 Remedies of bondholders.—Any holder of revenue bonds issued under the provisions of this part or any of the coupons appertaining thereto, and the trustee or trustees under any trust agreement, except to the extent the rights herein given may be restricted by any resolution authorizing the issuance of, or any such trust agreement securing, such bonds, may, either at law or in equity, by suit, action, mandamus or other proceedings, protect and enforce any and all rights under the laws of the state or granted hereunder or under such resolution or trust agreement, and may enforce and compel the performance of all duties required by this part or by such resolution or trust agreement to be performed by the authority or by any officer, employee or agent thereof, including the fixing, charging and collecting of the rates, rents, fees and charges herein authorized and required by the provisions of such resolution or trust agreement to be fixed, established and collected.
History.—s. 15, ch. 69-345.

243.33 Tax exemption.—The exercise of the powers granted by this part will be in all respects for the benefit of the people of this state, for the increase of their commerce, welfare and prosperity, and for the improvement of their health and living conditions, and as the operation and maintenance of a project by the authority or its agent will constitute the performance of an essential public function, neither the authority nor its agent shall be required to pay any taxes or assessments upon or in respect of a project or any property acquired or used by the authority or its agents under the provisions of this part or upon the income therefrom, and any bonds issued under the provisions of this part, their transfer, and the income therefrom, including any profit made on the sale thereof, shall at all times be free from taxation of every kind by the state, the county and by the municipalities and other political subdivisions in the state. The exemption granted by this section shall not be applicable to any tax imposed by chapter 220 on interest, income or profits on debt obligations owned by corporations.
History.—s. 16, ch. 69-345; s. 7, ch. 73-327.

243.34 Refunding bonds.—

(1) The authority is hereby authorized to provide for the issuance of revenue bonds of the authority for the purpose of refunding any revenue bonds of the authority then outstanding, including the payment of any redemption premium thereon and any interest accrued or to accrue to the earliest or subsequent date of redemption, purchase or maturity of such revenue bonds, and, if deemed advisable by the authority, for the additiona purpose of paying all or any part of the cost of construct ing and acquiring additions, improvements, extension or enlargements of a project or any portion thereof.

(2) The proceeds of any such revenue bonds issuec for the purpose of refunding outstanding revenue bond may, in the discretion of the authority, be applied to th purchase or retirement at maturity or redemption of suc outstanding revenue bonds either on their earliest or an subsequent redemption date or upon the purchase o at the maturity thereof and may, pending such applica tion, be placed in escrow to be applied to such purchas or retirement at maturity or redemption on such date a may be determined by the authority.

(3) Any such escrowed proceeds, pending suc use, may be invested and reinvested in direct obliga tions of the United States of America, or in certificate of deposit or time deposits secured by direct obligation of the United States, maturing at such time or times a shall be appropriate to assure the prompt payment, a to principal, interest and redemption premium, if any, o the outstanding revenue bonds to be so refunded. Th interest, income, and profits, if any, earned or realizec on any such investment may also be applied to the pay ment of the outstanding revenue bonds to be so refund ed. After the terms of the escrow have been fully satis fied and carried out, any balance of such proceeds an interest, income and profits, if any, earned or realized o the investments thereof may be returned to the authorit for use by it in any lawful manner.

(4) The portion of the proceeds of any such revenu bonds issued for the additional purpose of paying all o any part of the cost of constructing and acquiring addi tions, improvements, extensions or enlargements of project may be invested and reinvested in direct obliga tions of the United States, or in certificates of deposit o time deposits secured by direct obligations of the Unit ed States, maturing not later than the time or time when such proceeds will be needed for the purpose o paying all or any part of such cost. The interest, income and profits, if any, earned or realized on such investmen may be applied to the payment of all or any part of suc cost or may be used by the authority in any lawful man ner.

(5) All such revenue bonds shall be subject to th provisions of this part in the same manner and to th same extent as other revenue bonds issued pursuant t this part.
History.—s. 17, ch. 69-345.

243.35 Legal investment.—Bonds issued by the au thority under the provisions of this part are hereby mad securities in which all public officers and public bodie of the state and its political subdivisions, all insurance companies, trust companies, banking associations, in vestment companies, executors, administrators, trust ees and other fiduciaries may properly and legally inves funds, including capital in their control or belonging t them. Such bonds are hereby made securities whic may properly and legally be deposited with and receive by any state or municipal officer or any agency or politi cal subdivision of the state for any purpose for which th

deposit of bonds or obligations of the state is now or may hereafter be authorized by law.
History.—s. 18, ch. 69-345

243.36 Reports.—Within the first 90 days of each calendar year, the authority shall make a report to the governing body of the county of its activities for the preceding calendar year. Each such report shall set forth a complete operating and financial statement covering its operations during such year. The authority shall cause an audit of its books and accounts to be made at least once each year by certified public accountants and the cost thereof shall be paid by the authority from funds available to it pursuant to this part.
History.—s. 19, ch. 69-345.

243.37 State agreement.—The state does hereby pledge to and agree with the holders of any obligations issued under this part, and with those parties who may enter into contracts with an authority pursuant to the provisions of this part, that the state will not limit or alter the rights hereby vested in the authority until such obligations, together with the interest thereon, are fully met and discharged and such contracts are fully performed on the part of the authority, provided nothing herein contained shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the holders of such obligations of an authority or those entering into such contracts with an authority. An authority is authorized to include this pledge and undertaking for the state in such obligations or contracts.
History.—s. 20, ch. 69-345

243.38 Alternate means.—The foregoing sections of this part shall be deemed to provide an additional and alternative method for the doing of the things authorized thereby, and shall be regarded as supplemental and additional to powers conferred by other laws; provided the issuance of revenue bonds and revenue refunding bonds under the provisions of this part need not comply with the requirements of any other law applicable to the issuance of bonds. Except as otherwise expressly provided in this part, none of the powers granted to the authority under the provisions of this part shall be subject to the supervision or regulation or require the approval or consent of any municipality or political subdivision or any commission, board, body, bureau, official or agency thereof or of the state.
History.—s. 21, ch. 69-345

243.39 Liberal construction.—This part, being necessary for the welfare of the state and its inhabitants, shall be liberally construed to effect the purposes hereof.
History.—s. 22, ch. 69-345

243.40 Provisions of part controlling.—To the extent that the provisions of this part are inconsistent with the provisions of any general statute or special act or parts thereof, the provisions of this part shall be deemed controlling.
History.—s. 23, ch. 69-345; s. 1, ch. 77-174

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act or inaction by the Authority directly or indirectly or contingently obligate Dade County to levy or to pledge any form of taxation whatever therefore or to make any appropriation for their payment.

Section 5. Reports. Within the first ninety days of each calendar year, the Authority shall make a report to the governing body of the county of its activities for the preceding calendar year. Each such report shall set forth a complete operating and financial statement covering its operations during such year. The Authority shall cause an audit of its books and accounts to be made at least once each year by certified public accountants and the cost thereof shall be paid by the Authority from funds available to it pursuant to Chapter 69-345.

Section 6. Effective Date. The provisions of this ordinance shall become effective ten (10) days from the date of its enactment.

PASSED AND ADOPTED

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MEMORANDUM

To: Honorable Earl M. Starnes
County Commission

Date: September 25, 1969

Subject: Attached ordinance

From: Thomas C. Britton
County Attorney

The attached ordinance is submitted pursuant to your request through the County Manager of September 18.

On September 17, the County Manager furnished the Commission with a copy of HB 1966 (which became Chapter 69-245 on July 1) and which is 28 pages in length.

The summary of this Act, prepared by Legislative Reference Bureau is attached for your convenience.

We have prepared an ordinance rather than a resolution because of the requirement of Section 4.08 of the Home Rule Charter.

Thomas C. Britton
County Attorney

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Attachment 5

PROJECTS COMPLETED BY OTHER EDUCATIONAL FACILITIES AUTHORITIES

PINELLAS COUNTY EDUCATIONAL FACILITIES AUTHORITY

DATE	AMOUNT	INSTITUTION	USE
August 16, 1989	$ 2,650,000	Eckard College	Student Housing
December 1, 1985	3,145,000	Eckard College	Academic Facilities
December 27, 1985	61,200,000	Pooled Institution	Refunding Program

DADE COUNTY EDUCATIONAL FICILITIES AUTHORITY

DATE	AMOUNT	INSTITUTION	USE
January 1, 1990	72,250,000	University of Miami	Hospital Classrooms and Equipment
January 1, 1990	21,400,000	St. Thomas University	Academic Facilities
January 1, 1989	6,800,000	Barry University	Convocation Center and Fieldhouse
June 1, 1987	44,025,000	University of Miami	Refunding
June 1, 1987	23,400,000	University of Miami	Student Housing and Classrooms
Decmeber 27, 1985	2,000,000	Florida Memorial College	Student Housing
December 30, 1985	5,500,000	Miami-Dade Community College	Classroom Facility
April 1, 1985	37,735,000	University of Miami	Refunding
April 1, 1985	5,500,000	St. Thomas University	Law Library
April 1, 1985	2,995,000	St. Thomas University	Law School
December 1, 1984	9,690,000	Florida International University	Student Housing and Transient Housing
July 26, 1984	38,970,000	University of Miami	Classrooms and other Facilities
April 1, 1984	39,205,000	University of Miami	Refunding
October 1, 1983	5,000,000	Florida International University	Student Housing
August 1, 1978	2,640,000	Biscayne College	Refunding
October 1, 1977	23,560,000	University of Miami	Refunding
January 1, 1977	2,000,000	Biscayne College	Student Housing and Administration
June 1, 1976	12,500,000	University of Miami	Academic Facilities
April 1, 1975	8,500,000	University of Miami	Eye Institute
October 1, 1977	25,000,000	University of Miami	Refunding
March 1, 1981	17,050,000	University of Miami	Classrooms and Student Housing

Attachment 6

Attachment #3

The 2008 Florida Statutes

Chapter 243
Part I: County Higher Educational Facilities Authorities Law

243.18 Short title.--This part may be referred to as the "Higher Educational Facilities Authorities Law."

History.--s. 1, ch. 69-345.

243.19 Findings and declaration of necessity.--It is declared that for the benefit of the people of the state, the increase of their commerce, welfare, and prosperity, and the improvement of their health and living conditions, it is essential that this and future generations of youth be given the fullest opportunity to learn and to develop their intellectual and mental capacities; that it is essential that institutions for higher education within each county in the state be provided with appropriate additional means to assist such youth in achieving the required levels of learning and development of their intellectual and mental capacities; that it is the purpose of this part to provide a measure of assistance and an alternate method to enable institutions of higher education in each county of this state to provide the facilities and structures which are sorely needed to accomplish the purposes of this part; and that it is essential to provide additional assistance to institutions for higher education by enabling those institutions to coordinate their budgetary needs with the timing of receipt of tuition revenues in a manner similar to programs authorized for school districts within the state. The necessity in the public interest of the provisions hereinafter enacted is hereby declared as a matter of legislative determination.

History.--s. 2, ch. 69-345; s. 16, ch. 99-252.

243.20 Definitions.--The following terms, wherever used or referred to in this part shall have the following respective meanings, unless a different meaning clearly appears from the context:

(1) "Authority" or "educational facilities authority" means any of the public corporations created by s. 243.21 or any board, body, commission, department, or officer of the county succeeding to the principal functions thereof or to whom the powers conferred upon each authority by this part shall be given by this part.

(2) "Commission" means the board of county commissioners or other legislative body charged with governing the county (as the case may be).

(3) "Clerk" means the clerk of the commission or the officer of the county charged with the duties customarily imposed upon the clerk thereof.

(4) "Real property" includes all lands, including improvements and fixtures thereon, and any property of any nature appurtenant thereto, or used in connection therewith and every estate, interest and right, legal or equitable, therein, including terms for years and liens by way of judgment, mortgage or otherwise and the indebtedness secured by such liens.

(5) "Project" means a structure suitable for use as a dormitory or other housing facility, dining hall, student union, administration building, academic building, library, laboratory, research facility, classroom, athletic facility, health care facility, and maintenance, storage, or utility facility, and other structures or facilities related thereto, or required thereto, or required or useful for the instruction of students, or the conducting of research, or the operation of an institution for higher education, including parking and other facilities or structures, essential or convenient for the orderly conduct of such institution for higher education and shall also include equipment and machinery and other similar items necessary or convenient for the operation of a particular facility or structure in the manner for which its use is intended but shall not include such items as books, fuel, supplies or other items which are customarily deemed to result in a current operating charge. The term also includes a loan in anticipation of tuition revenues by a private institution for higher education.

(6) "Cost," as applied to a project or any portion thereof financed under the provisions of this part, embraces all or any part of the cost of construction and acquisition of all lands, structures, real or personal property, rights, rights-of-way, franchises, easements and interests acquired or used for a project, the cost of

demolishing or removing any buildings or structures on land so acquired, including the cost of acquiring any lands to which such buildings or structures may be removed, the cost of all machinery and equipment, financing charges, interest prior to, during and for a period of 30 months after completion of such construction, provisions for working capital, reserves for principal and interest and for extensions, enlargements, additions and improvements, cost of engineering, financial and legal services, plans, specifications, studies, surveys, estimates of cost and of revenues, administrative expenses, expenses necessary or incident to determining the feasibility or practicability of constructing the project and such other expenses as may be necessary or incident to the construction and acquisition of the project, the financing of such construction and acquisition and the placing of the project in operation. In the case of a loan in anticipation of tuition revenues, the term "cost" means the amount of the loan in anticipation of revenues which does not exceed the amount of tuition revenues anticipated to be received by the borrowing institution for higher education in the 1-year period following the date of the loan, plus costs related to the issuance of the loans, or bonds, the proceeds of which fund the loans, and any related cost of debt service reserve funds associated therewith.

(7) "Bonds" or "revenue bonds" mean revenue bonds of the authority issued under the provisions of this part, including revenue refunding bonds, notwithstanding that the same may be secured by mortgage or the full faith and credit of a participating institution for higher education or any other lawfully pledged security of a participating institution for higher education.

(8) "Institution for higher education" means an educational institution which by virtue of law or charter is an accredited, nonprofit educational institution empowered to provide a program of education beyond the high school level.

(9) "Participating institution" means an institution for higher education which, pursuant to the provisions of this part, shall undertake the financing and construction or acquisition of a project or shall undertake the refunding or refinancing of obligations or of a mortgage or of advances as provided in and permitted by this part.

(10) "Loan in anticipation of tuition revenues" means a loan to a private institution for higher education under circumstances in which tuition revenues anticipated to be received by the institution in any budget year are estimated to be insufficient at any time during the budget year to pay the operating expenses or other obligations of the institution in accordance with the budget of the institution. The loans are permitted within guidelines adopted by the authority consistent with the provisions for similar loans undertaken by school districts under s. 1011.13, excluding provisions applicable to the limitations on borrowings relating to the levy of taxes and the adoption of budgets in accordance with law applicable solely to school districts. The Florida Resident Access Grant shall not be considered tuition revenues for the purpose of calculating a loan to a private institution pursuant to the provision of this chapter.

History.--s. 3, ch. 69-345; s. 17, ch. 99-252; s. 20, ch. 2003-1.

243.21 Creation of educational facilities authorities.--

(1) In each county there is hereby created a public body corporate and politic to be known as the "_____ County Educational Facilities Authority." Each of said authorities is constituted as a public instrumentality and the exercise by an authority of the powers conferred by this part shall be deemed and held to be the performance of an essential public function. Each of said authorities shall not transact any business or exercise any power hereunder until and unless the commission by proper ordinance or resolution shall declare that there is a need for an authority to function in such county. The determination as to whether there is such need for an authority to function:

(a) May be made by the commission on its own motion, or

(b) Shall be made by the commission upon filing of a petition signed by 25 residents of the county asserting that there is need for an authority to function in such county and requesting that the commission so declare.

(2) The commission may adopt the ordinance or resolution declaring that there is need for an educational facilities authority in the county if it shall find that the youth of the county do not have the fullest opportunity

to learn and to develop their intellectual and mental capacities because there is a shortage of educational facilities or projects at the institutions for higher education located within the county.

(3) In any suit, action, or proceeding involving the validity or enforcement of or relating to any contract of the authority, the authority shall be conclusively deemed to have been established and authorized to transact business and exercise its powers hereunder upon proof of the adoption of an ordinance or resolution by the commission declaring the need for the authority. Such ordinance or resolution shall be sufficient if it declares that there is such a need for an authority in the county. A copy of such ordinance or resolution duly certified by the clerk shall be admissible in evidence in any suit, action or proceeding.

(4) The aforementioned ordinance or resolution shall designate not less than five persons as members of the authority created for said county. One of such members shall be a trustee, director, officer, or employee of an institution for higher education if there be such an institution located in such county. Of the members first appointed, one shall serve for 1 year, one for 2 years, one for 3 years, one for 4 years, and the remainder for 5 years, and in each case until his or her successor is appointed and has qualified. Thereafter, the commission shall appoint for terms of 5 years each a member or members to succeed those whose terms expire. The commission shall fill any vacancy for an unexpired term. A member of the authority shall be eligible for reappointment. Any member of the authority may be removed by the commission for misfeasance, malfeasance, or willful neglect of duty. Each member of the authority before entering upon his or her duties shall take and subscribe the oath or affirmation required by the State Constitution. A record of each such oath shall be filed in the office of the Department of State and with the clerk.

(5) The authority shall annually elect one of its members as chair and one as vice chair, and shall also appoint an executive director who shall not be a member of the authority and who shall serve at the pleasure of the authority and receive such compensation as shall be fixed by the authority.

(6) The executive director shall keep a record of the proceedings of the authority and shall be custodian of all books, documents and papers filed with the authority and of the minute book or journal of the authority and of its official seal. He or she may cause copies to be made of all minutes and other records and documents of the authority and may give certificates under the official seal of the authority to the effect that such copies are true copies, and all persons dealing with the authority may rely upon such certificates.

(7) A majority of the members of the authority shall constitute a quorum, and the affirmative vote of a majority of the members present at a meeting of the authority shall be necessary for any action taken by an authority; provided, however, any action may be taken by an authority with the unanimous consent of all of the members of an authority. No vacancy in the membership of the authority shall impair the right of a quorum to exercise all the rights and perform all the duties of the authority. Any action taken by the authority under the provisions of this part may be authorized by resolution at any regular or special meeting, and each such resolution shall take effect immediately and need not be published or posted.

(8) The members of the authority shall receive no compensation for the performance of their duties hereunder but each such member shall be paid his or her necessary expenses incurred while engaged in the performance of such duties.

(9) Notwithstanding any other law to the contrary, it shall not be or constitute a conflict of interest for a trustee, director, officer, or employee of an institution for higher education to serve as a member of the authority.

History.--s. 4, ch. 69-345; ss. 10, 35, ch. 69-106; s. 4, ch. 86-214; s. 84, ch. 95-148.

243.22 Powers of authority.--The purpose of the authority shall be to assist institutions for higher education in the construction, financing, and refinancing of projects, and for this purpose the authority is authorized and empowered:

(1) To have perpetual succession as a body politic and corporate and to adopt bylaws for the regulation of its affairs and the conduct of its business.

(2) To adopt an official seal and alter the same at pleasure.

(3) To maintain an office at such place or places in the county as it may designate.

(4) To sue and be sued in its own name, and plead and be impleaded.

(5) To determine the location and character of any project to be financed under the provisions of this part; and

(a) To construct, reconstruct, maintain, repair, operate, lease as lessee or lessor and regulate the same;

(b) To enter into contracts for any or all of such purposes;

(c) To enter into contracts for the management and operation of a project; and

(d) To designate a participating institution for higher education as its agent to determine the location and character of a project undertaken by such participating institution for higher education under the provisions of this part and as the agent of the authority, to construct, reconstruct, maintain, repair, operate, lease as lessee or lessor, and regulate the same, and, as the agent of the authority, to enter into contracts for any or all of such purposes, including contracts for the management and operation of such project.

(6) To issue bonds, bond anticipation notes and other obligations of the authority for any of its corporate purposes, and to fund or refund the same, all as provided in this part.

(7) Generally, to fix and revise from time to time and charge and collect rates, rents, fees and charges for the use of and for the services furnished or to be furnished by a project or any portion thereof and to contract with any person, partnership, association, or corporation or other body public or private in respect thereof.

(8) To establish rules and regulations for the use of a project or any portion thereof and to designate a participating institution for higher education as its agent to establish rules and regulations for the use of a project undertaken by such participating institution for higher education.

(9) To employ consulting engineers, architects, attorneys, accountants, construction and financial experts, superintendents, managers, and such other employees and agents as may be necessary in its judgment, and to fix their compensation.

(10) To receive and accept from any public agency loans or grants for or in aid of the construction of a project or any portion thereof, and to receive and accept loans, grants, aid, or contributions from any source of either money, property, labor, or other things of value, to be held, used, and applied only for the purposes for which such loans, grants, aid, and contributions are made.

(11) To mortgage any project and the site thereof for the benefit of the holders of revenue bonds issued to finance such projects.

(12) To make loans to any participating institution for higher education for the cost of a project, including a loan in anticipation of tuition revenues, in accordance with an agreement between the authority and the participating institution for higher education; provided no such loan shall exceed the total cost of the project as determined by the participating institution for higher education and approved by the authority.

(13) To make loans to a participating institution for higher education to refund outstanding obligations, mortgages or advances issued, made or given by such participating institution for higher education for the cost of a project.

(14) To charge to and equitably apportion among participating institutions for higher education its administrative costs and expenses incurred in the exercise of the powers and duties conferred by this part.

(15) To do all things necessary or convenient to carry out the purposes of this part.

History.--s. 5, ch. 69-345; s. 18, ch. 99-252.

243.23 Payment of expenses.--All expenses incurred in carrying out the provisions of this part shall be payable solely from funds provided under the authority of this part, and no liability or obligation shall be incurred by an authority hereunder beyond the extent to which moneys shall have been provided under the provisions of this part.

History.--s. 6, ch. 69-345.

243.24 Acquisition of real property.--The authority is authorized and empowered, directly or by and through a participating institution for higher education as its agent, to acquire by purchase solely from funds provided under the authority of this part, or by gift or devise, such lands, structures, property, real or personal, rights, rights-of-way, franchises, easements, and other interests in lands, including lands lying under water and riparian rights, which are located within or without the state as it may deem necessary or convenient for the construction or operation of a project, upon such terms and at such prices as may be considered by it to be reasonable and can be agreed upon between it and the owner thereof, and to take title thereto in the name of the authority or in the name of a participating institution for higher education as its agent.

History.--s. 7, ch. 69-345.

243.25 Conveyance of title or interest to participating institutions.--When the principal of and interest on revenue bonds of the authority issued to finance the cost of a particular project or projects at a participating institution for higher education, including any revenue refunding bonds issued to refund and refinance such revenue bonds, have been fully paid and retired or when adequate provision has been made fully to pay and retire the same, and all other conditions of the resolution or trust agreement authorizing and securing the same have been satisfied and the lien of such resolution or trust agreement has been released in accordance with the provisions thereof, the authority shall promptly do such things and execute such deeds and conveyances as are necessary and required to convey title to such project or projects to such participating institution for higher education, free and clear of all liens and encumbrances, all to the extent that title to such project or projects shall not, at the time, then be vested in such participating institution for higher education.

History.--s. 8, ch. 69-345.

243.26 Notes of authority.--The authority is authorized from time to time to issue its negotiable notes for any corporate purpose and renew from time to time any notes by the issuance of new notes, whether the notes to be renewed have or have not matured. The authority may issue notes partly to renew notes or to discharge other obligations then outstanding and partly for any other purpose. The notes may be authorized, sold, executed and delivered in the same manner as bonds. Any resolution or resolutions authorizing notes of the authority or any issue thereof may contain any provisions which the authority is authorized to include in any resolution or resolutions authorizing revenue bonds of the authority or any issue thereof, and the authority may include in any notes any terms, covenants or conditions which it is authorized to include in any bonds. All such notes shall be payable solely from the revenues of the authority, subject only to any contractual rights of the holders of any of its notes or other obligations then outstanding.

History.--s. 9, ch. 69-345.

243.27 Revenue bonds.--

(1) The authority is authorized from time to time to issue its negotiable revenue bonds for any corporate purpose. In anticipation of the sale of such revenue bonds, the authority may issue negotiable bond anticipation notes and may renew the same from time to time, but the maximum maturity of any such note, including renewals thereof, shall not exceed 5 years from the date of issue of the original note. Such notes shall be paid from any revenues of the authority available therefor and not otherwise pledged, or from the proceeds of sale of the revenue bonds of the authority in anticipation of which they were issued. The notes

shall be issued in the same manner as the revenue bonds. Such notes and the resolution or resolutions authorizing the same may contain any provisions, conditions, or limitations which a bond resolution of the authority may contain.

(2) The revenue bonds and notes of every issue shall be payable solely out of revenues of the authority, subject only to any agreements with the holders of particular revenue bonds or notes pledging any particular revenues. Notwithstanding that revenue bonds and notes may be payable from a special fund, they shall be and be deemed to be for all purposes negotiable instruments, subject only to the provisions of the revenue bonds and notes for registration.

(3) The revenue bonds may be issued as serial bonds or as term bonds; or the authority, in its discretion, may issue bonds of both types. The revenue bonds shall be authorized by resolution of the members of the authority and shall bear such date or dates, mature at such time or times not exceeding 50 years from their respective dates, bear interest at such rate or rates, be payable at such time or times, be in such denominations, be in such form, either coupon or registered, carry such registration privileges, be executed in such manner, be payable in lawful money of the United States at such place or places, and be subject to such terms of redemption, as such resolution or resolutions may provide. The revenue bonds or notes may be sold at public or private sale for such price or prices as the authority shall determine. Pending preparation of the definitive bonds, the authority may issue interim receipts or certificates which shall be exchanged for such definitive bonds.

(4) Any resolution or resolutions authorizing any revenue bonds or any issue of revenue bonds may contain provisions, which shall be a part of the contract with the holders of the revenue bonds to be authorized, as to:

(a) Pledging of all or any part of the revenues of a project or any revenue-producing contract or contracts made by the authority with any individual, partnership, corporation, or association or other body, public or private, to secure the payment of the revenue bonds or of any particular issue of revenue bonds, subject to such agreements with bondholders as may then exist.

(b) The rentals, fees, and other charges to be charged, and the amounts to be raised in each year thereby, and the use and disposition of the revenues.

(c) The setting aside of reserves or sinking funds, and the regulation and disposition thereof.

(d) Limitations on the right of the authority or its agent to restrict and regulate the use of the project.

(e) Limitations on the purpose to which the proceeds of sale of any issue of revenue bonds then or thereafter to be issued may be applied and pledging such proceeds to secure the payment of the revenue bonds or any issue of the revenue bonds.

(f) Limitations on the issuance of additional bonds, the terms upon which additional bonds may be issued and secured and the refunding of outstanding bonds.

(g) The procedure, if any, by which the terms of any contract with bondholders may be amended or abrogated, the amount of bonds the holders of which must consent thereto, and the manner in which such consent may be given.

(h) Limitations on the amount of moneys derived from the project to be expended for operating, administrative, or other expenses of the authority.

(i) The acts or omissions to act which shall constitute a default in the duties of the authority to holders of its obligations and providing the rights and remedies of such holders in the event of a default.

(j) The mortgaging of a project and the site thereof for the purpose of securing the bondholders.

(5) Neither the members of the authority nor any person executing the revenue bonds or notes shall be liable personally on the revenue bonds or notes or be subject to any personal liability or accountability by reason of the issuance thereof.

(6) The authority shall have power out of any funds available therefor to purchase its bonds or notes. The authority may hold, pledge, cancel, or resell such bonds, subject to and in accordance with agreements with bondholders.

History.--s. 10, ch. 69-345; s. 23, ch. 73-302; s. 1, ch. 77-174; s. 2, ch. 81-195.

243.28 Security of bondholders.--In the discretion of the authority any revenue bonds issued under the provisions of this part may be secured by a trust agreement by and between the authority and a corporate trustee or trustees, which may be any trust company or bank having the powers of a trust company within or without the state. Such trust agreement or the resolution providing for the issuance of such revenue bonds may pledge or assign the revenues to be received or proceeds of any contract or contracts pledged and may convey or mortgage the project or any portion thereof. Such trust agreement or resolution providing for the issuance of such revenue bonds may contain such provisions for protecting and enforcing the rights and remedies of the bondholders as may be reasonable and proper and not in violation of law, including particularly such provisions as have hereinabove been specifically authorized to be included in any resolution or resolutions of the authority authorizing revenue bonds thereof. Any bank or trust company incorporated under the laws of this state which may act as depository of the proceeds of bonds or of revenues or other moneys may furnish such indemnifying bonds or pledge such securities as may be required by the authority. Any such trust agreement may set forth the rights and remedies of the bondholders and of the trustee or trustees, and may restrict the individual right of action by bondholders. In addition to the foregoing, any such trust agreement or resolution may contain such other provisions as the authority may deem reasonable and proper for the security of the bondholders. All expenses incurred in carrying out the provisions of such trust agreement or resolution may be treated as a part of the cost of the operation of a project.

History.--s. 11, ch. 69-345.

243.29 Payment of bonds.--Revenue bonds issued under the provisions of this part shall not be deemed to constitute a debt or liability of the state or of the county or a pledge of the faith and credit of the state or of any such county, but shall be payable solely from the funds herein provided therefor from revenues. All such revenue bonds shall contain on the face thereof a statement to the effect that neither the State of Florida nor the authority shall be obligated to pay the same or the interest thereon except from revenues of the project or the portion thereof for which they are issued and that neither the faith and credit nor the taxing power of the state or of any political subdivision thereof is pledged to the payment of the principal of or the interest on such bonds. The issuance of revenue bonds under the provisions of this part shall not directly or indirectly or contingently obligate the state or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment.

History.--s. 12, ch. 69-345; s. 1, ch. 77-174.

243.30 Rates, rents, fees, and charges.--

(1) The authority is authorized to fix, revise, charge and collect rates, rents, fees and charges for the use of and for the services furnished or to be furnished by each project and to contract with any person, partnership, association or corporation, or other body, public or private, in respect thereof. Such rates, rents, fees and charges shall be fixed and adjusted in respect of the aggregate of rates, rents, fees and charges from such project so as to provide funds sufficient with other revenues, if any:

(a) To pay the cost of maintaining, repairing and operating the project and each and every portion thereof, to the extent that the payment of such cost has not otherwise been adequately provided for.

(b) To pay the principal of and the interest on outstanding revenue bonds of the authority issued in respect of such project as the same shall become due and payable.

(c) To create and maintain reserves required or provided for in any resolution authorizing, or trust agreement securing, such revenue bonds of the authority.

Such rates, rents, fees and charges shall not be subject to supervision or regulation by any department, commission, board, body, bureau or agency of this state other than the authority.

(2) A sufficient amount of the revenues derived in respect of a project, except such part of such revenues as may be necessary to pay the cost of maintenance, repair and operation and to provide reserves and for renewals, replacements, extensions, enlargements and improvements as may be provided for in the resolution authorizing the issuance of any revenue bonds of the authority or in the trust agreement securing the same, shall be set aside at such regular intervals as may be provided in such resolution or trust agreement in a sinking or other similar fund which is hereby pledged to, and charged with, the payment of the principal of and the interest on such revenue bonds as the same shall become due, and the redemption price or the purchase price of bonds retired by call or purchase as therein provided. Such pledge shall be valid and binding from the time when the pledge is made; the rates, rents, fees and charges and other revenues or other moneys so pledged and thereafter received by the authority shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of any such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the authority, irrespective of whether such parties have notice thereof. Neither the resolution nor any trust agreement by which a pledge is created need be filed or recorded except in the records of the authority.

(3) The use and disposition of moneys to the credit of such sinking or other similar fund shall be subject to the provisions of the resolution authorizing the issuance of such bonds or of such trust agreement. Except as may otherwise be provided in such resolution or such trust agreement, such sinking or other similar fund shall be a fund for all such revenue bonds issued to finance projects at a particular institution for higher education without distinction or priority of one over another; provided the authority in any such resolution or trust agreement may provide that such sinking or other similar fund shall be the fund for a particular project at an institution for higher education and for the revenue bonds issued to finance a particular project and may, additionally, permit and provide for the issuance of revenue bonds having a subordinate lien in respect of the security herein authorized to other revenue bonds of the authority and, in such case, the authority may create separate sinking or other similar funds in respect of such subordinate lien bonds.

History.--s. 13, ch. 69-345.

243.31 Trust funds.--All moneys received pursuant to the authority of this part, whether as proceeds from the sale of bonds or as revenues, shall be deemed to be trust funds to be held and applied solely as provided in this part. Any officer with whom, or any bank or trust company with which, such moneys shall be deposited shall act as trustee of such moneys and shall hold and apply the same for the purposes hereof, subject to such regulations as this act and the resolution authorizing the bonds of any issue or the trust agreement securing such bonds may provide.

History.--s. 14, ch. 69-345.

243.32 Remedies of bondholders.--Any holder of revenue bonds issued under the provisions of this part or any of the coupons appertaining thereto, and the trustee or trustees under any trust agreement, except to the extent the rights herein given may be restricted by any resolution authorizing the issuance of, or any such trust agreement securing, such bonds, may, either at law or in equity, by suit, action, mandamus or other proceedings, protect and enforce any and all rights under the laws of the state or granted hereunder or under such resolution or trust agreement, and may enforce and compel the performance of all duties required by this part or by such resolution or trust agreement to be performed by the authority or by any officer, employee or agent thereof, including the fixing, charging and collecting of the rates, rents, fees and charges herein authorized and required by the provisions of such resolution or trust agreement to be fixed, established and collected.

History.--s. 15, ch. 69-345.

243.33 Tax exemption.--The exercise of the powers granted by this part will be in all respects for the benefit of the people of this state, for the increase of their commerce, welfare and prosperity, and for the

improvement of their health and living conditions, and as the operation and maintenance of a project by the authority or its agent will constitute the performance of an essential public function, neither the authority nor its agent shall be required to pay any taxes or assessments upon or in respect of a project or any property acquired or used by the authority or its agents under the provisions of this part or upon the income therefrom, and any bonds issued under the provisions of this part, their transfer, and the income therefrom, including any profit made on the sale thereof, shall at all times be free from taxation of every kind by the state, the county and by the municipalities and other political subdivisions in the state. The exemption granted by this section shall not be applicable to any tax imposed by chapter 220 on interest, income or profits on debt obligations owned by corporations.

History.--s. 16, ch. 69-345; s. 7, ch. 73-327.

243.34 Refunding bonds.--

(1) The authority is hereby authorized to provide for the issuance of revenue bonds of the authority for the purpose of refunding any revenue bonds of the authority then outstanding, including the payment of any redemption premium thereon and any interest accrued or to accrue to the earliest or subsequent date of redemption, purchase or maturity of such revenue bonds, and, if deemed advisable by the authority, for the additional purpose of paying all or any part of the cost of constructing and acquiring additions, improvements, extensions or enlargements of a project or any portion thereof.

(2) The proceeds of any such revenue bonds issued for the purpose of refunding outstanding revenue bonds may, in the discretion of the authority, be applied to the purchase or retirement at maturity or redemption of such outstanding revenue bonds either on their earliest or any subsequent redemption date or upon the purchase or at the maturity thereof and may, pending such application, be placed in escrow to be applied to such purchase or retirement at maturity or redemption on such date as may be determined by the authority.

(3) Any such escrowed proceeds, pending such use, may be invested and reinvested in direct obligations of the United States of America, or in certificates of deposit or time deposits secured by direct obligations of the United States, maturing at such time or times as shall be appropriate to assure the prompt payment, as to principal, interest and redemption premium, if any, of the outstanding revenue bonds to be so refunded. The interest, income, and profits, if any, earned or realized on any such investment may also be applied to the payment of the outstanding revenue bonds to be so refunded. After the terms of the escrow have been fully satisfied and carried out, any balance of such proceeds and interest, income and profits, if any, earned or realized on the investments thereof may be returned to the authority for use by it in any lawful manner.

(4) The portion of the proceeds of any such revenue bonds issued for the additional purpose of paying all or any part of the cost of constructing and acquiring additions, improvements, extensions or enlargements of a project may be invested and reinvested in direct obligations of the United States, or in certificates of deposit or time deposits secured by direct obligations of the United States, maturing not later than the time or times when such proceeds will be needed for the purpose of paying all or any part of such cost. The interest, income and profits, if any, earned or realized on such investment may be applied to the payment of all or any part of such cost or may be used by the authority in any lawful manner.

(5) All such revenue bonds shall be subject to the provisions of this part in the same manner and to the same extent as other revenue bonds issued pursuant to this part.

History.--s. 17, ch. 69-345.

243.35 Legal investment.--Bonds issued by the authority under the provisions of this part are hereby made securities in which all public officers and public bodies of the state and its political subdivisions, all insurance companies, trust companies, banking associations, investment companies, executors, administrators, trustees and other fiduciaries may properly and legally invest funds, including capital in their control or belonging to them. Such bonds are hereby made securities which may properly and legally be deposited with and received by any state or municipal officer or any agency or political subdivision of the state for any purpose for which the deposit of bonds or obligations of the state is now or may hereafter be authorized by law.

History.--s. 18, ch. 69-345.

243.36 Reports.--Within the first 90 days of each calendar year, the authority shall make a report to the governing body of the county of its activities for the preceding calendar year. Each such report shall set forth a complete operating and financial statement covering its operations during such year. The authority shall cause an audit of its books and accounts to be made at least once each year by certified public accountants and the cost thereof shall be paid by the authority from funds available to it pursuant to this part.

History.--s. 19, ch. 69-345.

243.37 State agreement.--The state does hereby pledge to and agree with the holders of any obligations issued under this part, and with those parties who may enter into contracts with an authority pursuant to the provisions of this part, that the state will not limit or alter the rights hereby vested in the authority until such obligations, together with the interest thereon, are fully met and discharged and such contracts are fully performed on the part of the authority, provided nothing herein contained shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the holders of such obligations of an authority or those entering into such contracts with an authority. An authority is authorized to include this pledge and undertaking for the state in such obligations or contracts.

History.--s. 20, ch. 69-345.

243.38 Alternate means.--The foregoing sections of this part shall be deemed to provide an additional and alternative method for the doing of the things authorized thereby, and shall be regarded as supplemental and additional to powers conferred by other laws; provided the issuance of revenue bonds and revenue refunding bonds under the provisions of this part need not comply with the requirements of any other law applicable to the issuance of bonds. Except as otherwise expressly provided in this part, none of the powers granted to the authority under the provisions of this part shall be subject to the supervision or regulation or require the approval or consent of any municipality or political subdivision or any commission, board, body, bureau, official or agency thereof or of the state.

History.--s. 21, ch. 69-345.

243.39 Liberal construction.--This part, being necessary for the welfare of the state and its inhabitants, shall be liberally construed to effect the purposes hereof.

History.--s. 22, ch. 69-345.

243.40 Provisions of part controlling.--To the extent that the provisions of this part are inconsistent with the provisions of any general statute or special act or parts thereof, the provisions of this part shall be deemed controlling.

History.--s. 23, ch. 69-345; s. 1, ch. 77-174.

Attachment #4

BOARD OF COUNTY COMMISSIONERS

Agenda Request

Agenda Item For: April 26, 1994

Date of Distribution: April 22, 1994

TO: Honorable Chairperson and Members of the Board

FROM: Parwez Alam, County Administrator PA

SUBJECT: Future Course of the EFA

STATEMENT OF ISSUE:

The County Commission wishes to review its options as to the future direction or need for the Leon County Educational Facilities Authority (EFA).

BACKGROUND:

A memo from the County Attorney's Office, dated March 11th, listed the options currently available to the County Commission (See Attachment 1). This memo also requested direction from the County Commission as to how it wished to pursue this issue of the EFA and its projects. In short, the options were:

1. Evaluate whether the EFA was fundamentally worthwhile,
2. Study recommendation by the EFA to create an independent special district for transitional areas,
3. Determine Commissions intention as to whether EFA projects were tax exempt,
4. Determine whether the Commission had a desire to take any action regarding the Southgate project and its financing.

Direction is still pending.

On April 12th, during the regular meeting of the Commission, the Commission heard a request from the EFA Chairman in regards to gathering information on potential projects. The Commission voted unanimously to reaffirm its position that the EFA would not entertain any new projects until their current projects were up and running efficiently. Additionally, direction was that County staff and EFA staff get together and develop a listing of potential options for the future course/existence of the EFA.

ANALYSIS:

A one week turnaround time on this item has not been possible. The staff persons for the County Attorney's Office, County Administrator's Office, and the EFA could not meet due to prior engagements, as well as, deadlines for quarterly management reports, and the budget.

Through telephone conversations with the parties involved, however, it was learned that a vital piece of information would become available at the end of May that could be useful to the Commission in its decision-making process on this issue - that piece of information is the required Annual Audit and Report of the EFA.

OPTIONS:

1. Direct staff to prepare options in a workshop format on the future course of the EFA following the completion and analysis of the Annual Audit and Report of the EFA.

2. Direct staff to prepare options in an agenda item format on the future course of the EFA following the completion and analysis of the Annual Audit and Report of the EFA.

3. Act upon any of the options as discussed in the attached memo from the County Attorney's Office.

4. Direct staff to develop options regarding the future course of the EFA, using existing data, and agenda the item for the first meeting in May.

5. Provide staff further direction and/or clarification.

RECOMMENDATION:

Option #1. This option will provide the Commission the benefit of the latest financial data from the EFA in a workshop setting which will allow full discussion of all options.

PA/BT/CPT

Attachment: 1 - County Attorney's memo of March 11th.

BOARD OF COUNTY COMMISSIONERS
INTER-OFFICE MEMORANDUM

To: Honorable Chairperson and Members of the Board of County Commissioners
Parwez Alam, County Administrator

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

Date: March 11, 1994

Subject: Educational Facilities Authority

Attached for your review and input is the requested memorandum concerning the status and options for future course of action by the Board regarding the operations of the Leon County Educational Facilities Authority. Please advise as to whether the Board desires to have a workshop on this issue.

If you have any questions concerning this matter, please contact the County Attorney's Office.

HWAT:mal

Attachment

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M E M O R A N D U M

TO: Honorable Chairperson and Members of the Board

FROM: Bryant, Miller and Olive, P.A., Bond Counsel
Herb Thiele, County Attorney

SUBJECT: Leon County Educational Facilities Authority

DATE: March 10, 1994

Statement of Issue: Consideration by Leon County Board of County Commissioners of present status and options for future course of action by Commission regarding operations of the Leon County Education Facilities Authority in general and specifically with regard to the Authority's $28,735,000 Certificates of Participation, Series 1991 (Southgate Residence Hall Project).

Background: The Leon County Education Facilities Authority was created and established by resolution of the Leon County Board of County Commissioners on July 17, 1990 pursuant to Chapter 243, Part II, Florida Statutes, and is registered as a dependent district with the Office of District Information of the Florida Department of Community Affairs. The seven members are appointed by the Commission for five year terms. There are currently two vacancies on the Authority. The Resolution specifically provides in Section 5 thereof, that "neither the notes, bonds nor any other obligation incurred by the Authority shall be deemed a pledge of the faith or credit of Leon County nor shall any act or inaction of the Authority directly or indirectly or contingently obligate Leon County to levy or to pledge any form of taxation whatever therefor or to make appropriation for their payment." The Authority currently has a paid executive director who oversees its operations and maintains the Authority's records.

The Resolution also calls for a report of the Authority's activities to be made to the Commission within the first 90 days of each calendar year, including a complete operating and financial statement covering its operations during such year. An annual audit of the Authority's books and accounts by a CPA is also required at the Authority's expense.

In 1990, prior to issuance of any debt obligations, the Authority validated in the Circuit Court of Leon County bonds to be used to finance the acquisition of student townhouses for use by Florida State University students. (The validated bonds were issued in escrow, and later redeemed when no purchaser was found. The acquisition of these townhouses, now known as the Scholarship Townhouses, was later financed with proceeds of the 1993 Bonds of the Authority hereinafter described.) The Final Judgment of Validation found that private projects located off campus and not

at a participating institution but restricted to housing for students of proximate institutions of higher education were authorized and fulfilled a proper public purpose. The Authority determined in addition to provide that a portion of revenues generated by financed projects would be made available for operations of the Authority and student scholarships.

The Authority currently has outstanding the following obligations for the following projects:

I. $3,710,000 Leon County Educational Facilities Authority Revenue Bonds, Series 1993 (Scholarship Student Housing Project) issued on April 28, 1993 to finance the acquisition of 82 rental townhouses.

The Authority advises that the 82 units in the Scholarship Townhouses which are owned by the Authority are currently occupied. Community Property Management, Inc. is serving as Manager of this project. The Bonds are current. The Authority expects to begin receiving moneys from this project in May, 1994. The only open matter on this project is the issue of whether property taxes are owed on this project. The question is substantially the same as that discussed below for the Southgate project.

II. $28,735,000 Certificates of Participation, Series 1991 (Southgate Residence Hall Project) (the "1991 Certificates"), issued on July 25, 1991 to finance acquisition and construction of the 505 bed Southgate Campus Centre adjacent to FSU's campus. The 1991 Certificates were issued in two series, both unrated. Senior Certificates in the amount of $24,235,000 are owned by five Dreyfus municipal funds. Subordinated Certificates in the amount of $4,500,000 are privately placed with Southgate Residence Hall, Inc., the Developer of the project, and John D. Hallstrom and Michael J. Read, financial advisors to the Developer.

A not-for-profit corporation, SRH, Inc. owns the fee title to the project and leases the project to the Authority. The Certificates evidence participation interests in the rent revenues realized from operation of the project.

The Authority advises that the Southgate project as of February 1, 1994 was approximately 61% occupied. The construction is substantially complete. Portions of the building to be dedicated to retail space have not been fully completed and $28,000 is held by the Trustee for that purpose. In addition, the Trustee, Sun Bank, National Association, is holding a 100% performance and payment bond on J. Kinson Cook, Inc., the contractor and Certificate proceeds of approximately $1,000,000 as retainage pending resolution of a dispute with the building contractor. The project is managed by Professional Food-Service Management, Inc. ("PFM") under a five year management contract between PFM and the Authority as Lessee, subject to a three year cancellation option.

Subsequent to issuance of the Southgate Certificates, but prior to completion of the Southgate project, the Developer, Southgate Residence Hall, Inc., and Kent Deeb, individually, filed for bankruptcy under Chapter 11 of the Bankruptcy Code. Following completion of the project, the proceedings were switched to Chapter 7.

The Trustee advises that debt service reserves for the Certificates have been used to supplement project revenues to pay current interest to Dreyfus and to purchase fixtures, furniture and equipment needed to open the project. Additional funds needed to operate the facility have been provided by PFM. In addition, the Authority issued $1.2 million of additional, 2 year certificates of participation held by Dreyfus funds and payable on a parity with the other certificates held by Dreyfus, the proceeds of which are available for operational shortfalls only. Interest is due on the Senior Certificates on each March 1 and September 1. The Trustee advises that $1,090,575.00 of interest due on the Senior Certificates on March 1 was not paid, creating a payment default under the Trust Indenture. As of the date of this memorandum, the Trustee had not received direction from Dreyfus to take any remedial action under the Indenture.

A dispute exists as to whether property taxes are required to be paid on the project. The cash flows for Southgate apparently were run assuming such an exemption would be forthcoming and the Authority states that the then-property appraiser agreed to the exemption. The Southgate project received an exemption for 1992. The current property appraiser has taken the position that both existing projects of the Authority are not exempt. Exemptions were filed for 1993 for Southgate, were denied and appealed. A special master denied the exemption, which denial was ratified by the Adjustment Board. A declaratory judgment action filed by the Authority is pending in Circuit Court in Leon County to resolve the question, however the Authority currently is not represented by counsel on this matter. The 1993 property taxes on Southgate were assessed on the value prior to project completion. $20,000 for this obligation is being held by Dreyfus pending the outcome of the declaratory judgment action. The 1993 taxes are due March 1, 1994. Applications for exemptions for 1994 on both projects were filed by the Authority on February 24, 1994. The assessed value of the Southgate project for the property as improved and intangible property is expected to be in excess of $18,000,000, which could have significant impact on the cash flow of the project.

<u>Analysis</u>: The Authority has requested the Commission to evaluate whether the Authority should continue to function and, if so, to express its working policy toward its appointed authorities such as the Educational Facilities Authority, particularly as to what degree of involvement or oversight the Commission wants to have, whether the County will provide staffing and operating expenses, etc.

Attch. 1
5 of 6

The Authority also outlined specific problems it foresees in financing educational facilities in areas proximate to institutions of higher education in Leon County because the deteriorated condition of areas available for such facilities precludes private investment. The Authority proposed the creation by special act pursuant to Chapter 189, Florida Statutes, of an independent special district comprised of transition areas under the comprehensive plan which would have powers to manage and finance infrastructure improvements without the use of the County's property taxes. It is the Authority's view that this would provide the opportunity to work creatively to implement official adopted State, County and City policies and plans for the area while working with the two universities and the City.

The Commission can consider and, if desired, act, upon several matters raised by the Educational Facilities Authority:

1. Evaluate the continued existence of the Educational Facilities Authority and define with greater specificity the working relationship between the Commission and all the Authorities it created, including:

(a) Whether the Commission will, on a regular basis, provide staffing and/or operational funding

(b) Whether the Commission intends, on a regular basis, to require oversight and/or specific approvals by the Commission of programs and undertakings of such authorities

(c) Whether the Commission will do either (a) or (b) under circumstances where an authority or its projects experience financial difficulties

2. Creation by special act of an independent special district comprised of transitional areas under the comprehensive plan, with powers to manage and finance infrastructure improvements from sources other than the County's property tax to make the areas more attractive to private investment and to implement official adopted state, county and city policies and plans for the area.

3. Analyze, discuss and/or enter into an understanding with the Educational Facilities Authority and the Leon County Property Appraiser regarding exemptions from taxation of the Authority's two existing projects and tangible personal property.

4. Specifically with regard to the Authority's Southgate project and debt obligations issued to finance it, review the Commission's desire, ability or obligation to take any action.

<u>Options</u>:

Re: Item 1, above: (a) Evaluate whether the Authority is fundamentally worthwhile for public projects, private projects or both.

Attach. 1
6 of 6

(b) Decide whether and how Chapter 243, Part II, F.S. (the general law setting forth the charter of the Authority), should be amended or improved based upon the experience in Leon County.
(c) Take steps to terminate the Authority or limit its functions to management or disposition of the two existing projects.
(d) Develop written guidelines defining working relationship between the Commission and authorities it created regarding staffing, funding and approvals.
(e) Take no action.
(f) Direct staff otherwise.

Re: Item 2, above:
(a) Study recommendation of Educational Facilities Authority to create by special act an independent special district for transitional areas.
(b) Undertake the creation by special act of an independent special district.
(c) Take no action.
(d) Direct staff otherwise.

Re: Item 3 above:
(a) State Commission's intention whether Educational Facilities Authority projects should be subject to property taxes.
(b) Take no action.
(c) Direct staff otherwise.

Re: Item 4 above:
(a) Determine whether the Commission has desire to take any action regarding the Southgate project and Certificates through any of the following: providing staff for Authority operations, participating in negotiations or other proceedings relating to the project or the Certificates, contributing funds toward either of these.
(b) Take no action.
(c) Direct staff otherwise.

<u>Recommendations</u>: Provide direction to staff.

Attachment #5

Leon County
Board of County Commissioners
301 South Monroe Street, Tallahassee, Florida 32301
(850) 606-5302 www.leoncountyfl.gov

Commissioners

BILL PROCTOR
District 1

JANE G. SAULS
District 2

JOHN DAILEY
District 3

BRYAN DESLOGE
District 4

BOB RACKLEFF
District 5

CLIFF THAELL
At-Large

ED DePUY
At-Large

PARWEZ ALAM
County Administrator

HERBERT W.A. THIELE
County Attorney

October 23, 2008

Calvin Ogburn
Executive Director
Leon County Educational Facilities Authority
3263 Robinhood Road
Tallahassee, FL 32312

~~Mr. Ogburn~~, Cal

Thank you for meeting with Scott and I earlier today to discuss the operations of the Leon County Educational Facilities Authority (LCEFA). As mentioned during the meeting, the Office of Management and Budget (OMB) is conducting a review of the LCEFA regarding its structure, duties, and responsibilities. This review is being conducted at the request of the Board of County Commissioners.

In order for OMB to complete the report, the documents listed below are needed from the LCEFA. As discussed during our meeting, we will meet with Bob Powell, an auditor with James Moore, next week to review the financial reports for the LCEFA.

- Budget and Financial Reports
- Meeting Minutes: 2005-2008
- Project Lists:
  - List of all applications that have been considered by the Authority.
  - List of completed projects and the documents supporting the reason for their selection by the Authority.
  - List of applications that were considered by the Authority but not selected as well as the documents supporting the reasoning why these projects were not selected.
  - List of current properties owned by the LCEFA
- List of Scholarship donations from the LCEFA for the past five years

Please submit a copy of these items no later than November 7, 2008.

Thank you in advance for your assistance and cooperation. If you have any questions or concerns please contact me at (850) 606-5116.

Sincerely,

Cristina M. Long
Senior Management and Budget Analyst, Office of Management and Budget

Attachment: Leon County Educational Facilities Project Outline

CC: Alan Rosenzweig, Assistant County Administrator
Scott Ross, Budget Manager, Office of Management and Budget
Bob Kellam, Chairman of the Leon County Educational Facilities Authority

Leon County Educational Facilities Authority

Statement of Issue: To present the findings of the staff review of the Leon County Educational Facilities Authority's structure, duties, and responsibilities.

Background: During the June 10, 2008 meeting, the Board requested a review of the Leon County Educational Facilities Authority (LCEFA). The Board directed staff to perform a comprehensive review of the EFA's structure, duties, and responsibilities.

Project Outline:

I. Overview
   A. Enabling Resolution
      i. Resolution developed in accordance with Florida Statute 243.21
      ii. First resolution passed in 1972 – appears that the LCEFA did not continue to meet and therefore dissolved
      iii. Second resolution passed in 1990 – replaced the earlier LCEFA and began to meet on a regular basis. The Authority has remained active for 18 years
   B. Mission of LCEFA
      i. To assist institutions for higher education in the construction, financing, and refinancing of projects.
      ii. Long term goals for the Authority
   C. Requirements of the Resolution
      i. Deliver a report to the Board of its activities for the preceding calendar year, including a complete operating and financial statement of its operations. This report must be given to the Board within the first 90 days of each calendar year.
      ii. A yearly audit by a certified public accountant must be conducted.
      iii. Both of these reports are also required by Florida Statute 243.36.

II. Organizational Structure
   A. Members of LCEFA
      i. Seven Members: each appointed by the Board to serve a term of five years. Members are not compensated.
      ii. One member must be a trustee, director, officer, or employee of an institution for higher education in the county
      iii. Members are eligible for reappointment. There are no term limits.
      iv. The Board may remove members from the LCEFA for misfeasance, malfeasance, or willful neglect of duty.
   B. Chairman/Vice Chairman
      i. Yearly elections for Chair and Vice Chair
      ii. Committees: List of Committees for the LCEFA
   C. Executive Director
      i. The Executive Director is not member of the LCEFA and serves at the pleasure of the LCEFA. The Director is compensated.
      ii. Duties include keeping a record of the procedures of the LCEFA and serves as a custodian of the LCEFA's books, documents, papers, minutes, and official seal.

III. Duties and Powers

A. Florida Statutes 243.22 defines the powers and duties of the LCEFA. Listed below are some examples of the duties and powers of the LCEFA:

i. To assist institutions for higher educations in the construction, financing, and refinancing of projects. Including making loans to participating institutions; to mortgage any project and site for the benefit of the holders of the revenue bonds; to establish rules and regulations for the use of a project.

ii. To construct, reconstruct, maintain, repair, operate, lease as lessee or lessor; to enter into contracts for the management and operation of a project; and to employ consulting engineers, architects, attorneys, accountants for such projects.

iii. To issue bonds, bond anticipation notes and other obligations

iv. To designate a participating institution for higher education as its agent to determine the location and character of a project undertaken by the participating institution.

v. To charge to and equitably apportion among participating institutions for higher education its administrative costs and expenses incurred in the exercise of powers and duties of the Authority.

B. Notes, bonds or other obligations incurred by the LCEFA shall not be deemed a pledge of the faith or credit of the County (FS 243.29).

IV. Budgeting and Financing

A. According to the enabling resolution, the LCEFA must present a report to the BOCC within 90 days of the new calendar year.

B. In addition to an annual report, the LCEFA is required by the enabling resolution to conduct a yearly audit by a certified CPA:

C. Budget and Financial data – the overall financial status of the Authority

i. Florida Statutes 243.23 states that all expenses incurred in carrying out the provisions in the duties and powers of the Authority must be paid solely by the Authority

D. List of Assets – including properties owned by the Authority

i. Florida Statutes 243.24 states that the Authority can acquire real property.

V. Projects

A. Overview of the projects and project selection criteria

i. LCEFA Ownership Projects vs. Conduit Financing Projects

B. Procedure process for approving the bonds for projects

i. Project Application Process

ii. Tax Equity and Fiscal Responsibility Act (TEFRA) Hearings – roles and procedures for when and where to conduct these hearings.

C. Projects owned and operated by the LCEFA

i. Southgate

1. Project overview

2. Organizational structure of the facility: specifically relating to LCEFA's ownership of the facility.

V. Projects continued:
    ii. Heritage Grove
        1. Project overview
        2. TERFA was not conducted through the Board but through FSU.
D. Projects with conduit financing by the LCEFA:
    i. University Courtyard
        1. Project Overview
    ii. Create Inc.
        1. Project Overview
        2. Current Status
    iii. Other Projects
E. Other Applications reviewed but not considered/completed
    i. Applications that the LCEFA reviewed but were not considered/completed. Discussion regarding the reasoning why these projects were not pursued as opposed to the other projects listed above.

VI. Community Scholarship Involvement
A. Proceeds from projects are re-invested in the community through scholarships
    i. LCEFA has been issuing scholarships locally for about five years
    ii. Approximately $20,000 is given to each the following higher education institutions: Florida State University, Florida A&M University, and Tallahassee Community College

Attachment #6

Leon County
Board of County Commissioners
301 South Monroe Street, Tallahassee, Florida 32301
(850) 606-5302 www.leoncountyfl.gov

Commissioners

BILL PROCTOR
District 1

JANE G. SAULS
District 2

JOHN DAILEY
District 3

BRYAN DESLOGE
District 4

BOB RACKLEFF
District 5

CLIFF THAELL
At-Large

ED DePUY
At-Large

PARWEZ ALAM
County Administrator

HERBERT W.A. THIELE
County Attorney

November 6, 2008

Calvin Ogburn
Executive Director
Leon County Educational Facilities Authority
3263 Robinhood Road
Tallahassee, FL 32312

Mr. Ogburn,

Thank you for meeting with me last week to discuss the past five years of audit reports for the Leon County Educational Facilities Authority (LCEFA). Upon my review of the reports, I have some questions regarding these financial statements as well as questions relating to LCEFA operations. In order for OMB to complete the review on LCEFA, please address the attached questions. Please respond to these questions in writing by November 21, 2008.

Thank you in advance for your assistance and cooperation. If you have any questions or concerns please contact me at (850) 606-5116.

Sincerely,

Cristina M. Long
Senior Management and Budget Analyst, Office of Management and Budget

Attachment: Questions Regarding the Leon County Educational Facilities

CC: Alan Rosenzweig, Assistant County Administrator
Scott Ross, Budget Manager, Office of Management and Budget
Bob Kellam, Chairman of the Leon County Educational Facilities Authority

LCEFA Questions

Questions Relating to the Financial Statements of the LCEFA:

1. According to page seven of the year ending September 30, 2006 audit, the cash received from residents and customers is $8,094,119. On page eight of the year ending September 30, 2007 audit, the cash received from residents and customers is $6,952,803. However, the expenses do not appear to be decreasing in a similar fashion. Please explain the long term business plan.

2. Pages 14 and 15 of the year ending September 30, 2007 audit outline the bond debt service for Southgate and Heritage Grove. According to the debt service, the payments on debt are increasing, especially after 2013. However, the revenues for both Southgate and Heritage Grove appear to be decreasing. Please explain the long term business plan.

3. As described on page nine of the year ending September 30, 2007 audit, please define the capital grants and contributions that the LCEFA qualifies for and/or receives.

4. Page six of the year ending September 30, 2007 audit states that the outstanding deficit for the Southgate fund is $24,109,356. In addition, the "Accrued Interest Payable" for this fund is $13,510,955. Please define the accrued interest payable and explain the reason that the total deficit for the Southgate fund appears to be increasing over the past five years of financial statements.

5. Provide a breakdown of operating expenditures for Southgate and Heritage Grove for the year ending September 30, 2007. For example, please break out the personnel costs, other operating costs, and repairs and maintenance noted on page seven of the audit report.

6. The auditor's note, on page 19 of the year ending September 30, 2006 audit, recommended that the LCEFA "replenish the security deposit account with unrestricted cash flows and enforce controls to ensure proper controls over security deposits" for Southgate. What steps did the LCEFA take to enforce the proper controls and was the account replenished?

7. The auditor's note on page 18 of the year ending September 30, 2007 stated that LCEFA does not have controls in place in order to produce accurate monthly financial statements. What changes have been made to the LCEFA's daily operations to produce accurate monthly financial statements?

8. The auditor's note on page 19 of the year ending September 30, 2007 recommended that the LCEFA engage a financial consultant in order to address the Fixed Charges Coverage Ratio; since it fell below 1.20. What was the opinion of the financial consultant regarding the fixed charges coverage ratio?

Questions Relating to LCEFA Operations:

9. According to Florida Statute 243.22, the LCEFA shall assist institutions for higher education in the construction, financing, and refinancing of projects. Included in the application for Fairfield Residential is a "Form of Florida State Referral Agreement" from the John Carnaghi, Senior Vice President for Finance and Administration. This letter states Florida State University's support for reasonably convenient, suitable, and affordable housing for students. Please provide the documentation from an institution of higher education in Leon County that was used in support of the following projects: Southgate, Heritage Grove, University Courtyard, and Create Inc.

10. Outline the application process for the LCEFA; please specifically explain what determines the LCEFA recommendation to proceed with an application and conduct a TEFRA Hearing.

11. In regards to University Courtyard Apartments, please outline the TEFRA hearing process. In addition, as it is discuss on page 17 of the year ending September 30, 2007 audit, if it is the intent of the LCEFA to take ownership of the property in 2040 once the bonds are paid in full, what is the business plan for this complex?

Leon County Educational Facilities Authority

Robert E. Kellam
Chairman

Liz Maryanski
Vice Chairman

Randy Guemple

Henry Lewis, III

Anne Peery

Craig Fletcher

William W. Hilaman

Calvin Ogburn
Executive Director
(850) 386-4848

3263 Robinhood Road
Tallahassee, Florida
32312
Fax (850) 385-9324

Terrell C. Madigan
General Counsel
(850) 224-8623

November 21, 2008

Cristina M. Long
Senior Management and Budget Analyst
Office of Management and Budget
Leon County Board of County Commissioners
301 S. Monroe St., Tallahassee, FL 32301

Re: OMB Review of LCEFA; Your Questions of November 6, 2008

Dear Ms. Long,

In connection with your office's ongoing review of the LCEFA, and your itemized inquiries as set forth in your letter to me of November 6, 2008; I am pleased to provide you with LCEFA's attached responses, numbered 1 through 11, corresponding to your questions.

If it is the OMB's objective to develop suggestions, recommendations or comment as to the LCEFA's activities as a result of your review and inquiries; we would appreciate and welcome the opportunity to review same with the OMB prior to any report being advanced to the Board of County Commissioners for its consideration.

Please feel free to contact me with any questions. Thank you.

Sincerely,

Calvin Ogburn, Executive Director

Leon County
Educational
Facilities Authority

Responses to OMB questions to the LCEFA of November 6, 2008

1. The student housing market in Leon County has experienced a significant downturn over the past few years due to a variety of factors ranging from economic conditions in general, enrollment variances at the local institutions of higher education, overbuilding of student-focused apartment complexes (a number of which are now in foreclosure), mandates by Florida A&M University that it's underclassmen first utilize on-campus housing, and a sizeable increase in new dormitory housing coming on line, owned and operated directly by Florida State University. Student housing provided by the LCEFA has not been immune to these factors. The Southgate facility, being more of a traditional dormitory catering to younger students, has been particularly hit hard by the approximately 1,700 new dormitory room-units which have been opened by FSU over the past few years. Heritage Grove, while continuing to achieve an enviable almost 100 percent occupancy rate, has had to maintain its rental structure at close to 2005 rates in order to remain competitive. The original business plans for both Southgate and Heritage Grove contemplated rental rates rising on an annual basis, as had been the historical norm in the area. The LCEFA is working with its hired management agents for both Southgate and Heritage Grove to aggressively increase marketing and cost-cutting measures. Budgets are monitored on a monthly basis for improvement opportunities. Due to many of the fixed costs, however, and the need to maintain attractiveness of these projects for the long run, expenses cannot necessarily be pared down in a correspondingly similar fashion to the revenue decreases that have resulted from largely outside forces.

2. Please see Response to Question No. 1, above. Given current market conditions, this is a very serious concern to the LCEFA. The LCEFA has already begun exploring options with financial consultants as to a pro-active restructuring of debt, and will be addressing potential plans with the current bondholders.

3. Though the LCEFA is statutorily eligible to receive capital grants and contributions, it has not received any to date other than occasional donations from a grateful parent or a visiting bondholder; such totaling less than $2000 over the years and being immediately deposited to the Admin Fund for scholarship use. Also, though not truly a "contribution"; the LCEFA did receive from the State of Florida and Florida State University the use of leased land and infrastructure funding in connection with the Heritage Grove project.

4. The accrued interest payable for the Southgate Fund is due to the unpaid interest due the "B" bondholders. This interest accumulates interest on unpaid interest per the Bond documents. Due to this compounding effect the deficit continues to increase. The "B" Bond indebtedness on Southgate arose from a restructuring of the debt on that project in 1998, defeasing the original bonds issued in 1993. In "profitable" years, payments are/in fact have been made towards that indebtedness. However, that indebtedness is inferior and subordinate to the primary financing on the Southgate project and does not constitute an enforceable obligation of or against the LCEFA, or one which could ever be foreclosed upon against the Southgate property for so long as Southgate continues to meet its primary indebtedness obligations (the "A" Bonds).

5. Please see the attached breakdowns.

6. In this instance, the account was replenished almost immediately. This issue was reviewed with the management agents by the Auditor and staff. The item has not been raised in later audits. The LCEFA works aggressively with its management agents to continually monitor the various accounts and enforce controls consistent with required budgetary and loan/trust agreement constraints.

7. Monthly statements were in fact always produced and reviewed by the LCEFA; however, those reports initially corresponded to a school year calendar, the Bond documents called for a calendar year reporting format and the LCEFA statutory audit requirement necessitated reporting based on the governmental fiscal year. This required substantial re-formatting on the part of the auditor so as to reconcile the overlapping formats. The LCFA instructed its management agents to modify their reporting formats so that it is now provided monthly statements on both Southgate and Heritage Grove in a manner consistent with its own requirements and those of the auditor. In addition, the LCEFA Admin Fund is further maintained on an in-house Quick Books system.

8. Financial consultants to the LCEFA are in the process of providing recommendations to address the fixed charges coverage ratio, which may require longer term adjustments of present financing structures which will entail the cooperation and consent of parties to these obligations other than the LCFA, in order to effectuate the recommendations.

9. "Documentation" from an institution of higher education in support of a particular project is not a requirement of Florida Statutes Chapter 243 or of the LCEFA. Some showing of support, in a written form ("documentation") for a particular project from an institution of higher education may be desirable, however, for purposes of obtaining preferential financing terms from private investors on a project, serving as an enhancement to the fundamental financial strengths of a project. The LCEFA has not promulgated any particular format of such documentation, as it is not a general requirement. Whenever such a showing of support for a particular project by an institution of higher education would be deemed helpful to the development of a project, either by the LCEFA or the proponent and/or investors related to such a project, such documentation would be

sought after in a fashion most helpful to the project, and subject to the discretion of the affected institution of higher education. There was no such documentation as pertained to Southgate (which project was in fact initiated directly with the Leon County BCC prior to the creation of the LCEFA) or Create, Inc.. When the University Courtyard Apartments project was first presented to the LCEFA, it was accompanied by a "letter of interest" from the then president of Florida A&M University; Heritage Grove, which was a collaborative project of the LCEFA and the Florida State University, was subject to a "Development Agreement" between these entities.

10. The LCFA requires an initial applicant (proponent of a project to be financed through the LCEFA) to submit a generically designed application, a copy of which is attached, together with a fee, which is currently set in the amount of $10,000.00. Because the nature of the projects which might be considered by the LCFA is quite broad, as set forth in Florida Statutes Chapter 243, and can range from student housing to stadiums to administrative buildings, classrooms and laboratories; the LCEFA has specifically opted not to promulgate a set process for determining a recommendation to proceed. Any project which might be proposed would be subject to studied analysis based upon its own merit, the only common requisites being that the project meet the statutory objectives and serve a public purpose/need which is supportive or complimentary of the missions of institutions of higher education in the community, and that the operational and financing plan and long term projections for the project appear sustainable, credible, and which would meet requirements to obtain reasonable financing through the private funding mechanisms which the project proponent must secure. Ultimately, any project to be approved by the LCEFA must be approved by private investors, which have their own criteria; the LCEFA has no taxing authority or powers to pledge public or other taxpayer monies, and accordingly no project can be approved or financed based upon any reliance on public funds. Though the LCEFA will make a determination as to whether a project meets a public purpose beneficial to any or all of the community institutions of higher education; the project is ultimately approved based upon the analysis of private financial markets which will provide the funding.

A TEFRA Hearing is conducted by the county, and not by the LCEFA. A TEFRA hearing is not required for every type of project which the LCEFA might entertain. A TEFRA Hearing is conducted for the primary purpose of having the highest political body of a county, i.e., Board of County Commissioners, to make a public determination that a particular project would be useful, beneficial and/or needed and therefore would serve a public purpose. This finding does not evaluate or approve the private funding mechanism which might be involved, but does allow the financing to be issued on a federally tax-advantaged basis; in particular, making the investment by private funds not subject to federal income taxation, given the public, educational purposes of the project. "Tax-Free Bonds" may generally serve as an enhancement to the financial viability of a project. The TEFRA process is a requirement of Federal law in order to obtain the federal income tax benefits.

11. Please see the foregoing Response to Question No. 10. A TEFRA hearing for University Courtyard Apartments was conducted by the Leon County

Board of County Commissioners in February of 2000. No business plan for University Courtyard Apartments for the years 2040 forward, has been developed by the LCEFA. At present time, Muni Mae, which has been managing the project since approximately 2005 on behalf of itself and the private bondholder interests, has expressed its intent to take over all ownership interest in University Courtyard Apartments in order to sell that project due to its inability, though almost fully leased, to meet current and projected financial obligations as established in its original conduit financing. LCEFA does not and has not ever actively managed University Courtyard Apartments as it does with Southgate and Heritage Grove. The LCEFA's original conduit financing enabled that project, owned and managed by a non-profit entity, to obtain its original financing via "Tax-Free Bonds", in exchange for which the LCEFA would receive scholarship monies from successful operations, and as well, upon the University Courtyard Apartments having been successfully paid off in 2040, the LCEFA would have been able to direct that the property be then dedicated to the use, benefit and ownership of the Florida A & M University (had the university so accepted). However, this will not occur if Muni Mae proceeds with its stated intentions.

12-01-08 A11:36 IN

Client: *Heritage Grove*
Engagement:
Period Ending: *9/30/2007*
Workpaper:

Account	Description	FINAL 9/30/2007
Group : [R-3000]	**Operating revenues**	
Subgroup : None		
03-4101	Gross Potential Rent	(2,211,840.00)
03-4111	Vacancy Loss	34,701.00
03-4151	Rent Concessions	390.00
03-4152	Resident Advisory Board	11,695.00
03-4301	CHAPTER HOUSE RENT	(15,615.00)
03-4801	Application Fee	(6,525.00)
03-4803	Pet Fee	(3,327.00)
03-4811	Transfer Fee	0.00
03-4812	Sublease/Release Fee	(3,875.00)
03-4813	Forfeit Deposit/Terminate Fee	(1,162.00)
03-4821	Late Fee	(22,723.00)
03-4831	NSF Fee	(853.00)
03-4891	Other Resident Charges	(8,636.00)
03-4901	Bad Debt Collections - Net	(11,373.00)
03-4902	Bad Debt Write-Off - Rent/Fees	1,698.00
03-4921	Laundry and Vending	(366.00)
03-4991	Other Revenue	(13,920.00)
Subtotal : None		**(2,251,731.00)**
Total [R-3000] Operating revenues		**(2,251,731.00)**
Group : [X-4001]	**Payroll and benefits**	
Subgroup : None		
03-5301	Payroll - Maintenance	65,199.00
03-5311	Payroll - Cleaning	13,295.00
03-5501	Payroll - Admin	108,932.00
03-5821	Payroll Tax/401(k)	18,067.00
03-6302	Casual Labor - T/O	200.00
03-6411	Payroll - Admin	36,896.00
03-6425	Payroll - Cleaning	7,066.00
03-6434	Payroll - Maintenance	42,073.00
03-6437	Payroll Tax/401(k)	7,221.00
Subtotal : None		**298,949.00**
Total [X-4001] Payroll and benefits		**298,949.00**
Group : [X-4002]	**General and administrative**	
Subgroup : None		
03-5401	Resident Retention Program	1,337.00
03-5411	Advertising Design	3,600.00
03-5421	Brochure/Flyer	2,199.00
03-5422	Direct Mail	8,298.00
03-5423	Newspaper	5,210.00
03-5424	Apartment Guide	7,400.00

Client: *Heritage Grove*
Engagement:
Period Ending: *9/30/2007*
Workpaper:

Account	Description	FINAL 9/30/2007
03-5425	Yellow Pages	0.00
03-5427	Internet Ad	1,724.00
03-5441	Application Processing Expense	1,939.00
03-5491	Other Advertising/Rental Exp	8,268.00
03-5511	C/P - Contract	2,700.00
03-5521	Copy Machine	0.00
03-5531	Postage/Ship - Net of Res Chrg	2,022.00
03-5540	Telephone/Fax:	1,137.00
03-5541	Phone/Fax - Service	0.00
03-5542	Phone/Fax - Long Distance	0.00
03-5543	Cell Phone - Service	2,326.00
03-5544	Phone/Fax - Equip/Supplies	0.00
03-5546	Answering Service	932.00
03-5547	Pager Service	121.00
03-5551	Office Supplies/Forms	2,336.00
03-5561	Travel/Vehicle Expense	681.00
03-5571	Training & Education	746.00
03-5572	Legal/Evict - Net of Res Chrg	(395.00)
03-5581	Credit Card - Net of Res Chrg	1,392.00
03-5582	Bank Fee - Net of Res Charge	11,909.00
03-5591	Other Administrative Expense	13,641.00
03-5601	Management Fee - CPS	118,161.00
03-5831	License/Permit/Other Tax/Fee	624.00
03-5842	Insurance - Medical	5,890.00
03-5851	Insurance - Property	146,868.00
03-5871	Insurance - Workers Comp	8,250.00
03-5875	Insurance - EPLI	1,126.00
03-5876	Insurance - Fair Hsng/Env Prot	642.00
03-6138	Phone Expense	0.00
03-6230	Bad Debt Write-Off - T/O Chrgs	37,398.00
03-6389	Furniture Damage Expense - T/O	454.00
03-6391	Other Costs - T/O	2,916.00
03-6401	Reimbursement Revenue	(213,094.00)
03-6412	Office Supplies/Forms	1,054.00
03-6413	Postage/Shipping	901.00
03-6414	Computer/Peripheral & Copier	554.00
03-6417	Telephone/Fax	798.00
03-6418	Pager Service	76.00
03-6420	Other Administrative Expense	246.00
03-6438	License/Permit/Other Tax/Fee	77.00
03-6439	Insurance - Property	21,420.00
03-6440	Insurance - Workers Comp	2,657.00
03-6441	Insurance - Medical	3,188.00

Client: *Heritage Grove*
Engagement:
Period Ending: *9/30/2007*
Workpaper:

Account	Description	FINAL
		9/30/2007
03-6442	Insurance - Other	0.00
03-6443	FSU Police Department	9,625.00
03-8291	Other Entity	700.00
03-8813	Landscaping	6,060.00
Subtotal : None		**236,114.00**
Total [X-4002] General and administrative		**236,114.00**
Group : [X-4004]	**Utilities**	
Subgroup : None		
03-5701	Utility - Clubhouse/Office	11,212.00
03-5711	Utility - Common Area	19,558.00
03-5721	Utility - Vacants	7,442.00
03-5731	Water - Irrigation	2,850.00
03-5732	Water/Sewer	55,231.00
03-5751	Cable	231.00
03-5761	Internet	2,426.00
03-6113	Utility Rev - Overage	0.00
03-6118	Utility Expense	0.00
03-6124	Cable Rev - Concession	0.00
03-6415	Internet	1,356.00
03-6421	Utility - Clubhouse/Office	9,145.00
03-6422	Water - Irrigation	2,887.00
03-6423	Utility - Common Area	0.00
Subtotal : None		**112,338.00**
Total [X-4004] Utilities		**112,338.00**
Group : [X-4005]	**Repairs and Maint**	
Subgroup : None		
03-5111	Grounds Service - Contract	23,624.00
03-5112	Grounds Supplies	9,549.00
03-5141	Grounds Other	308.00
03-5151	Pest Control	5,486.00
03-5211	Security - Contract	15,375.00
03-5221	Alarm Monitoring	293.00
03-5231	Fire and Safety	22,242.00
03-5242	Entry/Parking Supplies	115.00
03-5291	Other Security	492.00
03-5298	Resident charges parking gate	75.00
03-5321	CLEANING CONTRACT	310.00
03-5322	Cleaning - Supplies	484.00
03-5331	Carpet Shampoo/Floor Cover R&M	3,403.00
03-5341	Rubbish Removal	18,215.00
03-5352	Painting - Supplies	244.00
03-5362	Swimming Pool - Supplies	1,725.00
03-5371	Storage	0.00

Client: *Heritage Grove*
Engagement:
Period Ending: *9/30/2007*
Workpaper:

Account	Description	FINAL 9/30/2007
03-5372	GOLF CART REPAIRS	882.00
03-5381	Building Roof RM	5.00
03-5382	Door/Lock and Key R&M	6,665.00
03-5383	Window Screen Blind RM	400.00
03-5384	HVAC R&M	3,017.00
03-5385	Appliance R&M	738.00
03-5386	Electrical R&M	2,915.00
03-5387	Plumbing R&M	1,958.00
03-5391	Other R&M	1,895.00
03-5399	Repairs and Maintenance	(36.00)
03-5512	C/P - Other RM	525.00
03-5513	C/P - Equipment/Supplies	1,761.00
03-5514	Internet R&M	1,032.00
03-6158	Furniture Expense	1,965.00
03-6210	Hassle Free Fee Revenue	(48,725.00)
03-6220	Turnover Damage Revenue	(89,043.00)
03-6222	Furniture Damage Revenue	(19,514.00)
03-6321	Cleaning - T/O	18,624.00
03-6331	Carpet Shampoo/Floor R&M - T/O	15,050.00
03-6341	Rubbish Removal - T/O	4,423.00
03-6351	Painting - T/O	54,370.00
03-6382	Door/Lock and Key R&M - T/O	7,770.00
03-6383	Window/Screen/Blind R&M - T/O	17,343.00
03-6385	Appliance R&M - T/O	1,413.00
03-6386	Electrical R&M - T/O	4,751.00
03-6387	Plumbing R&M - T/O	1,152.00
03-6424	Cleaning - Supplies	46.00
03-6427	Rubbish Removal	12,886.00
03-6428	Fire and Safety	973.00
03-6429	Security - Contract	308.00
03-6430	Alarm Monitoring	91.00
03-6431	Carpet Shampoo/Floor Cover R&M	29.00
03-6432	Grounds Supplies	8,782.00
03-6433	Grounds Service - Contract	17,702.00
03-6435	Swimming Pool - Supplies	974.00
03-6436	Other R&M	391.00
03-8831	Building	2,210.00
03-8838	Swimming Pool	0.00
03-8841	HVAC Equipment	0.00
03-8842	Appliances	3,020.00
03-8849	Other Equipment	2,868.00
03-8851	Furniture	16,186.00
03-8852	FLOORING	14,991.00
03-8861	VEHICLE	0.00

Client: *Heritage Grove*
Engagement:
Period Ending: *9/30/2007*
Workpaper:

Account	Description	FINAL 9/30/2007
03-8891	Other Capital	3,350.00
Subtotal : None		**178,083.00**
Total [X-4005] Repairs and Maint		**178,083.00**
Group : [X-4009]	**Depreciation**	
Subgroup : None		
03-8998	DEPRECIATION	983,775.00
03-8999	AMORTIZATION	94,968.00
Subtotal : None		**1,078,743.00**
Total [X-4009] Depreciation		**1,078,743.00**
Group : [X-4011]	**Interest expense - series A bond**	
Subgroup : None		
03-7901	Interest - Mortgage	1,114,428.00
Subtotal : None		**1,114,428.00**
Total [X-4011] Interest expense - series A bond		**1,114,428.00**
Group : [R-3010]	**Interest Income**	
Subgroup : None		
03-4981	Interest Income	(131,605.00)
Subtotal : None		**(131,605.00)**
Total [R-3010] Interest Income		**(131,605.00)**
Group : [X-4050]	**Operating transfers**	
Subgroup : None		
03-8211	Owner Management/Admin Fee	57,412.00
Subtotal : None		**57,412.00**
Total [X-4050] Operating transfers		**57,412.00**
Group : [R-3050]	**Operating transfers**	
Subgroup : None		
03-8212	Transfer to admin fund	0.00
Subtotal : None		**0.00**
Total [R-3050] Operating transfers		**0.00**

Client: *Southgate*
Engagement:
Period Ending: *9/30/2007*
Workpaper:

Account	Description	FINAL 9/30/2007
Group : [R-3000]	**Operating revenues**	
Subgroup : None		
4000	Contract - Room	(3,858,489.00)
4010	Contract - Food	(663,078.00)
4020	Parking Lot Income	(238,591.00)
4030	Conference/Camp-Room	(202,367.00)
4040	Conference/Camp-Food	(213,839.00)
4060	Commercial Rent	(92,528.00)
4070	Outside Board Sales	(2,792.00)
4080	Cash Food - Transient	(94,613.00)
4110	Vending Commissions	(3,597.00)
4140	Wash Machine Income	(17,366.00)
4150	Catering	(2,904.00)
4160	Returned Chk/Late Fees	(100.00)
4170	Banquets	(2,935.00)
4180	Other Income	(3,543.00)
4200	Forfeitures	0.00
4205	PRIOR PERIOD INCOME	9,000.00
4210	Retained Fees - SD Forfeits	(2,914.00)
4220	Processing Fees	(11,150.00)
4270	Other - General	22.00
Subtotal : None		**(5,401,784.00)**
Total [R-3000] Operating revenues		**(5,401,784.00)**
Group : [X-4001]	**Payroll and benefits**	
Subgroup : None		
5310	Salaries/Wages	420,180.00
5320	Burden Cost	131,820.00

Client: *Southgate*
Engagement:
Period Ending: *9/30/2007*
Workpaper:

Account	Description	FINAL 9/30/2007
5510	Salaries/Wages	137,670.00
5520	Burden Cost	39,619.00
5900	Salaries/Wages	11,841.00
5910	Burden Costs	3,079.00
6011	Salary	78,192.00
6012	Burden Cost	18,705.00
6210	Salaries/Wages	184,448.00
6220	Burden Costs	64,643.00
Subtotal : None		1,090,197.00
Total [X-4001] Payroll and benefits		1,090,197.00
Group : [X-4002]	**General and administrative**	
Subgroup : None		
5410	Pest Control	3,720.00
5420	Linen Laundry/Rental	2,459.00
5430	Uniforms	1,581.00
5440	Dining Room Supplies	3,582.00
5450	Decorations	313.00
5460	Kitchen Supplies	6,163.00
5470	China/Glass/Silver	5,516.00
5480	Cleaning Supplies	15,419.00
5490	Paper	16,870.00
5495	Other Expense	1,255.00
5605	Sales Tax	69,889.00
5615	Property Insurance	262,527.00
5620	Equipment Lease	4,509.00

Client: *Southgate*
Engagement:
Period Ending: *9/30/2007*
Workpaper:

Account	Description	FINAL 9/30/2007
5640	Computer & Software Maint.	9,795.00
5650	License/Taxes	3,784.00
5660	Legal	2,200.00
5670	Audit	0.00
5675	Management Fee	293,000.00
5680	Bank Fees	10,136.00
5690	Credit Card Fees	54,623.00
5710	Other Professional Expenses	325.00
5720	Office Supplies	5,702.00
5725	Telephone - Ld	1,943.00
5730	Telephone - Local	6,000.00
5740	Postage	6,967.00
5750	Dues/Subscriptions	815.00
5760	Travel - Local	415.00
5770	Travel - Field	12,158.00
5775	Meals/Entertainment	2,379.00
5780	Bad Debt Expense	73,895.00
5790	UNIFORMS	88.00
5800	Recruiting Expense	434.00
5805	Training Expense	525.00
5810	Security Service	69,990.00
5820	Misc. G&A Expense	45.00
5945	Signage	226.00
5950	News/Magazines	4,608.00
5960	Web Adv/Presence	0.00
5970	Brochures	13,951.00
5980	Promotion - External	2,399.00
5990	Other Expense	1,417.00
6010	Res. Life&Student Development	17,035.00

Client: *Southgate*
Engagement:
Period Ending: *9/30/2007*
Workpaper:

Account	Description	FINAL 9/30/2007
6025	Telephone - Ld	11,161.00
6030	Local Telephone and Data	91,558.00
6035	Telephone Equipment Lease	1,116.00
6250	Uniforms	234.00
6380	Exterminating	4,512.00
6425	Cleaning Room Supplies	18,792.00
6650	Non Operational Legal Fees	0.00
6660	Management Incentives	67,500.00
Subtotal : None		**1,183,531.00**
Total [X-4002] General and administrative		**1,183,531.00**
Group : [X-4003]	**Food Costs**	
Subgroup : None		
5200	Beverages	37,019.00
5210	Baked Goods	19,750.00
5220	Dairy	50,071.00
5230	Milk	8,006.00
5240	Meats	194,289.00
5250	Frozen Goods	44,689.00
5260	Accompaniments	98,539.00
5270	Produce	43,587.00
Subtotal : None		**495,950.00**
Total [X-4003] Food Costs		**495,950.00**
Group : [X-4004]	**Utilities**	
Subgroup : None		
6040	Cable TV	35,221.00
6100	Electric	446,794.00
6120	Fuel (Gas)	167,556.00
6130	Sewer	40,877.00

Client: *Southgate*
Engagement:
Period Ending: *9/30/2007*
Workpaper:

Account	Description	FINAL 9/30/2007
6140	Waste Removal	15,424.00
6150	Water	18,299.00
6170	Fire Services Charge	15,568.00
Subtotal : None		**739,739.00**
Total [X-4004] Utilities		**739,739.00**
Group : [X-4005]	**Repairs and Maint**	
Subgroup : None		
5485	Equipment Rental	152.00
5630	Equip. Service Contract/Repair	0.00
6260	Buildings	48,232.00
6270	Drives/Parking	2,291.00
6280	Grounds/Landscaping	2,753.00
6300	Recreation Equipment	1,684.00
6310	HVAC Maintenance	46,773.00
6320	Carpet/Drapery Cleaning	12,580.00
6330	Elevator Maintenance	14,412.00
6340	Rest. Equipment Repair	26,475.00
6350	Furn/Fix Replacement	1,310.00
6360	Carpet Repl./Repair	128.00
6370	Paint/Decorating	61,981.00
6390	Maint. Equip. Repair	211.00
6400	Fire Equip. Repair	9,305.00
6410	Maintenance Supplies	9,188.00
6420	Light Bulbs	1,667.00
6430	Damages Recovered	(216.00)
6440	Laundry Equipment	1,222.00
Subtotal : None		**240,148.00**
Total [X-4005] Repairs and Maint		**240,148.00**
Group : [X-4009]	**Depreciation**	
Subgroup : None		
7010	Depreciation	620,329.00

Client: *Southgate*
Engagement:
Period Ending: *9/30/2007*
Workpaper:

Account	Description	FINAL 9/30/2007
7020	Amortization	70,839.00
7030	AMORTIZATION EXPENSE - ISSUE	25,695.00
Subtotal : None		716,863.00
Total [X-4009] Depreciation		716,863.00
Group : [X-4011]	**Interest expense - series A bond**	
Subgroup : None		
6670	Series A - Bond Interest Payments	726,638.00
6680	Series B - Bond Interest Payments	2,398,637.00
6686	Interest Expense - Other	250,039.00
Subtotal : None		3,375,314.00
Total [X-4011] Interest expense - series A bond		3,375,314.00
Group : [R-3010]	**Interest Income**	
Subgroup : None		
4290	Interest Income	(98,872.00)
Subtotal : None		(98,872.00)
Total [R-3010] Interest Income		(98,872.00)
Group : [X-4050]	**Operating Transfers Out**	
Subgroup : None		
6630	LCEFA Monthly Fee	48,899.00
6640	LCEFA Bi-Annual Fee	37,515.00
Subtotal : None		86,414.00
Total [X-4050] Operating Transfers Out		86,414.00

Attachment #7

Educational Facilities Authorities: Statewide Comparison

County	Established Year	Does the Authority issue bonds for Private or Public Universities?	What type of projects does the Authority approve? School infrastructure? Student housing?	Does the Authority only issue bonds for institutions of higher education?	Does the Authority own/operate projects it issued bonds for?	If yes, does a management company operate the property?	Does the Authority issue scholarships to institutions of higher education?
Brevard	NA	NA	NA	NA	NA	NA	NA
Broward	1973	Private University	School Infrastructure/Student Housing	Yes	No	NA	No
Collier	1999	Private University	School Infrastructure/Student Housing	Yes	No	NA	No
Hillsborough	1985	Private University	Student Housing	Yes	No	NA	No
Lee	2001	Private University	School Infrastructure	Yes	No	NA	No
Leon	1990	Neither	Student Housing	No	Yes	Yes	Yes
Miami-Dade	1969	Public/Private Universities	School Infrastructure/Student Housing	Yes	No	NA	No
Orange	mid 1990s	Private University	School Infrastructure/Student Housing	Yes	No	NA	No
Palm Beach	mid 1980s	Private University	School Infrastructure/Student Housing	Yes	No	NA	No
Pasco	NA	NA	NA	NA	NA	NA	NA
Pinellas	NA	NA	NA	NA	NA	NA	NA
Volusia	1980s	Public/Private Universities	School Infrastructure	Yes	No	NA	No

Attachment #8

Leon County
Board of County Commissioners
301 South Monroe Street, Tallahassee, Florida 32301
(850) 606-5302 www.leoncountyfl.gov

Commissioners

BILL PROCTOR
District 1

JANE G. SAULS
District 2

JOHN DAILEY
District 3

BRYAN DESLOGE
District 4

BOB RACKLEFF
District 5

CLIFF THAELL
At-Large

ED DePUY
At-Large

PARWEZ ALAM
County Administrator

HERBERT W.A. THIELE
County Attorney

February 12, 2009

Terrell C. Madigan
Re: Leon County Educational Facilities Authority
P.O. Box 10321
Tallahassee, FL 32302

Mr. Madigan,

As requested yesterday afternoon, attached is a preliminary draft copy of the Leon County Educational Facilities Authority (LCEFA) Management Review conducted by the Office of Management and Budget (OMB). This review is in draft form and is subject to change pending our meeting Friday, February 13, 2009.

OMB is not seeking a formal response to the findings and recommendation at this time. The intent of Friday's meeting is to discuss the factual information contained within the report. OMB will submit a formal copy of the management review for the LCEFA's comment later this month.

In addition, OMB would like to discuss the default provisions of the A and B bonds as stated in the Revenue Refunding Bonds of Southgate Residence Hall Official Statement. OMB also has questions pertaining to the actual structure of the Heritage Grove bonds, specifically relating to the creation of the LLC. Please provide a copy of the 50 Year Land Lease Agreement between the LCEFA and The Florida State University/State of Florida.

Thank you in advance for your assistance and cooperation. If you have any questions or concerns please contact me at (850) 606-5100.

Sincerely,

Cristina M. Long
Senior Management and Budget Analyst, Office of Management and Budget

Attachment: Leon County Educational Facilities Authority Management Review: Preliminary Draft Subject to Change (2/12/09)

CC: Calvin Ogburn, Executive Director of Leon County Educational Facilities Authority
Alan Rosenzweig, Assistant County Administrator
Scott Ross, Budget Manager, Office of Management and Budget

An equal opportunity employer

Attachment #9

Leon County Educational Facilities Authority

Response Regarding the Management Review To Be Included...

Attachment #10

Leon County Educational Facilities Authority
Membership

As stated in the establishing County resolution and in accordance with Florida Statute, each County Commissioner appoints one citizen to be a member of the Leon County Educational Facilities Authority (Authority). All members must be residents of Leon County and at least one member must be a trustee, director, officer, or employee of an institution for higher education. The terms are for five years and expire on July 31. Members are eligible for reappointment, and there is no limitation on the number of terms a member may serve on the Authority. The Board may remove members from the Authority for misfeasance, malfeasance, or willful neglect of duty. Meetings are held on a quarterly schedule or as needed.

As with many Commission appointed boards, the members of the Authority are volunteers who dedicate their personal time toward the betterment of educational facilities. The members of the Authority are not compensated but may be paid for necessary expenses incurred while performing duties on behalf of the Authority. These members are fully committed to the mission of the Authority which is to assist institutions for higher education in the construction, financing, and refinancing of projects and for this purpose the authority is authorized and empowered as set forth in Chapter 243.22, Florida Statutes.

Members of the Leon County Educational Facilities Authority

Member Name	Employment	Appointed by	Years of Service
Bob Kellam	Governor's Council on Indian Affairs	Commissioner Proctor, District I	19 years
Craig Fletcher	Tallahassee Community College Outreach Program	Commissioner Sauls, District II	9 ½ years
Liz Maryanski	Associate Vice President for Florida State University Student Affairs	Commissioner Dailey, District III	11 ½ years
Randy Guemple		Commissioner Desloge, District IV	1 ½ years
Anne Peery		Commissioner Rackleff, District V	1 ½ years
Dr. Henry Lewis	Director, Florida A&M University College of Pharmacy and Pharmaceutical Sciences	Former Commissioner DePuy, At Large	11 ½ years
William Hilaman	Raymond James & Associates	Commissioner Thaell, At Large	5 ½ years

Attachment #11

THE WALL STREET JOURNAL WEDNESDAY, NOVEMBER 29, 1995 F1

FLORIDA JOURNAL

Lack of Oversight Haunts System For Financing Education Projects

By CHRISTINA BINKLEY
Staff Reporter of THE WALL STREET JOURNAL

Dreyfus Corp. is suing Oppenheimer & Co. for a $20 million hit it took on a 1991 investment. But in the view of many people in Florida, the real defendant is a little-known financing system where state regulators are absent and interests too often conflict.

At issue is $24.2 million of bonds offered by the Leon County Educational Facilities Authority, a quasi-governmental agency whose imprimatur bestows tax-free status on securities issued in its name. Four years ago, in a private placement Oppenheimer arranged, five mutual funds managed by New York-based Dreyfus bought the bonds, which financed construction of a luxury dormitory at Florida State University in Tallahassee.

Since then, the authority has defaulted on the bonds; the dorm developer has gone bankrupt; and Dreyfus has dumped its bonds for 17 cents on the dollar.

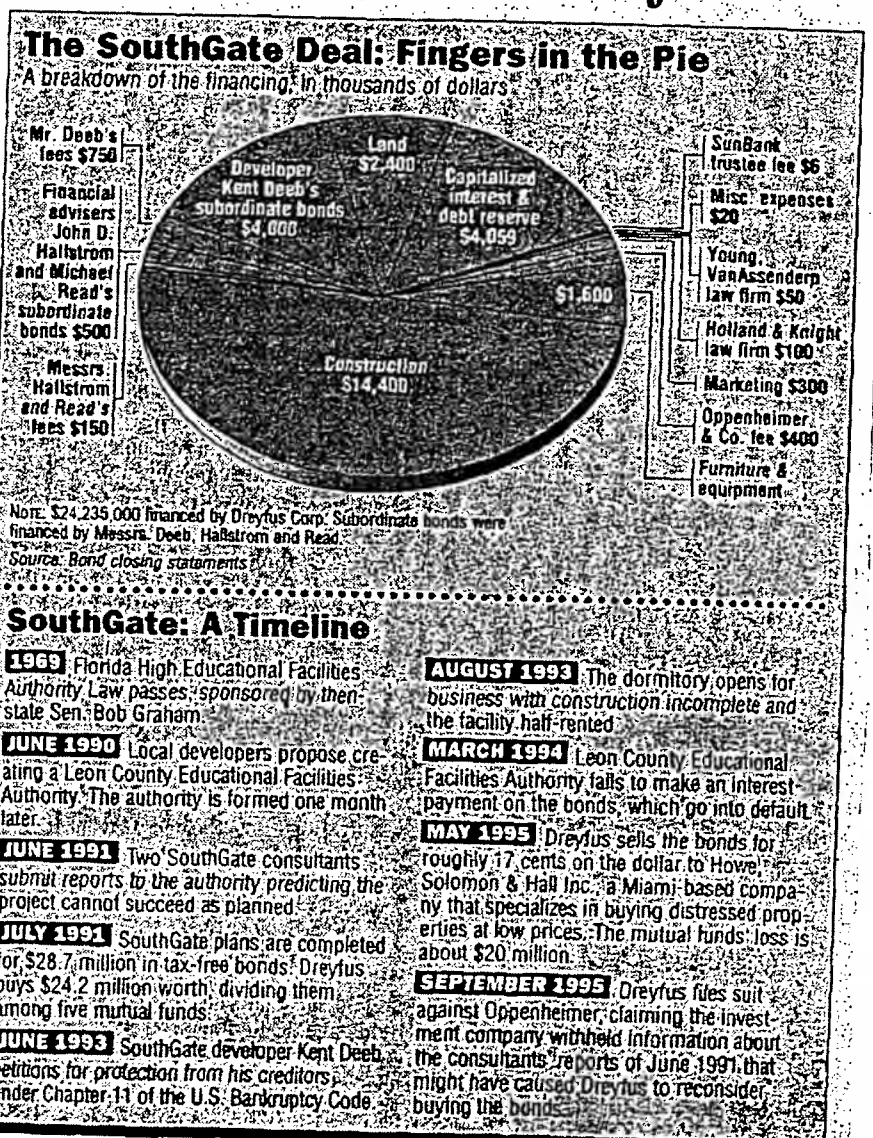
Questionable Ties

A bad investment call? According to Dreyfus and people familiar with the episode, it involves a lot more than that.

In a lawsuit filed in September in U.S. District Court in Manhattan, Dreyfus is seeking unspecified damages from Oppenheimer for alleged fraud, claiming that the New York investment bank knew before the bond placement that consultants had advised the Leon County panel against the project and that members of the panel had close ties to the developer. Oppenheimer won't respond to specific allegations in the lawsuit. An attorney for the company says Oppenheimer fulfilled its duties as arranger of the placement.

Regardless of Oppenheimer's role, people familiar with the episode say it exposes the flaws inherent in a system set up to help colleges and universities finance development projects without scrutiny by state bureaucrats. The problem, these critics say, is that, without regulatory oversight, the 10 educational facilities authorities operating across the state provide fertile ground for developers to exploit close ties to the members of those authorities – sometimes resulting in projects no one else would back.

"Sometimes these things circumvent market forces," says Neil Crispo, vice president for research and operations of Florida TaxWatch, a Tallahassee watch-



some private developer build it? Is it because the project wouldn't stand up?"

About one-third of the authorities' bonds issued in the past decade qualify as junk bonds – high-yield securities too risky to carry a rating from any of the major ratings agencies. A big part of the risk: The authorities' approval isn't a guarantee, so in the event of a default, no government agency is responsible.

"This whole thing seems naked in terms of who's responsible," says Carole Ann Peskin, assistant executive director of the Broward County Educational Facilities Authority and controller of Nova University in Fort Lauderdale. She adds, "I think there's gold in those authorities. We're talking about large sums of money with very little oversight."

For the Benefit of All

Each of Florida's 10 educational facilities authorities includes unpaid members appointed by their respective county commissions, plus an executive director and other paid staffers who implement members' decisions. In the past decade, the

Please Turn to Page F4, Column 1

Continued From Page F1

authorities, by the state's reckoning, have sold $513 million of bonds in 30 offerings—all of them tax-free for investors, based on the rationale that all taxpayers benefit from the projects.

The authorities, created in a 1969 bill sponsored by then-state Sen. Bob Graham (now a U.S. senator), were intended from the start to operate with scant oversight, says Charles Reed, chancellor of the Board of Regents of the state university system. "Private universities want to remain very independent—you get my drift?" he says.

Officials at the state Board of Administration, which monitors state investments and debt, say the educational facilities authorities report little—usually the bare facts of a bond offering, if that—and aren't audited. One official who asked not to be identified describes the system as one of "nebulous accountability by design."

Adds J. Ben Watkins III, director of the division of bond finance of the Board of Administration: "We maintain a database [of information volunteered by the authorities], but we don't do anything with it."

So far, the FSU dorm is the only project to go bust among those financed by educational facilities authority bonds. But it isn't the only one to raise eyebrows.

The Pinellas County Educational Facilities Authority recently agreed to issue $14 million of tax-free bonds to help the nonprofit Senior Living Centers Inc. of Clearwater buy a financially troubled retirement home called College Harbor. The stated purpose is to operate the apartments as a colony for retired intellectuals, who would enhance the cultural life of nearby Eckerd College. The bonds have yet to receive final approval but will be issued in the coming weeks, according to Kevin Conitz, first vice president at William R. Hough & Co. in St. Petersburg, which is underwriting the issue.

Jack Patty, president of American Baptist Homes of the Midwest Inc., which Senior Living Centers has hired to manage College Harbor, says the project probably needs as little as half of $14 million being borrowed to finance it. He says that doubts about the project's ability to generate enough cash to cover its debt prompted the directors of his Eden Prairie, Minn., company question his decision to accept the management job. Mr. Patty calls the project's financing "pretty thin" but adds that as a contractor with no up-front investment, his company risks little.

James Christison, executive director of the Pinellas County authority, also happens to be vice president of finance for Eckerd College and founder of Senior Living Centers. (He resigned as president this year, before the authority considered the bond issue.) That isn't all: He started his career in retirement homes with American Baptist Homes. Lastly, he was part of a group of developers who built College Harbor 10 years ago.

The Florida Department of Insurance, which regulates the retirement-home industry, already has scrutinized Mr. Christison's involvement in four financially troubled life-care centers. Al Willis, the department's bureau chief of specialty insurers, says that if Mr. Christison were to apply to operate another center, "we would look at him closely due to his involvement in other failed facilities."

Maintaining Distance

Mr. Christison denies any direct involvement in the plans to redevelop College Harbor, and says he deliberately steers clear of advising the authority members because of his past problems with the state and his job with the university. He says he doesn't know the precise value of College Harbor, but also challenges Mr. Patty's estimate as far too low.

School Bonds

Bonds issued in past 10 years by educational facilities authorities in Florida* (in thousands)

AUTHORITY	INVESTMENT RISK: RATED A OR HIGHER	INVESTMENT RISK: RATED LOWER THAN A, OR UNRATED
Brevard County	NA	NA
Broward County	$40,400	$29,215
Dade County	$296,345	$6,800
Hillsborough County	0	$10,496
Leon County	0	$33,645
Martin County	NA	NA
Palm Beach County	0	$15,000
Pinellas County	0	$86,600
Volusia County	$10,000	$5,000

*Records may be incomplete for some counties
Sources: Florida State Board of Administration; educational facilities authorities

Separately, the Pinellas County authority last February lost $750,000 on investments in high-risk interest-rate-backed derivatives. The money had come from $48 million in proceeds from an authority bond issue, nearly half of which had been invested in the derivatives until it could be lent to schools. With no guarantor for the bonds, the losses are being repaid by seven universities that had borrowed from the Pinellas authority.

But the schools and their attorneys question how the money ended up in high-risk investments and have formed a committee to monitor the authority's investments. "I wouldn't go blindly into one of these things again, I've learned from it," says Diane Cook, vice president and treasurer of the University of Miami, one of the institutions involved.

Over in Martin County, the local educational facilities authority agreed back in 1987 to issue $650,000 of bonds to finance ex-

pansion of the Chapman School of Seamanship in Port Salerno.

Roger Field, vice president of the yachting school, says he felt sure his acquaintances on the authority would back the project, and they did. "We knew a lot of the people who were involved with the authority, and we felt that they were friendly to our need," he says.

In the end, though, the deal didn't go through, but only because the school couldn't get the zoning approvals it needed to proceed with the project. The authority has since disbanded.

Ms. Peskin of the Broward County authority and others say Florida could find a fiscally safer way of funding projects by looking to other states, most of which have educational facilities authorities that operate statewide and employ financial professionals. Likewise, their bonds, unlike Florida's, usually are guaranteed or at least insured by the state, reducing the cost of borrowing.

Florida regulators say they have no incentive to keep a close eye on the authorities because taxpayers aren't vulnerable in case of default. The current system "poses the biggest hazard to the investors—who cares if they lose money?" says Ash Williams, executive director of the State Board of Administration. He says institutional investors like Dreyfus should be able to look out for themselves.

State's Burden?

Some people outside government disagree, saying that angry investors will eventually seek restitution from the state. "The state has a responsibility for having created the system," says Amy Dunbar, director of governmental affairs in Washington, D.C., for the National Association of Bond Lawyers. Ms. Peskin in Broward County agrees: "It's like saying, 'I'm the cook, but if it's lousy, it's not my fault.'"

Until the state does take an interest in the system, *caveat emptor* will remain the guiding principle for investors in bonds like the ones Dreyfus bought. Those bonds provided the bulk of financing for a private dorm, dubbed SouthGate, that would house more than 500 FSU students. According to the developer's plans, SouthGate would have maid service, sports and recreational facilities, retail shops, restaurants and 300 parking spaces.

Dreyfus alleges that it was told the project had undergone a thorough review in months of regular meetings between the seven members of the Leon County Educational Facilities Authority and the developer, Kent Deeb. Based on that assumption and unaware of negative appraisals of the plan, Dreyfus says it signed a pro forma letter acknowledging that it was aware of SouthGate's risk.

What Dreyfus says it didn't know was that most of the advice accepted by authority members was provided by attorneys and consultants paid by Mr. Deeb, who had failed in previous years to secure financing for the project.

In fact, Mr. Deeb's associates, including fellow developer Louis Adams, helped select most members of the Leon County Educational Facilities Authority after persuading the Leon County Commission to let them form the authority in 1990, according to members themselves and others involved in the project. Mr. Deeb didn't respond to phone calls. Mr. Adams couldn't be reached for comment for this article.

Penny Dehler, a homemaker on the Leon County authority when it approved the project, says she didn't know the promoters had been turned down for financing elsewhere, nor that several of the authority's other six members were friends of the developer or his associates. Ms. Dehler resigned from the authority in frustration and embarrassment in 1993—amid public ity of the project's financial woes: "I'm convinced it was all carefully orchestrated," she says.

Suppressed Reports

The authority did hire two independent consultants for feasibility studies. When both predicted the dorm would fail, the authority's own financial adviser, John Hallstrom of Clearwater, lobbied to have the reports kept under wraps, according to the official minutes of the meeting at which the consultants' reports were presented, as well as people attending the meeting. Mr. Hallstrom didn't return phone messages. The reports were never disclosed to Dreyfus, the company says in its lawsuit. Also undisclosed, it says, was roughly $1.5 million in proceeds from the bond offering that went to Mr. Adams and other consultants—payments that are the focus of continuing investigations by the Federal Bureau of Investigation and the state comptroller's office.

The 268-room dorm cost $19.1 million to design, build and furnish but was financed with a total of $28.7 million in bonds. The authority bestowed the $9.6 million difference to Mr. Deeb, attorneys and advisers in the form of cash and bonds, according to financial statements and attorneys and consultants involved with the transaction.

Since then, Mr. Deeb and one of his consultants have gone bankrupt, as has SouthGate, which didn't attract enough tenants to cover debt payments. Despite its cost—enough on a per-room basis to have built a luxury hotel—its rooms are little more than cubicles with wardrobes too small to hang a dress in. Construction of the retail areas is unfinished.

Ms. Dehler, the former Leon County authority member, says the Dreyfus lawsuit has given her "a panic attack" and that she fears being drawn into the case. She accepted her appointment to the authority, she says, because "it was better than the Junior League."

Attachment #12

LCEFA
Project Application Guideline

For Potential Project Evaluation
(Please note fee schedule below)

IT IS THE RESPONSIBILITY OF THE APPLICANT TO PROVIDE A FINANCING COMMITMENT AT THE TIME THE PROJECT IS INDUCED BY THE AUTHORITY

THE APPLICATION MUST INCLUDE:

1. **AN INDEPENDENT FEASIBILITY STUDY**
2. **A DETAILED MARKETING PLAN**

Fee Schedule 1/19/05:

Initial Application	**$10,000 *(1)***
At time of bond issuance	
Projects of less than $1M	**1%**
Projects of less than $5M	**.5%**
Projects of less than $10M	**.25%**
Projects greater than $10 M	**.2%**

(1) May be waived for an application from a public institution.

1. **Name of Applicant**
2. **Business Address**
3. **Name and Address of Contact People**
4. **Legal Counsel**
5. **Type of Ownership Proposed**
6. **Listing of Names and Credentials of Project Management Team**
7. **List Any Completed Projects or Any Underway At Time of Filing Application**
8. **Explain Any Income Guarantee**
9. **Legal Description of Property**

10. Provide a Description of the Proposed Project Including All Property Improvements

11. Name of General Contractor, Major Subs and Construction Schedule

12. Bond Amount Requested

13. List Any Subsidies Contemplated for the Project

14. Describe Bond Structure Including Any Letter of Credit

15. For Private Placement, Describe Various Investment Ratings to be Used

16. Provide Any Other Financial Data to be Reviewed by the Authority

17. Indemnity Agreement Between Authority and the Applicant

18. Anti-discrimination Affidavit

19. Certification of Environmental Approvals

20. Any Other Documents of Benefit to the Proposal

21. Level of Involvement of the Applicant

22. A statement as to the current and future ad valorum tax status of the property. If it is anticipated that the property is to be removed from the tax rolls, then each of the authority members will be responsible for informing their appointing County Commissioner prior to approval of the Authority.

The Authority will diligently the review of all applications. A written response from the Authority can be expected within 60 days of submittal of the application and payment of the application fee.

Attachment #13

DRAFT MINUTES DRAFT

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY

January 14, 2009

The Leon County Educational Facilities Authority met Wednesday, January 14, 2009 at 12:30 p.m. in the Conference Room, Florida A&M Pharmacy School, pursuant to public notice.

Authority Members Present: Bob Kellam, Craig Fletcher, Anne Peery, Bill Hilaman, Henry Lewis, Liz Maryanski and Randy Guemple.

Authority Members Absent: None

Others in Attendance: Calvin Ogburn; Terry Madigan; Cristina Long, County Administrator's Office; Bill Black, Van Kampen Funds; Julie Bonnin, Jason Fort, Jamie Thomas and Ken Mills, Asset Campus Management; Rob Klepper and Michael Ferguson, Phi Gamma Delta House Corporation; and Kathy Broecker, US Bank, Orlando. An attempt was made to contact the "B" Bond Holder Representative, Chris Hall, by telephone, but this was not successful.

Chairman Kellam called the meeting to order at 12:30 p.m.

The minutes of the meeting held on December 11, 2008 were approved with a motion by Anne Peery, seconded by Bill Hilaman and all were in favor.

Southgate Marketing Plan – Julie Bonnin discussed the revised marketing plan dated 1-14-09. She said that Joe Goodwin will now be providing the Authority with monthly updates on the success of the plan. She said that it is the management company's goal to achieve an occupancy of 85% for the fall of 09. In order to accomplish this goal, direct mail marketing must start within the next 10 days. Emphasis will be placed on the fact that the rates at SouthGate will be no higher than the published rates on campus at FSU. She then reviewed the marketing calendar, a copy which was circulated to all members. This calendar, which list all significant dates for FSU, will be constantly updated as the year progresses. Jamie Thomas reported that additional camps as well as other groups are being contacted this spring.

The Authority members discussed with Bill Black and Kathy Broecker as to how the March bond interest would be paid. It was agreed that the "A" bond holders and the Authority will hold off on any decisions until the success of a marketing campaign and a strategy to replace the reserve funds is in place. A motion was made by Anne Peery, seconded by Liz Maryanski that additional marketing funds be made available at this time. Julie Bonnin was requested to modify the current year budget and circulate to the membership as well as the "A" and "B" bond holders. All were in favor.

Anne Peery gave a report on the earlier committee meeting which addressed marketing goals and benchmarks. Julie Bonnin reported that the management company's

Sr. marketing director would now be assigned this project. Chairman Kellam re-emphasized that an occupancy goal of 85% must be achieved by the fall of 09.

In response to a question from Cristina Long, the Authority, the Trustee, and the "A" bond holder representative had a discussion as to what will happen if the property is not able to make its March 1 payment. Various options were discussed. It was agreed that no final decision would be made by the Series "A" bondholder representative until a later date.

Authority Application Fee – Liz Maryanski reported that her committee has met on this subject and is recommending the following:

A $25,000 initial application fee of which $10,000 is non-refundable. The remaining $15,000 to be used for documented professional expenses as needed. Once these professional expenses reach 80% of this escrow amount, the applicant will be notified and requested to refill this escrow account. Should a project be withdrawn, then any unspent amount in this escrow account would be returned to the applicant.

(Craig Fletcher departed)

A motion was made by Randy Guemple, seconded by Liz Maryanski that the revised fee schedule be approved. All were in favor.

Defease – Randy Guemple reported on the committee meeting that was held to inform all interested parties as to the availability of certain lots for sale at Heritage Grove. He said that there were five fraternities represented at the meeting Terry Madigan explained how the minimum selling price of the individual lots was determined by the indebtedness on the property. The price for the individual lots, which includes the residential structure as well as the chapter house, has been established by an independent consultant at $2,843.250 plus expenses for appraisal, bond counsel trustee, underwriter, et al. The bond documents require that the Authority sell the property in question either for the consultant's established value or an independent's appraised value, whichever is higher. After discussion, it was agreed that the Executive Director would get the cost of an appraisal from several appraisers and report back to the sub-committee. All were in agreement.

(Break and Liz Maryanski leaves)

Leon County Performance Review - Chairman Kellam reported on the progress of this ongoing review. He expressed extreme frustration with the tone of the questions presented to him and to other Authority members. Furthermore he was disappointed at the County's refusal to answer his questions. Randy Guemple expressed equal irritation with the attitude that had been displayed toward him, other Authority members and professionals involved with the Authority. After discussion it was strongly requested that County representative Cristina Long deliver these comments to the appropriate County officials. It is understood that prior to the County's final report that a draft be circulated

to the Authority members and comments be allowed by any Authority members who wish to do so.

There being no further business, the meeting was adjourned at 3:33 p.m...

Robert E. Kellam, Chairman

Calvin P. Ogburn, Executive Director

Attachment #14

9.10

Board of County Commissioners
Leon County, Florida

Policy No. 08-3

Title:	Leon County Conduit Financing Policy
Date Adopted:	November 25, 2008
Effective Date:	November 25, 2008
Reference:	N/A
Policy Superseded:	None

It shall be the Policy of the Board of County Commissioners of Leon County, Florida, that a policy entitled "Leon County Conduit Financing Policy" is hereby adopted, to wit:

Purpose:

Leon County desires to provide appropriate access for non-governmental entities to tax exempt financing through conduit issuances.

Leon County acknowledges that, although each individual issue must be self-supporting and will not at anytime require the direct financial support of the County, the issues will utilize the County's authority and reputation for the issuance and that debt issues that do not ultimately perform to market expectations could negatively impact the County's future capacity to issue debt and the overall reputation of the County.

Leon County further directs that all Authorities seeking to request Tax Equity and Financial Responsibility Act (TEFRA) hearings from the County shall have policies adopted equal to this County policy.

CONDUIT FINANCING POLICY

1) **Definitions.** All terms in capitalized form that are defined in this Section shall have the same meanings as are ascribed to those terms herein, unless a different or additional meaning is given to those terms specifically. Unless the context shall otherwise indicate, words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons. The following terms shall have the meaning indicated below unless the context clearly requires otherwise:

   a) "*Credit Enhanced*" means a bond issue with a third party repayment guarantee such as a bank letter of credit, Federal program or insurance policy from a credit enhancer such as a bank or insurance company with credit ratings in the three highest categories, meaning at least A3 from Moodys, or A- from either FitchRatings or Standard and Poors, which repayment guarantee structure is binding for at least one year from date of issuance and results in the bonds being issued with the long-term credit ratings and the highest short-term rating, if applicable, of the credit enhancer.

   b) "*Credit Rating*" means a professional assessment of creditworthiness from either FitchRatings, Moodys, or Standard and Poors as nationally recognized credit rating agencies, or such other firm as may reasonably attain a similar role in the future.

   c) "*Financial Advisor*" or "FA" means a properly licensed firm retained by either the Issuer or Guarantor Applicant with a fiduciary responsibility to their client under the rules and procedures of the National Association of Securities Dealers, the Municipal Securities Rulemaking Board, Securities and Exchange Commission, and the Florida Statutes. The FA is expected to advise their client on structuring the debt, marketing the debt, and the investment or disposition of debt proceeds. Any FA retained by the Guarantor Applicant shall be acceptable to the Issuer.

   d) "*Guarantor Applicant*" means the entity that makes application to the County for the debt, sponsors the project, and provides the repayment funds. Notwithstanding the use of a conduit issuer and any credit enhancement, the Guarantor Applicant is the entity whose credit is reviewed by the investors or credit enhancers as the underlying source of repayment funds.

   e) "*Investment Grade Credit Rating*" means a Credit Rating of BBB- or higher from FitchRatings, Baa3 or higher from Moodys, and BBB- or higher from Standard and Poors, and such other similar minimum rating level from another similar nationally recognized Credit Rating firm as may reasonably attain a similar role in the future.

   f) "*Issuer*" means an Authority or Leon County as conduit issuer of the debt.

   g) "*Sophisticated Investor*" means a "qualified institutional buyer" as that term is defined under Rule 144A of the Securities and Exchange Commission or an "accredited investor" as that term is defined in Regulation D of the Securities and Exchange Commission.

2) Bond Issuance and TEFRA approval.

a) Debt issues for more than $10,000,000 undertaken for Guarantor Applicants with Credit Ratings below Investment Grade Credit Ratings must use the services of a Financial Advisor mutually acceptable to the Guarantor Applicant and the County.

b) The Authority or Guarantor Applicant will cause an Official Statement and related offering documents to be produced in connection with all public sales of debt.

c) To the extent possible, public hearings should be held in the Leon County Commission and televised to facilitate the most open process possible.

d) Blanket (statewide) TEFRA hearings will not fulfill a local TEFRA hearing requirement. TEFRA approvals for projects involving multiple facilities over a period of time should be specific in identifying the names and locations of the multiple facilities and local TEFRA approvals should be obtained in all jurisdictions where appropriate.

e) Standards for County TEFRA approval request:

i) The Authority or Guarantor Applicant will provide a detailed project description and a distribution list of the participants. The project description should include a description of the plan to obtain all necessary TEFRA approvals.

ii) TEFRA requests will include any related financials, feasibility studies, and required pro-forma statements that were part of the Guarantor Applicant's application to the Authority. For Credit Enhanced debt issues, the Guarantor Applicant's financials do not need to accompany the TEFRA request.

iii) The Authority or Guarantor Applicant will provide minutes of legally noticed hearings regarding the debt issue, along with copies of required legal notices (minutes should include the outcome of any votes that take place, hearing dates, and legal notice publication dates).

iv) The Authority or Guarantor Applicant will provide a description of the sale method, the proposed debt structure, and the minimum debt denominations. When an FA participates in the debt issue, the FA will provide the recommendation about sales method, debt structure, and minimum denominations.

v) The Authority or Guarantor Applicant will provide a credit discussion regarding such things as repayment sources, credit enhancements, ratings, insurance, and debt service reserve levels. When an FA participates in the debt issue, the FA will provide the credit description.

vi) The Authority or Guarantor Applicant will provide copies of resolutions; being certain those resolutions contain legal disclosure confirming that no County funds are pledged when that is the case.

vii) The Authority or Guarantor Applicant will provide notice of any waiver granted pursuant to Section 4 c).

3) Pooled Finance.

a) The Authority or Guarantor Applicant will avoid blind-pools justified by demand surveys where funds are issued and invested until used to fund projects. Instead, the Authority or Guarantor Applicant will focus on individual issues for individual projects or focus on draw-down structures that issue debt proceeds from investors only as projects require funding.

4) Categorization of debt.

a) For purposes of determining requirements for the Authority or Guarantor Applicant, there are three categories which provide threshold standards:

i) **Rated and/or enhanced debt:** Bonds with credit enhancement and a rating in one of the three highest rating categories. Held by the borrower or a credit enhancer, or an affiliate of either, bonds with a rating in one of the three highest rating categories from a nationally recognized rating service (currently at least A3 from Moodys or A- from FitchRatings or Standard and Poors). These bonds do not have any additional restrictions required.

ii) **System debt:** This is debt being issued to support an existing or on-going concern of at least five years. Revenues must be pledged from the entire enterprise, not from the specific project. The debt must be issued as a sole placement and is not divisible. The financial pro-forma should demonstrate coverage of at least 1.10 of maximum debt service.

iii) **Other Financings:** This is debt being issued that does not meet the definition of either i) or ii), as previously stated. If either privately or publicly placed, these financings must meet the following criteria: (i) a feasibility study (market analysis, management structure, financial plans, etc) with financial projections showing at least 1.10X coverage of maximum annual debt service, and (ii) explanation of supplemental financial support from parent corporations, provision for reasonable and prudent reserves. If publicly placed, the financing must also meet the following criteria:

(a) shall be sold and subsequently transferred only to a Sophisticated Investor or Investors

(b) receive an investment credit grade rating

(c) shall comply with the conditions set forth in paragraph i – iii) or iv - vi), as determined prior to the issuance of the bonds:

(i) The bonds shall be sold in minimum denominations of $100,000; and

(ii) The bonds shall be sold only to Sophisticated Investors who have executed and delivered an "investor's letter", in form and substance satisfactory to the County including, among other things, (A) stating that the purchase of the bonds will be solely for its own account, (B) stating that such Sophisticated Investor can bear the economic risk of its investment in the bonds, (C) stating that such Sophisticated Investor has such knowledge and experience in financial business matters in general and tax-exempt obligations in particular, that it is capable of evaluating the merits and risks of purchasing the bonds, (D) stating that such Sophisticated Investor has made the decision to purchase the bonds based on its own independent investigation regarding the bonds, the borrower and the project and if a disclosure document has been prepared, it has reviewed such disclosure document, and has received the information it considers necessary to make an informed decision to invest in the bonds, and (E) acknowledging that the County, its counsel and its advisors bear no responsibility for the accuracy or completeness of information with respect to the borrower and the project contained in any disclosure document related to the Sophisticated Investor's purchase of the bonds; and

(iii) The bonds shall bear a legend restricting subsequent transfers to other Sophisticated Investors who have executed and delivered an "investor's letter" complying with the preceding paragraph (ii).

Or,

(iv) The bonds shall be sold in minimum denominations of $250,000; and

(v) The bonds shall be sold initially only to Sophisticated Investors who have executed and delivered an "investor's letter", in form and substance satisfactory to the County including, among other things, (A) stating that the purchase of the bonds will be solely for its own account, (B) such Sophisticated Investor can bear the economic risk of its investment in the bonds, (C) stating that such Sophisticated Investor has such knowledge and experience in financial business matters in general and tax-exempt obligations in particular, that it is capable of evaluating the merits and risks of purchasing the bonds, (D) stating that such Sophisticated Investor has made the decision to purchase the bonds based on its own independent investigation regarding the bonds, the borrower and the project and if a disclosure document has been prepared, it has reviewed such disclosure document, and has received the information it considers necessary to make an informed decision to invest in the bonds, and (E) acknowledging that the County, its counsel and its advisors bear no responsibility for the accuracy or completeness of information with respect to the borrower and the project contained in any disclosure document related to the Sophisticated Investor's purchase of the bonds; and

(vi) The bonds shall bear a legend restricting subsequent transfers to investors who by their purchase of the bonds represent that they (A) are purchasing the bonds solely for their own account, (B) can bear the economic risk of their investment in the bonds, (C) have such knowledge and experience in financial business matters that they are capable of evaluating the merits and risks of purchasing the bonds, and (D) have made the decision to purchase the bonds based on their own independent investigation regarding the bonds and have received the information they consider necessary to make an informed decision to invest in the bonds.

(d) Each indenture related to bonds that are subject to the restrictions, as set forth previously, shall provide that the trustee and the paying agent shall not authenticate or register a bond unless the conditions of this policy have been satisfied.

(e) Guarantor Applicants can petition the County for a waiver to issue in smaller denominations than required within this Section. The Guarantor Applicant must demonstrate a compelling public purpose for smaller denominations. The demonstration of a compelling public purpose may require a formal presentation at the discretion of the County. Any waiver granted by the Authority may only be granted prior to submission of TEFRA materials to the County pursuant to Section 2 e).

5) Investment of Proceeds.

a) The FA will recommend the investment structure for debt proceeds and bid the investment of proceeds. In the event an FA is not required for a debt amount under $10,000,000 or for a Guarantor Applicant with Investment Grade Credit Ratings, a financial officer of the Guarantor Applicant should submit a signed plan for disposition, investment and safekeeping of the proceeds as a part of the application process which will then be included in the TEFRA request packet for the County. Prior to disbursement of proceeds of debt issued by the County, a trustee bank or financial institution approved by the County shall hold such proceeds.

6) Continuing Disclosure and Market Transparency.

a) The Authority or the Guarantor Applicant will arrange to use a recognized agent as an information repository and dissemination agent for 15(c) 2-12 disclosure, to the extent applicable. Guarantor Applicants with Investment Grade Credit Ratings can choose to undertake any disclosure responsibilities under 15(c) 2-12 through a proprietary process.

b) The Authority or the Guarantor Applicant will ensure that copies of all closing transcripts are forwarded to the Leon County Clerk, the County Attorney, and the County Administrator.

7) **Criteria, Application and Fees.**

a) Criteria for financing

i) Community need: The primary criterion for financing any project will be the degree to which the community needs the proposed capital improvement. The issuer will require the presentation of all pertinent data and information, both objective and subjective, with respect to community needs before approving any project. In order to provide community need, a project shall make a significant contribution to the economic growth of Leon County; shall provide or preserve gainful employment; shall protect the environment; or shall serve a public purpose by advancing the economic prosperity, the public health, or the general welfare of the State and its people.

ii) Financial feasibility: The County, as its discretion; shall have the authority to require a financial feasibility study to be completed by an independent financial feasibility consultant of recognized competence at the applicant's expense.

b) Fees

i) A $15,000 application fee is required at the time of application. The application fee is non-refundable in the event the bond issue does not close for any reason.

ii) A financing fee is required to be paid from the proceeds of the bonds at closing of the bond issue in an amount equal to (1%) of the principal amount of the bonds actually issued, or $5,000 whichever is greater.

iii) The applicant shall pay to Leon County, an amount equal to all out-of pocket costs other than normal office expenditures for telephone charges, photocopying and the like incurred by the County in processing the application and issuing the bonds. The applicant shall reimburse the County for time expended by attorneys employed by the Office of the County Attorney in direct support of the bond issue. The applicant shall pay these expenses within ten (10) days after receipt of written invoice or demand for payment. These expenses may be deferred and collected from the proceeds of sale upon approval of the Board, provided the same shall not reduce the applicant's liability to pay the expenses in the event that no closing occurs.

iv) All fees and expenses of all such consultants required by the applicant (including but not limited to financial advisor, bond counsel, engineers, etc.) shall be the sole responsibility of the applicant.

c) Application: The following is applicable to those entities seeking direct conduit financing through the County. The County Administrator and Finance Advisory Committee are hereby authorized to request any additional information deemed necessary to properly evaluate the request.

i) Three original applications shall be submitted.

ii) The applicant shall execute an Expense and Indemnity Agreement in the form included as Attachment #1.

iii) Application questionnaire in the form included as Attachment #2.

d) County Review

i) Upon receipt of an application, the County's Finance Advisory Committee or designee shall determine whether an application is complete. No further processing of an incomplete application shall be done until the application is determined to be complete.

ii) The County's Financial Advisor will prepare its written report to the County with respect to the issue.

iii) A preliminary meeting will be scheduled of the County's Finance Advisory Committee.

(1) The committee may decide whether the applicant may make a presentation.

(2) The committee may recommend the project for further consideration by the Board of County Commissioners, contingent upon the applicant fulfilling all statutory requirements, the requirements of these Financing Guidelines, and any other requirements the County may deem appropriate depending on the circumstances; or

(3) The committee may reject the application; or

(4) The committee may request additional information.

(5) The committee shall submit its finding and recommendations to the Board for its consideration.

8) **Authorities:** It is the County's intent for all Authorities seeking a TEFRA of the County that the Authority adopt the same guidelines.

Attachment #1: Expense and Indemnity Agreement

(Leon County, FL)

Proposed Bond Issue for:

Ladies and Gentlemen:

The undersigned corporation (The "Corporation") has requested you to consider its application to have you issue the bonds referred to above (the "Bonds') for the benefit of the Corporation and as an inducement to such consideration, hereby agrees with you as follows:

Section 1. Payment of Expenses:

Whether or not the Bonds are offered, sold or issued, the Corporation agrees to pay and be liable for, and to hold you harmless against the payment of any and all expenses relating to the Bond issue, including without limitation the frees and disbursements of your financial advisor, special counsel and bond counsel, your administrative charges and out-of pocket expenses, recording charges, expense of printing offering circulars, official statements, and the Bonds, legal advertising and expenses of registering the Bonds with the securities commission of any state.

Section 2. Indemnity:

Whether or not the Bonds are offered, sold or issued, the Corporation agrees to indemnify you, and each of your members, officers, agents, attorneys, advisors and employees against any and all claims and liability of whatsoever nature arising out of or relating directly or indirectly to the Bond issue, whether caused by you or the Corporation or otherwise, including, without limitation, claims based upon actual or alleged misrepresentation, fraud or other tortuous conduct, breach of contractual relationships, or violation of law or administrative rule, whether predicted upon federal or state statutes, common law, principles of equity or otherwise, excepting only claims based upon willful misfeasance or nonfeasance. In furtherance of the foregoing, the corporation agrees to pay any and all attorneys' fees and court costs incurred in the defense of any of the persons herein above indemnified shall be entitled to retain counsel acceptable to you or them to defend any such claim, but that neither you nor any such person will enter into any settlement of the same without the prior written approval of the Corporation.

Section 3. Survival of Agreement:

This Agreement shall survive the closing of the Bond issue and shall not merge into or be superseded by any other agreement other than by a written amendment hereto specifically denominated as such and executed by you and the Corporation.

If the forgoing is acceptable to you, please indicate your acceptance in the space provided below, whereupon the Agreement shall become a binding contract between us.

Dated: _____

NAME OF CORPORATION: _____

By: _____

Its: _____

Accepted and agreed to as of the date above written:

(LEON COUNTY, FLORIDA)

LEON COUNTY, FLORIDA

BY: _____
Bryan Desloge, Chairman
Board of County Commissioners

ATTEST:
Bob Inzer, Clerk of the Court
Leon County, Florida

BY: _____

Approved as to Form:
Leon County Attorney's Office

BY: _____
Herbert W. A. Thiele, Esq.
County Attorney

Attachment #2: Leon County Application for Financing

(Please refer to pages 12-15)

Leon County Application for Financing

(Submit three original fully executed application forms with all required attachments and ten copies of the Application form with attachments and the application fee to the County at 301 S. Monroe St., Ste. 502)

A. Applicant

Corporation Name: _____

State of Incorporation: _____

Business Physical & Mailing Address: _____

_____

Telephone: _____ Fax: _____

Contact Person: _____

Applicant's Agent (if any) Name: _____

Business Physical & Mailing Address: _____

Telephone: _____ Fax: _____

Contact Person: _____

Applicant's Legal Counsel: _____

Contact Person: _____

Telephone: _____ Fax: _____

Management of Project (if other than Applicant): _____

Applicant shall attach copies of items 1-6 below:

- Names and Business Address of Officers and Directors
- Articles of Incorporation
- By-Laws: If Applicant is a non-profit corporation, evidence that the Applicant is an Organization covered under Section 501(c) (3) of the Internal Revenue Code for prior three years.
- Audited Financial Statements of the Applicant for the proceeding three years.
- Annual Report (if regularly issued)
- If Applicant is a public company under the securities and Exchange Act of 1934, a copy of form 10-K for the last three years.

B. Project

Brief Description: (Include number and type of Jobs): _____

Location: _____

Real Property to be acquired, if any (attach legal description, if available): _____

Description of equipment or other personal property to be acquired (attach list, if applicable):

_____

If the project is a health care project for which a Certificate of Need is required, has Certificate of Need been obtained?

No: _____ Yes: _____ Date: _____
(If yes, attach copy and give CON number: If no, give date of applications)

If no Certificate of Need is necessary, explain why: _____

_____

_____

Estimated total cost of project: $ _____

Projects	Amount
Land Acquisition	
Design and Construction	
Acquisition of existing structures	
Equipment Purchase	
Other (Explain)	
Estimated Total Cost of Project	

Has any feasibility study been performed? No: _____ Yes: _____
(If yes, attach copy)

Timetable: Attach as detailed a timetable as is available for the project.

C. Financing

Note: If the applicant has not yet obtained this date, leave this part blank, and the County will assist in structuring the transaction and selecting underwriters, feasibility consultants, and other professionals.

Associated Expenditures	Project Cost
Amount of Bond or Note Issue	
Total Project Cost	
Cost of Issuance	
Monies Available from Other Sources (attach explanation)	
Sources of Debt Service Payments	
Additional Security of Guaranties	
Credit Enhancement Provider (Letter of Credit, Bond Issuance, Surety Bond, etc.)	
Final Maturity	
Total	

Are the proposed bonds to be junior in status to any other obligations of Applicant? No: ____ Yes: ____
(If yes, explain) _____

_____

Underwriter's name: _____

Business Physical & Mailing Address: _____

Telephone: _____ Fax: _____

Contact Person: _____

Underwriter's Counsel: _____

Business Physical & Mailing Address: _____

Telephone: _____ Fax: _____

Contact Person: _____

C. Financing Cont'd

Feasibility Consultants: _____

Business Physical & Mailing Address: _____

Telephone: _____ Fax: _____

Contact Person: _____

If any, list other Consultants, Contractors, and/or Agents: _____

_____

_____

_____

D. Refunding Issues:

If the proposed bond issue is for purposes of refunding previous debt, attach an official statement and all other "refunding documents," and a summary of the debt to be refunded.

E. Date of Application:

Applicant is required to submit an executed "Expenses and Indemnity Agreement" as required by the Guidelines.

For the Applicant: _____

Its: _____
(Corporate Seal)

Attachment #15

Per Bob Hunter - BOR - communicated to Kent Reid in a subsequent meeting of FSU personnel + BOR C. Board
T. Wade
7/16/93

Florida State
UNIVERSITY
Office of the Vice President for Student Affairs • Tallahassee, Florida 32306-3019 • 904-644-5590

November 16, 1990

Dr. Carl Blackwell
Vice Chancellor for Finance
and Administration
State University System
Board of Regents
Florida Education Center, Room 352
325 W. Gaines St.
Tallahassee, FL 32399

Dear Carl:

I appreciate the assistance you and Jerry Martin have provided as we have reviewed the Deeb proposal for a multi-purpose facility adjacent to the FSU campus. While I look forward to reviewing the final financial analysis of the project, I am forwarding to you some of the grave concerns I continue to have about the project.

1. The total cost of the project is extremely high. It is simply not acceptable to spend more than $20 million on a residential facility for less than 600 students. Should we develop an RFP for a private partnership for student housing, our requests would be considerably more modest.

2. We question the market demand for the type of housing proposed in the Deeb project. While student housing may have been offered too inexpensively in the past, we have no evidence that housing of this type would attract parents and students who could afford the rates which would be necessary to finance the project. Our experience indicates families with discretionary funds for student housing tend to invest in expensive apartment facilities which have been developed in the campus community.

3. As demonstrated in your preliminary financial analysis of the project, we simply could not achieve the revenue advanced in the proposal. Summer occupancy rates are greatly overstated and our own food service contractors indicate that food revenue is overstated by at least one-third.

4. The analysis provided by the Deeb Companies and our own experience indicates that first-year students are the strongest market for traditional double room residence hall facilities. We do not currently have a sufficiently large freshman enrollment to guarantee full occupancy of our

existing residence halls and fill a new residence hall of nearly 600 spaces. Moreover, it is not clear how much growth we will be allowed to have at the freshmen level in this decade.

5. Operation of the project will require mandatory food service for residents. It is my understanding that only one SUS institution has mandatory food service. We have no indication that such a program would have acceptance here since it conflicts with existing strong sorority and fraternity food programs at FSU.

6. Within the Student Affairs area, there is no greater priority than the renovation of existing housing facilities. As you know, we have not yet identified funding for our major renovation needs. A project of this magnitude jeopardizes our already limited ability to address our serious renovation needs.

I believe these points address our major concerns about the Deeb project. We will be prepared to discuss them more fully should there be a need for an additional meeting.

Sincerely,

Jon C. Dalton
Vice President for Student Affairs

JCD/pd

Attachment #16

NEW ISSUE - Book-Entry Only

Rating S&P: A
(ACA Insured - See "RATING OF THE SERIES 2003 BONDS" herein)

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law (1) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Series 2003 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (2) the Series 2003 Bonds and the income thereon are exempt from taxation under the laws of the State of Florida, except estate taxes imposed by Chapter 198, Florida Statutes, as amended, and net income and franchise taxes imposed by Chapter 220, Florida Statutes, as amended. Interest on the Series 2003 Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.

$23,315,000
Leon County Educational Facilities Authority
Student Housing Revenue Bonds
(Heritage Grove Project at Florida State University)
Series 2003

Dated: December 1, 2003

Due: As Described Herein

The Series 2003 Bonds (the "***Series 2003 Bonds***") are being issued by the Leon County Educational Facilities Authority (the "***Issuer***") to provide funds (i) to finance the cost of developing, designing, acquiring, constructing, and equipping a 384-bed student housing facility, including the buildings, furniture, fixtures, and equipment therefor and related facilities (collectively, the "***Project***"), to be located near the campus of Florida State University (the "***University***") in the City of Tallahassee, Florida, including the costs of marketing the Project and providing working capital for the Project, (ii) to fund interest on the Series 2003 Bonds during the construction of the Project and for a period of time thereafter, (iii) to fund the Debt Service Reserve Fund for the Series 2003 Bonds, and (iv) to pay a portion of the costs of issuing the Series 2003 Bonds. The Project will be owned and operated by LCEFA Ocala Road, LLC (the "***Borrower***"), a Florida limited liability company, the sole member of which is the Issuer.

The Series 2003 Bonds shall not constitute a general obligation of or a pledge of the faith and credit of the Issuer, the State of Florida (the "*State*"), Leon County, Florida (the "*County*") or the University, or any political subdivision thereof, but shall be a limited and special obligation of the Issuer, payable in the manner provided for in the Trust Indenture dated as of December 1, 2003 (the "*Indenture*"). No Owner of any Series 2003 Bonds shall ever have the right to require or compel the Issuer, the State, the County or any political subdivision thereof to (i) levy any ad valorem taxes on any property to pay the Series 2003 Bonds or to make any other payments provided for under the Indenture or the Loan Agreement, or (ii) pay the same from any funds other than those included as part of the Trust Estate, in the manner provided in the Indenture. The Issuer has no taxing power or power to levy assessments.

As further described herein, regularly scheduled payments of principal of and interest on the Series 2003 Bonds when due will be insured under a bond insurance policy (the "***Bond Insurance Policy***") to be issued by ACA Financial Guaranty Corporation (the "***Bond Insurer***") simultaneously with the delivery of the Series 2003 Bonds. See "*BOND INSURANCE*" herein and Appendix "E" herein.

The Series 2003 Bonds will be issuable as fully registered bonds without coupons in the denominations of $5,000 and any integral multiple thereof. The Series 2003 Bonds will bear interest from December 1, 2003, and will be payable semiannually on each February 1 and August 1, commencing February 1, 2004 (each, an "***Interest Payment Date***"). Principal of and premium, if any, on the Series 2003 Bonds will be payable at the principal corporate trust office of Wachovia Bank, National Association (the "***Trustee***"), in Nashville, Tennessee (the "***Office of the Trustee***") at maturity or upon redemption, upon surrender of the Series 2003 Bonds, and interest will be payable by check or draft mailed to the registered Owners of Series 2003 Bonds, as shown on the registration books of the bond registrar as of the close of business on the fifteenth (15th) day (whether or not a business day) of the month immediately preceding such Interest Payment Date (the "***Regular Record Date***") for the Series 2003 Bonds or by wire transfer in immediately available funds to the bank account number filed with the Trustee in writing prior to the close of business on the Regular Record Date by the person in whose name such Series 2003 Bond shall be registered if such Owner shall be the registered owner of not less than $500,000 in aggregate principal amount of Series 2003 Bonds Outstanding. **The Series 2003 Bonds will be subject to prior mandatory, optional, special optional and extraordinary redemption as described herein. See "THE SERIES 2003 BONDS" herein.**

The Series 2003 Bonds will be issued as fully registered bonds without coupons and when issued will be initially registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("***DTC***"). DTC will act as securities depository for the Series 2003 Bonds. So long as Cede & Co. is the registered owner of the Series 2003 Bonds as nominee of DTC, references herein to the Owners of the Series 2003 Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the Series 2003 Bonds. So long as Cede & Co. is the registered owner of the Series 2003 Bonds, the payment of principal and redemption price of, and interest on the Series 2003 Bonds will be made to Cede & Co., as nominee for DTC, which will in turn remit such principal, redemption price and interest payments to the Direct Participants and Indirect Participants for subsequent disbursement to the beneficial owners. See "**THE SERIES 2003 BONDS - Book-Entry-Only System for the Series 2003 Bonds**" herein.

Series 2003 Bonds Maturity Schedule
$4,755,000 Serial Bonds

Maturity August 1	Principal Amount	Interest Rate	Yield	Maturity August 1	Principal Amount	Interest Rate	Yield
2005	$135,000	3.000%	2.150 %	2011	$505,000	4.000%	4.030 %
2006	215,000	3.000	2.500	2012	560,000	4.125	4.240
2007	310,000	3.000	2.880	2013	585,000	4.250	4.360
2008	355,000	3.500	3.230	2014	605,000	4.375	4.490
2009	400,000	3.750	3.500	2015	635,000	4.500	4.610
2010	450,000	4.000	3.760				

$2,085,000 4.700% Term Bonds due August 1, 2018, Yield 4.840%
$4,205,000 5.000% Term Bonds due August 1, 2023, Yield 5.140%
$12,270,000 5.125% Term Bonds due August 1, 2033, Yield 5.320%
(Plus accrued interest from December 1, 2003)

The Series 2003 Bonds are offered when, as, and if issued by the Issuer and received by the Underwriters and are subject to prior sale and the approval of legality by Squire, Sanders & Dempsey L.L.P., Miami, Florida, and Tampa, Florida, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Issuer and the Borrower by their counsel, McFarlain & Cassedy, P.A., Tallahassee, Florida, and for the Underwriters by their counsel, Parker Poe Adams & Bernstein L.L.P. Charlotte, North Carolina. Delivery of the Series 2003 Bonds through the facilities of DTC in New York, New York is expected on or about December 16, 2003.

Morgan Keegan & Company, Inc. **George K. Baum & Company**

Date: December 5, 2003

No dealer, broker, salesman, or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Issuer, the Borrower or the Underwriters. *This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor* shall there be any sale of the Series 2003 Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation, or sale.

The information set forth herein has been furnished by the Borrower, the Issuer, the Developer, the Manager, the University and the Bond Insurer and other sources that are believed to be reliable, but no representation as to the accuracy or completeness of such information is made by the Underwriters. The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. Nothing contained in the Official Statement is or shall be relied upon as a promise or representation by the Underwriters. The information and expressions of opinion contained herein are subject to change without notice after the date hereof and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Borrower, or the Bond Insurer or any other matter described herein since the date hereof.

EXCEPT FOR INFORMATION CONCERNING THE ISSUER IN THE SECTIONS HEREOF CAPTIONED "**THE ISSUER**" "**THE PARENT LEASE, THE SUBLEASE AND THE PARTIAL ASSIGNMENT**", "**THE ISSUER**", "**LITIGATION - The Issuer**", AND THOSE OTHER STATEMENTS RELATED TO THE ISSUER UNDER THE HEADINGS "**RELATIONSHIPS**", "**SUMMARY STATEMENTS**", AND "**INTRODUCTORY STATEMENT**", NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY THE ISSUER, AND THE ISSUER MAKES NO REPRESENTATIONS OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR COMPLETENESS OF SUCH OTHER INFORMATION.

OTHER THAN WITH RESPECT TO INFORMATION CONCERNING THE BOND INSURER CONTAINED UNDER THE HEADING "**BOND INSURANCE**" HEREIN AND IN **APPENDIX "E"** ATTACHED HERETO, NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY THE BOND INSURER, AND THE BOND INSURER MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO (I) THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION; (II) THE VALIDITY OF THE SERIES 2003 BONDS; OR (III) THE TAX-EXEMPT STATUS OF THE INTEREST ON THE SERIES 2003 BONDS.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2003 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Series 2003 Bonds will not be registered under the Securities Act of 1933, as amended, and neither the Issuer nor the Underwriters intend to list the Series 2003 Bonds on any stock or other security exchange. The Securities and Exchange Commission has not passed upon the accuracy or adequacy of this Official Statement. With respect to the various states in which the Series 2003 Bonds may be offered, no attorney general, state official, state agency or bureau, or other state or local governmental entity has passed upon the accuracy or adequacy of this Official Statement or passed upon or endorsed the merits of this offering or the Series 2003 Bonds.

In making an investment decision, investors must rely on their own examination of the Borrower, the Issuer and the Bond Insurer and the terms of the offering, including the merits and risks involved. The Series 2003 Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

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SUMMARY STATEMENT

*The following Summary Statement is qualified in its entirety by the more detailed information and financial statements contained elsewhere in this Official Statement and the Appendices hereto (collectively, the "**Official Statement**"). The offering of the Series 2003 Bonds to potential investors is made only by means of this entire Official Statement, and no person is authorized to detach this Summary Statement from the Official Statement or to use it otherwise without the entire Official Statement.*

The Issuer

The Leon County Educational Facilities Authority (the "***Issuer***"), is a public body corporate and politic created and existing under the laws of the State of Florida (the "***State***"), and is authorized pursuant to the Higher Educational Facilities Authority Law, as amended, Chapter 243, Part I, Florida Statutes, and other applicable provisions of law, including a resolution adopted on July 17, 1990 by the Board of County Commissioners of Leon County, Florida establishing the Issuer, and all future acts supplemental thereto and amendatory thereof (the "***Act***") to issue bonds to provide funds for and to fulfill and achieve its authorized public functions or corporate purposes as set forth in the Act.

The Borrower

LCEFA Ocala Road, LLC (the "***Borrower***") is a single member limited liability company duly organized and existing under the laws of the State of Florida. The Issuer is the sole member of the Borrower. The proceeds of the Series 2003 Bonds will be loaned to the Borrower pursuant to a Loan Agreement (the "***Loan Agreement***") dated as of December 1, 2003, between the Issuer and the Borrower, to finance the costs described below under "**THE SERIES 2003 BONDS**." The Borrower's only asset is the Project. See "**THE BORROWER**" herein.

The Series 2003 Bonds

The Issuer will issue $23,315,000 aggregate principal amount of its revenue bonds, to be designated "Leon County Educational Facilities Authority Student Housing Revenue Bonds (Heritage Grove Project at Florida State University) Series 2003" (the "***Series 2003 Bonds***"), for the purpose of providing funds (i) to finance the cost of developing, designing, acquiring, constructing, and equipping a 384-bed student housing facility, including the buildings, furniture, fixtures and equipment therefor and related facilities (the "***Project***"), to be located near the campus of Florida State University (the "***University***") in the City of Tallahassee, Florida (the "***City***"), including the costs of marketing the Project and providing working capital for the Project, (ii) to fund interest on the Series 2003 Bonds during the construction of the Project and for a period of time thereafter, (iii) to fund the Debt Service Reserve Fund for the Series 2003 Bonds, and (iv) to pay a portion of the costs of issuing the Series 2003 Bonds.

The Trustee

Wachovia Bank, National Association, Nashville, Tennessee will act as trustee, bond registrar, dissemination agent, and paying agent for the Series 2003 Bonds.

The Bond Insurer

Simultaneously with the issuance of the Series 2003 Bonds, ACA Financial Guaranty Corporation, a Maryland stock insurance company (the "***Bond Insurer***"), will issue its bond insurance policy (the "***Bond Insurance Policy***") relating to the Series 2003 Bonds. See "**BOND INSURANCE**" herein.

The University

The University, established in 1851, is located in Tallahassee, Florida, and is one of the eleven units of the Division of Colleges and Universities of the Florida State Board of Education. Since January 7, 2003, the University has been under the management responsibility of the Florida Board of Governors. Although the Florida Board of Governors has the responsibility for management of the entire state university system, the University is its own separate public corporation of the State of Florida with its own Board of Trustees (the "***Board***")

appointed by the Governor and the Florida Board of Governors. The University is a tax-supported, comprehensive regional university and is located in the City. Student enrollment for the 2002-2003 academic year is approximately 37,328, which is a 1.76% increase over the 2001-2002 academic year. Entering freshman enrollment in the fall of 2002 increased 3.44% over the fall of 2001. See "THE UNIVERSITY" herein. Current housing at the University consists of sixteen (16) residence halls containing a total of 5,030 beds. See **"THE PROJECT - Existing On-Campus Housing"** in **Appendix "A"** hereto. **Neither the State, the Board of Governors, the Board of Trustees, nor the *University will have any obligation* with respect to payment of the Series 2003 Bonds.**

The Project

The Project will be located on an approximately 37 acre site, less certain parcels granted for the benefit of the Equity Houses (See **Appendix "B"** for the definition of ***"Equity Houses"***), fronting Ocala Road near the University's campus in the City (the ***"Property"***). The Project will contain 384 beds in approximately eight 3-story residential buildings containing a total of 192 two-bedroom units as well as eight community buildings detached from the residential buildings, all such buildings surrounding an expansive green. The Project will contain approximately 1,057 parking spaces on lighted and landscaped grounds (the ***"Parking Facility"***). The University is contributing $4,000,000 to the Project to be used for certain infrastructure of the Project and the Parking Facility. The Project will be managed by the Manager (as hereinafter defined). See "THE MANAGER" herein and "THE PROJECT" in **Appendix "A"** hereto. The Property is leased by the State of Florida Board of Trustees of the Internal Improvement Trust Fund (the ***"Parent Lessor"***) to the State of Florida Board of Education (successor to the Florida Board of Regents, the ***"Sublessor"***), the Sublessor has designated the University as its agent with respect to all matters related to the Sublease (as defined below), and the Sublessor has subleased the Property to the Issuer pursuant to a Sublease Agreement dated as of December 19, 2002 (the "***Sublease***"), between the Sublessor and the Issuer, as sublessee. In connection with the issuance of the Series 2003 Bonds, the Issuer has assigned to the Borrower its rights, title and interest in a portion, but not all, of that real property leased to the Issuer under the Sublease, as more particularly described in the Partial Assignment of Subleasehold Interest dated as of December 1, 2003 (the ***"Partial Assignment"***). See "THE PROJECT", "THE PARENT LEASE, THE SUBLEASE AND THE PARTIAL ASSIGNMENT" and that information related to the Project in **Appendix "A"** hereto.

The Developer

Capstone/LLT, LLC (the "***Developer***"), a limited liability company organized and existing under the laws of the State of Florida comprised of LLT Building Corporation, a Florida corporation, and Capstone Development Corporation, an Alabama corporation, as its members, was formed on January 15, 2003 for the express purpose of providing design, construction and development services in connection with the Project. The Developer's headquarters are located in the City. The Developer was selected to develop the Project as a result of a request for proposals made by the Issuer on November 9, 2001. See "THE DEVELOPER" herein.

The General Contractor

Capstone Building Corp. (the "***General Contractor***"), an Alabama corporation, was formed in 1997 for the express purpose of providing construction services to the higher education industry. See "THE GENERAL CONTRACTOR AND THE CONSTRUCTION CONTRACT" herein.

The Manager

Coastal Property Services, Inc., is a Florida corporation formed in 1989 for the express purpose of managing, and maintaining student housing communities, HUD financed properties, and conventional "Class A" communities as manager (the "***Manager***"). See "**THE MANAGER**" herein.

The Sublease

Pursuant to the Sublease, the Sublessor has leased the Property to the Issuer, for a term of fifty (50) years. The annual rental payable under the Sublease will consist of one dollar ($1.00) per annum and an administrative fee of $300.00 per annum.

The Partial Assignment

Pursuant to the Partial Assignment of Subleasehold Interest (the ***"Partial Assignment"***), the Issuer has assigned certain of its rights, duties and obligations under the Sublease to the Borrower.

Security for the Bondholders

The Borrower will operate and maintain the Project pursuant to the Loan Agreement that will obligate the Borrower to make monthly Basic Loan Payments (See **Appendix "B"** for the definition of ***"Basic Loan Payments"***) to the Issuer in amounts calculated to be sufficient to pay, when due, the principal of, premium, if any, and interest on the Series 2003 Bonds. To evidence the obligation to make Basic Loan Payments sufficient to pay the principal of, premium, if any, and interest on the Series 2003 Bonds, the Borrower will execute and deliver to the Issuer its promissory note dated December 16, 2003, in the principal amount of $23,315,000 (the "***Series 2003 Note***"). As security for its obligations under the Loan Agreement and the Series 2003 Note, the Borrower will execute and deliver to the Trustee (i) a Leasehold Mortgage and Assignment of Rents and Leases (the "***Leasehold Mortgage***") dated as of December 1, 2003, pursuant to which the Borrower will grant to the Trustee a first mortgage lien on the Borrower's leasehold interest in the Project and the Property created by the Partial Assignment and will assign and pledge to the Trustee the Borrower's interest in the leases, rents, issues, profits, revenues, income, receipts, moneys, royalties, rights, and benefits of and from the Project, (ii) a Security Agreement (the "***Security Agreement***") dated as of December 1, 2003, pursuant to which the Borrower will grant to the Trustee a first priority security interest in all revenues derived from the operation of the Project ("***General Revenues***"), in the accounts, payment intangibles, documents, chattel paper, electronic chattel paper, letter of credit rights, instruments, general intangibles, supporting obligations, investment property and deposit accounts arising in any manner from the Borrower's ownership and operation of the Project, in the inventory located at the Project, and in the equipment, furnishings, and other tangible personal property considered a part of the Project, and (iii) separate Assignment of Agreements and Documents (collectively, the "***Assignments of Agreements and Documents***" and individually, an ***"Assignment of Agreements and Documents"***) each dated as of December 1, 2003, pursuant to which the Issuer and/or Borrower will assign to the Trustee their respective rights in the (A) Management Agreement (the "***Management Agreement***") between the Borrower (as assignee of the Issuer, as discussed herein) and the Manager pursuant to which the Manager will agree to manage the Project, and (B) Development and Construction Management Agreement, as amended by that First Amendment to Development and Construction Management Agreement (as amended, the "***Development Agreement***") between the Issuer and the Developer pursuant to which the Developer has agreed to design and build the Project, and enter other contracts relating to the design or construction of the Project. The Issuer was the original counterparty to the Management Agreement. Subsequent to the execution of the Management Agreement, the Issuer, with the consent of the Manager, assigned

all of its rights, duties and obligations under the Management Agreement to the Borrower.

As security for its obligations under the Series 2003 Bonds, the Issuer will enter into a Trust Indenture (the "***Indenture***") dated as of December 1, 2003, with the Trustee. Pursuant to the Indenture, the Issuer will assign and pledge to the Trustee all of its right, title, and interest in and to the Loan Agreement, the Series 2003 Note, all property described therein, all amounts to be received thereunder, and all property to be held thereunder (except for the Unassigned Rights hereinafter defined). An amount equal to $1,602,212.50, the Debt Service Reserve Requirement for the Series 2003 Bonds (the ***"Debt Service Reserve Requirement"***), will be deposited in the Debt Service Reserve Fund created under the Indenture (the "***Debt Service Reserve Fund***") and will be used to pay principal of, premium, if any, and interest on the Series 2003 Bonds if insufficient funds are on deposit with the Trustee on the date such payment is due. Under the Loan Agreement, the Borrower is subject to certain financial covenants and restrictions with respect to the issuance of Additional Bonds. See "**THE SERIES 2003 BONDS - Additional Bonds**", "**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003 BONDS**" and "**BONDHOLDERS' RISKS**" herein.

Bondholders' Risks

Certain considerations relating to an investment in the Series 2003 Bonds are set forth in the sections of this Official Statement, including the heading "**BONDHOLDERS' RISKS**", and should be carefully reviewed by prospective purchasers of the Series 2003 Bonds. Such considerations include (i) failure of the Borrower to generate revenues and make timely payment under the Loan Agreement, may result in the Series 2003 Bonds not being paid or being paid before maturity or applicable redemption dates and may result in forfeiture of redemption premiums, may be adversely affected by a wide variety of future events and conditions including, without limitation, a decline in the enrollment of the University, increased competition from other schools, loss of accreditation, failure to meet federal guidelines or some other event that results in students being ineligible for federal financial aid, and cost overruns in connection with the Project or other capital improvements, (ii) the Series 2003 Bonds constitute limited obligations of the Issuer and the only significant sources of payment therefor are the deposits received by the Trustee pursuant to the Loan Agreement and, if such deposits prove insufficient, payments by the Bond Insurer pursuant to the Bond Insurance Policy, (iii) other than its ownership of the Project, the Borrower does not have revenues or assets pledged or otherwise available to meet its payment obligations under the Loan Agreement, (iv) the Project must meet certain occupancy levels and rental rates if the Borrower is to generate the revenues necessary to meet the obligations of the Borrower under the Loan Agreement, (v) the Project will be constructed to serve as a student housing facility, thus, such special use of the Project and the facts that the Project is located near the campus of the University and the interest of the Borrower serving as collateral is in the nature of a leasehold interest and is subject to the terms of the Parent Lease, the Sublease and Partial Assignment may curtail its value as collateral, (vi) there are risks associated with the construction of the Project, (vii) future clean-up costs with respect to the Project could be imposed under environmental statutes and liens relating thereto may adversely affect the security for the Owners of the Series 2003 Bonds, (viii) certain statutory provisions and interests and claims of others may impair the security interest of the Trustee in the revenues derived by the Borrower from the operation of the Project, (ix) judicial actions may impair the remedies available to the Trustee and the Owners of the Series 2003 Bonds under the Bond Documents (See "**INTRODUCTORY STATEMENT**" herein) providing security for the Series 2003 Bonds, (x) interest on the Series 2003 Bonds could, in certain

events, become includable in the gross income of the Owners thereof and Owners of the Series 2003 Bonds would be subject to adverse federal tax consequences, (xi) there can be no assurance that there will be a secondary market for the Series 2003 Bonds, (xii) Additional Bonds payable from the Trust Estate (hereinafter defined) on a parity with the Series 2003 Bonds may in the future dilute the security for the Series 2003 Bonds, (xiii) a change in the Issuer's status as a body duly appointed by Leon County, Florida could cause interest on the Series 2003 Bonds to become includable in the gross income of the Owners thereof, (xiv) if the Issuer should fail to make payment of the principal of or interest on the Series 2003 Bonds when the same shall become due, any Owner of Series 2003 Bonds will have recourse against the Bond Insurer for such payments, and if the Bond Insurer is unable to make payments of and interest on the Series 2003 Bonds, such Series 2003 Bonds will be payable solely from moneys received by the Trustee pursuant to the Indenture and the Loan Agreement, (xv) the Bond Insurance Policy does not insure the principal of or interest on the Series 2003 Bonds coming due by reason of acceleration or redemption (other than mandatory sinking fund redemption), nor does the Bond Insurance Policy insure the payment of any redemption premium payable upon the Series 2003 Bonds, and under no circumstances, including the situation in which the interest on the Series 2003 Bonds becomes subject to federal or Florida taxation for any reason, may the maturities of the Series 2003 Bonds be accelerated without the consent of the Bond Insurer, (xvi) so long as the Bond Insurer performs its obligations under the Bond Insurance Policy, the Bond Insurer may direct, and its consent must be obtained before the exercise of, any remedies to be undertaken by the Trustee under the Indenture, and (xvii) the obligations of the Bond Insurer under the Bond Insurance Policy are general obligations of the Bond Insurer and rank equally in priority of payment and in all other respects with all other unsecured obligations of the Bond Insurer, and in the event of insolvency of the Bond Insurer, the Owners of the Series 2003 Bonds would have to depend entirely on the ability of the Borrower to pay the principal of and interest on the Series 2003 Bonds. See "**BONDHOLDERS' RISKS**" herein.

Tax Status of Interest on the Series 2003 Bonds

Upon delivery of the Series 2003 Bonds, Squire, Sanders & Dempsey L.L.P., Bond Counsel, will render its opinion that, assuming continuing compliance with certain covenants designed to satisfy the applicable requirements of the Internal Revenue Code of 1986, as amended (the ***"Code"***), and subject to the matters discussed under the caption "**TAX MATTERS**" herein, under the law existing on the date thereof, interest on the Series 2003 Bonds will be excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and the Series 2003 Bonds and the income thereon are exempt from taxation under the laws of the State of Florida, except estate taxes imposed by Chapter 198, Florida Statutes, as amended, and net income and franchise taxes imposed by Chapter 220, Florida Statutes, as amended. Interest on the Series 2003 Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of such interest. See "**TAX MATTERS**" herein.

Continuing Disclosure

The Borrower will agree to provide such information as may be required by the provisions of Rule 15c2-12 (the ***"Rule"***) promulgated by the Securities and Exchange Commission, and neither the Issuer nor the University will undertake any responsibility with respect to continuing disclosure under the Rule. The Issuer has determined that no financial or operating data concerning the Issuer is material to an evaluation of the offering of the Series 2003 Bonds or to any

decision to purchase, hold, or sell the Series 2003 Bonds and the Issuer will not provide any such information. The Borrower has undertaken all responsibilities for any continuing disclosure to Owners of the Series 2003 Bonds as described above, and the Issuer will have no liability to the Owners of the Series 2003 Bonds or any other person with respect to the Rule. See "**CONTINUING DISCLOSURE**" herein.

General

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Official Statement in final form will be deposited with the Municipal Securities Rulemaking Board, 1818 N Street, NW., Suite 800, Washington, D.C. 20036-2491. Copies of this Official Statement and other relevant documents and information regarding the documents are available upon request from the Underwriters prior to the issuance and delivery of the Series 2003 Bonds and from the Trustee after the issuance and delivery of the Series 2003 Bonds. This Official Statement, including the cover page and the attached Appendices, contains specific information relating to the Series 2003 Bonds, the Issuer, and the Borrower and other information pertinent to the Series 2003 Bonds.

OFFICIAL STATEMENT

$23,315,000
Leon County Educational Facilities Authority
Student Housing Revenue Bonds
(Heritage Grove Project at Florida State University)
Series 2003

INTRODUCTORY STATEMENT

This Official Statement, including the cover page and the Appendices hereto, furnishes certain information in connection with the sale by the Leon County Educational Facilities Authority (the "***Issuer***") of $23,315,000 in aggregate principal amount of its Student Housing Revenue Bonds (Heritage Grove Project at Florida State University) Series 2003 (the "***Series 2003 Bonds***") to be issued by the Issuer pursuant to a Trust Indenture (the "***Indenture***") dated as of December 1, 2003, between the Issuer and Wachovia Bank, National Association, as Trustee (the "***Trustee***") for the purpose of providing funds (i) to finance the cost of developing, designing, acquiring, constructing, and equipping a 384-bed student housing facility, including the buildings, furniture, fixtures and equipment therefor and related facilities (the "***Project***"), to be located near the campus of Florida State University (the "***University***") in the City of Tallahassee, Florida, including the costs of marketing the Project and providing working capital for the Project, (ii) to fund interest on the Series 2003 Bonds during the construction of the Project and for a period of time thereafter, (iii) to fund the Debt Service Reserve Fund for the Series 2003 Bonds, and (iv) to pay a portion of the costs of issuing the Series 2003 Bonds. **Definitions of certain terms used in this Official Statement are set forth in Appendix "B" hereto.**

The site on which the Project will be constructed (the "***Property***") has been subleased to the Issuer, pursuant to a Sublease Agreement (the "***Sublease***") dated as of December 19, 2002, between the State of Florida Board of Education, as sublessor (the "***Sublessor***") and the Issuer, as sublessee. The Issuer has assigned to the Borrower its rights, title and interest in a portion of that real property granted to the Issuer under the Sublease, as more particularly described in the Partial Assignment of Subleasehold Interest dated as of December 1, 2003 (the "***Partial Assignment***"). The Issuer will lend the proceeds of the Series 2003 Bonds to LCEFA Ocala Road, LLC (the "***Borrower***") pursuant to a Loan Agreement (the "***Loan Agreement***") dated as of December 1, 2003, between the Issuer and the Borrower. The Borrower will be obligated pursuant to the Loan Agreement to pay to the Issuer such loan payments as will be sufficient to pay the principal of, premium, if any, and interest on the Series 2003 Bonds, as the same mature and become due, and, under the Loan Agreement, the Borrower will be obligated to pay all expenses of operating and maintaining the Project in good repair, to keep it properly insured, and to pay all taxes, assessments, and other charges levied or assessed against or with respect to the Project. To evidence the obligation to make Basic Loan Payments sufficient to pay the principal of, premium, if any, and interest on the Series 2003 Bonds when due, the Borrower will execute and deliver to the Issuer its promissory note in the principal amount of $23,315,000 (the "***Series 2003 Note***"), and the Issuer will endorse the Series 2003 Note to the order of the Trustee.

The obligations of the Borrower under the Loan Agreement and the Series 2003 Note will be secured by (i) a Leasehold Mortgage and Assignment of Rents and Leases (the "***Leasehold Mortgage***") dated as of December 1, 2003, pursuant to which the Borrower will (a) grant to the Trustee a first mortgage lien on the Borrower's leasehold interest in the Project and the Property created by the Partial Assignment and will assign and pledge to the Trustee the Borrower's interest in the leases, rents, issues, profits, revenues, income, receipts, moneys, royalties, rights, and benefits of and from the Project, including any and all tenant contracts, rental agreements, franchise agreements, management contracts, construction contracts, concessions, and other contracts, expenses, and permits relating to the Project, (ii) a Security Agreement (the "***Security Agreement***") dated as of December 1, 2003, pursuant to which the Borrower will grant to the Trustee a first priority security interest in all revenues derived from the operation of the Project ("***General Revenues***"), in the accounts, payment intangibles, documents, chattel paper, electronic chattel paper, letter of credit rights, instruments, general intangibles, supporting obligations, investment property and deposit accounts arising in any manner from the Borrower's ownership and operation of the Project, in the inventory located at the Project, and in the equipment, furnishings, and other tangible personal property considered a part of the Project, and in each case, all proceeds of any or all of the foregoing, and (iii) separate

The brick veneer residential buildings will be three stories in height with stair access to the upper fl Each of the units in the residential buildings will contain two individually lockable bedrooms, each with its bathroom, together with a common living/dining area, fully equipped kitchen and laundry closet. Constructio material will include a combination of brick, hardi-plank siding and stucco, and asphalt roof shingles reminiscent o the style prevalent on the University's campus. Each unit will have a central heating and cooling system, fir sprinkler systems, fire alarms and smoke alarms.

The brick veneer community buildings will be one story in height. Each of the community buildings will contain a large meeting room with an adjacent catering kitchen, a small parlor/conference room, an office, restrooms, and a storage room. Construction material will include a combination of brick and stucco, with asphalt roof shingles in the style prevalent on the University's campus.

In addition to the residential buildings and the community buildings, the Project will contain a community swimming pool and deck, and a small commons building providing leasing and administrative space; maintenance and storage areas, and restrooms associated with the pool.

The Project will be managed by the Manager. See "**THE MANAGER**" herein and "**THE PROJECT**" in **Appendix "A"** hereto. The Property will be leased to the Issuer pursuant to the Sublease, as assigned to the Borrower pursuant to the Partial Assignment. See "**THE PROJECT**" in **Appendix "A"** hereto.

ESTIMATED SOURCES AND USES OF FUNDS

The schedule below contains the estimated sources and uses of funds resulting from the sale of the Series 2003 Bonds (exclusive of accrued interest):

SOURCES OF FUNDS:	
Par Amount of Series 2003 Bonds	$23,315,000.00
Net Original Issue Discount	(460,169.00)
TOTAL SOURCES OF FUNDS	$22,854,831.00
USES OF FUNDS:	
Deposit to Construction Fund	$17,550,743.75
Deposit to 2003 Subaccount of the Capitalized Interest Account of Bond Fund	1,189,181.88
Deposit to Debt Service Reserve Fund [1]	1,602,212.50
Issuance Costs [2]	2,512,692.87
TOTAL USES OF FUNDS	$22,854,831.00

[1] Equal to the Debt Service Reserve Requirement for the Series 2003 Bonds.
[2] Includes Bond Insurance Policy Premium and Underwriters' Discount.

Assignments of Agreements and Documents (collectively, the "***Assignments of Agreements and Documents***" and individually, an "***Assignment of Agreements and Documents***") each dated as of December 1, 2003, by the Issuer and/or Borrower in favor of the Trustee pursuant to which the Issuer and/or the Borrower will grant to the Trustee a first priority security interest in (i) the Management Agreement (the "***Management Agreement***") between the Borrower, as assigned to the Borrower by the Issuer, and Coastal Property Services, Inc. (the "***Manager***"), as manager, pursuant to which the Manager will manage the Project, and (ii) the Development and Construction Management Agreement, as amended by that First Amendment to Development and Construction Management Agreement (as amended, the "***Development Agreement***") between the Issuer and Capstone/LLT, LLC (the "***Developer***"), as developer, pursuant to which the Developer has agreed to plan and develop the Project, including project and construction management related thereto, and to enter into all other contracts relating to the design and construction of the Project.

The Issuer, pursuant to the Indenture, will assign and pledge all of its rights under the Loan Agreement (except for Unassigned Rights) and the Series 2003 Note to the Trustee which, on behalf of the Owners of the Series 2003 Bonds, will exercise all of the Issuer's rights thereunder (except for Unassigned Rights). See "**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003 BONDS**" herein.

The obligations of the Borrower under the Bond Documents (as hereinafter defined) will be non-recourse to the Borrower and any judgment in any action or proceeding under such documents will be enforceable against the Borrower only to the extent of the Borrower's interest in the Project and the other Security. See "**NON-RECOURSE OBLIGATION OF THE BORROWER**" herein.

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Issuer, the Borrower, the Project, the Developer, the Manager, the Series 2003 Bonds, the Loan Agreement, the Series 2003 Note, the Parent Lease (as defined herein), the Sublease, the Partial Assignment, the Indenture and the Bond Insurance Policy. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Parent Lease, the Sublease, the Partial Assignment, the Management Agreement, the Continuing Disclosure Agreement, the Assignments of Agreements and Documents, the Security Agreement, the Leasehold Mortgage, the Loan Agreement, the Series 2003 Note, and the Indenture (collectively, the "***Bond Documents***") are qualified in their entirety by reference to such documents, and references herein to the Series 2003 Bonds are qualified in their entirety to the forms thereof included in the Indenture.

THE ISSUER

The Leon County Educational Facilities Authority (the "***Issuer***"), is a public body corporate and politic created and existing under the laws of the State of Florida (the "***State***") and is authorized pursuant to the Higher Educational Facilities Authority Law, as amended, Chapter 243, Part I, Florida Statutes, and other applicable provisions of law, including a resolution adopted on July 17, 1990 by the Board of County Commissioners of Leon County, Florida (the "***County***") establishing the Issuer, and all future acts supplemental thereto and amendatory thereof (the "***Act***") to issue bonds to provide funds for and to fulfill and achieve its authorized public functions or corporate purposes as set forth in the Act. Pursuant to the Act, the Issuer is authorized to issue bonds, including the Series 2003 Bonds, and enter into lease purchase agreements relating to the acquisition, construction and equipping of educational facilities, including the Project. The Issuer has no taxing power, no power to levy assessments, no substantial assets and no source of revenues other than revenues that will be generated from the Project.

The present members of the Issuer, their offices, if any, and the expiration of their respective terms are as follows:

Name/Office	Occupation	Term Expires
Robert E. Kellam, Chairman	Director, Employment & Training, Governor's Council on Indian Affairs	July 2004
W. Taylor Moore, Esq., Vice Chairman	Attorney, Private Practice (Real Estate and Estates)	July 2005

Name/Office	Occupation	Term Expires
Craig Fletcher	College Administrator, Tallahassee Community College	July 2008
Dr. Henry Lewis, III	Dean, Florida Agricultural and Mechanical University College of Pharmacy	July 2007
Liz Maryanski	Associate Vice President Student Affairs, Financial Operations, Florida State University	July 2006
Dean Minardi	CPA, Private Practice, Land Development	July 2005
Beverly Spencer	Vice President, University Relations, Florida State University (Retired)	July 2004

The following are the individuals who provide contract support for the Issuer:

Name	Occupation
Calvin P. Ogburn	Executive Director, Leon County Educational Facilities Authority
Terrell C. Madigan, Esq.	Attorney, McFarlain & Cassedy, P.A.
Bob Powell, CPA	Partner, James Moore and Company
William J. Reagan, Financial Advisor	Senior Vice President, William R. Hough and Company

EXCEPT FOR INFORMATION CONCERNING THE ISSUER IN THE SECTIONS HEREOF CAPTIONED "**THE ISSUER**" "**THE PARENT LEASE, THE SUBLEASE AND THE PARTIAL ASSIGNMENT**", "**LITIGATION - The Issuer**", AND THOSE OTHER STATEMENTS RELATED TO THE ISSUER UNDER THE HEADINGS "**RELATIONSHIPS**", "**SUMMARY STATEMENTS**", AND "**INTRODUCTORY STATEMENT**" NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY THE ISSUER, AND THE ISSUER MAKES NO REPRESENTATIONS OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR COMPLETENESS OF SUCH OTHER INFORMATION.

The Series 2003 Bonds will be limited obligations of the Issuer as described under the caption "**THE SERIES 2003 BONDS – Series 2003 Bonds Are Limited Obligations**" herein.

Certain borrowers, not including the Borrower, may have defaulted on payment obligations related to separate series of revenue bonds issued by the Issuer for their benefit. The Florida Department of Banking and Finance, Division of Securities and Investor Protection, generally requires disclosure by an issuer of securities sold in Florida of defaults on any other obligations of such issuer. All such defaulted bonds are special obligations payable only from revenues received from the respective borrowers or from other limited sources and the bonds issued for the respective borrowers who were benefited thereby are unrelated to the Series 2003 Bonds. Accordingly, such defaults are not deemed material to the transactions contemplated by this Official Statement and details with respect thereto are not being provided.

THE PROJECT

The site of the Project consists of approximately thirty-seven (37) acres, less certain parcels granted for the benefit of the Equity Houses located 400 feet south of Tennessee Street on the east side of Ocala Road in the City (the "***Property***"). The Property is being subleased by the Issuer from the State of Florida Board of Education pursuant to the Sublease and assigned to the Borrower pursuant to the Partial Assignment.

The Project will contain 384 beds in approximately eight 3-story residential buildings containing a total of 192 two-bedroom units and eight community buildings detached from the residential buildings, all surrounding an expansive green. The Project will contain approximately 1,057 parking spaces on lighted and landscaped grounds.

PRINCIPAL AND INTEREST REQUIREMENTS

The following schedule sets forth for each calendar year the amount of principal (whether at maturity or pursuant to mandatory sinking fund redemption) and interest required to be paid with respect to the Series 2003 Bonds:

Date	Principal	Interest	Total
2004		$ 750,342.51	$ 750,342.51
2005	$ 135,000.00	1,125,513.76	1,260,513.76
2006	215,000.00	1,121,463.76	1,336,463.76
2007	310,000.00	1,115,013.76	1,425,013.76
2008	355,000.00	1,105,713.76	1,460,713.76
2009	400,000.00	1,093,288.76	1,493,288.76
2010	450,000.00	1,078,288.76	1,528,288.76
2011	505,000.00	1,060,288.76	1,565,288.76
2012	560,000.00	1,040,088.76	1,600,088.76
2013	585,000.00	1,016,988.76	1,601,988.76
2014	605,000.00	992,126.26	1,597,126.26
2015	635,000.00	965,657.50	1,600,657.50
2016	665,000.00	937,082.50	1,602,082.50
2017	695,000.00	905,827.50	1,600,827.50
2018	725,000.00	873,162.50	1,598,162.50
2019	760,000.00	839,087.50	1,599,087.50
2020	800,000.00	801,087.50	1,601,087.50
2021	840,000.00	761,087.50	1,601,087.50
2022	880,000.00	719,087.50	1,599,087.50
2023	925,000.00	675,087.50	1,600,087.50
2024	970,000.00	628,837.50	1,598,837.50
2025	1,020,000.00	579,125.00	1,599,125.00
2026	1,070,000.00	526,850.00	1,596,850.00
2027	1,125,000.00	472,012.50	1,597,012.50
2028	1,185,000.00	414,356.26	1,599,356.26
2029	1,245,000.00	353,625.00	1,598,625.00
2030	1,310,000.00	289,818.76	1,599,818.76
2031	1,375,000.00	222,681.26	1,597,681.26
2032	1,450,000.00	152,212.50	1,602,212.50
2033	1,520,000.00	77,900.00	1,597,900.00
TOTAL	$23,315,000.00	$22,693,703.89	$46,008,703.89

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CASH FLOW FORECAST OF PROJECT

A Cash Flow Forecast (the ***"Cash Flow Forecast"***) relating to the Project, including the Project's collective ability to generate revenues from the operations of the Project sufficient to pay principal and interest on the Series 2003 Bonds with respect to Lease Years 2004 through 2009, is presented below. A ***"Lease Year"*** means the twelve month period commencing August 1 of each calendar year and ending on July 30 of the immediately succeeding calendar year.

The Cash Flow Forecast assumes interest earnings on the Debt Service Reserve Fund at a rate of 3.5% per annum. Income and expense estimates are escalated at an assumed rate of 3% per annum. Finally, rental revenues are based on rents paid by students each month based on an approximately twelve-month lease.

	LEASE YEAR:					
	2004	**2005**	**2006**	**2007**	**2008**	**2009**
REVENUES:						
Potential Rental Income	$2,211,840	$2,278,195	$2,346,541	$2,416,937	$2,489,445	$2,564,
Service and Other Income[1]	532,528	575,132	590,584	606,499	622,891	639,
Gross Potential Rental Income	2,744,368	2,853,327	2,937,125	3,023,436	3,112,337	3,203,
Less: Vacancy and Non-Revenue Items	(97,314)	(100,233)	(103,240)	(106,337)	(109,527)	(112,8
NET POTENTIAL INCOME	**2,647,055**	**2,753,094**	**2,833,885**	**2,917,099**	**3,002,809**	**3,091,**
OPERATING EXPENSES:						
Renting	85,965	88,544	91,200	93,936	96,754	99,6
Payroll	322,603	334,344	347,718	361,626	376,091	391,1
Administrative[2]	51,559	53,107	54,700	56,340	58,030	59,7
Common Area	119,588	123,176	126,871	130,677	134,597	138,6
Utilities	118,780	122,343	126,014	129,794	133,688	137,6
Turnover	47,730	49,162	50,637	52,156	53,721	[illegible]
Maintenance and Repairs	36,175	37,260	38,378	39,529	40,715	[illegible]
Taxes and Insurance	111,651	119,951	128,870	138,457	148,760	159,8
Replacement Reserves (Includes Operating Reserve)	340,505	343,221	96,017	98,898	101,865	104,9
Total Operating Expenses and Reserves	**1,234,556**	**1,271,107**	**1,060,405**	**1,101,413**	**1,144,222**	**1,188,9**
NET OPERATING INCOME	**1,412,499**	**1,481,987**	**1,773,480**	**1,815,686**	**1,858,587**	**1,902,1**
DEBT SERVICE[3]	979,135	1,055,085	1,425,014	1,460,714	1,493,289	1,528,28
DEBT SERVICE COVERAGE RATIO:	**1.44x**	**1.40x**	**1.24x**	**1.24x**	**1.24x**	**1.24**
Subordinate Expenses						
Management Expense	95,916	98,793	101,757	104,810	107,954	111,19
LCEFA FEE	57,950	57,412	56,637	55,750	54,750	53,62
Total Subordinate Expenses	**153,866**	**156,206**	**158,395**	**160,560**	**162,704**	**164,81**
Projected Net Development Surplus	**279,497**	**270,697**	**190,072**	**194,412**	**202,595**	**209,06**

[1] Includes earnings on the Debt Service Reserve Fund, miscellaneous fees associated with the renting of units in the Series 2003 Project and expense payments made by the Equity Houses

[2] Excludes Subordinate Expenses

[3] Does not include debt service on Series 2003 Bonds paid with capitalized interest.

Source: Coastal Property Services, Inc.

THE BORROWER

The Borrower is a single member limited liability company duly organized and existing under the laws of the State. The Borrower was formed for the purpose of acquiring and financing the Project and is not expected to have any assets other than the Project. The Issuer is the sole member of the Borrower.

NON-RECOURSE OBLIGATION OF THE BORROWER

Neither the Issuer nor the Trustee will be permitted to enforce the liability and obligations of the Borrower under the Loan Agreement or any of the other Bond Documents in any action or proceeding wherein a money judgment, in an amount greater than the value of the Project, shall be sought against the Borrower other than as set forth herein., except that the Issuer or the Trustee may bring a foreclosure action, action for specific performance, or other appropriate action or proceeding to enable the Issuer or the Trustee to enforce the Borrower's obligations under the Bond Documents or, in the case of the Trustee, to enforce and realize upon the Leasehold Mortgage, the Security Agreement, and the Assignments of Agreements and Documents, and the Borrower's interest in the assets and interests pledged under the Leasehold Mortgage and the Security Agreement (collectively, the "***Security***"); provided, however, that any judgment in any such action or proceeding shall be enforceable against the Borrower only to the extent of the Borrower's interest in the Project and the other Security. The Issuer and the Trustee will agree that they will not sue for, seek, or demand any deficiency against the Borrower in such action or proceeding, under or by reason of or in connection with the Loan Agreement or any of the other Bond Documents. This effectively means that neither the Issuer nor the Trustee will be able to bring any claim against the Borrower that will require it to utilize any of its funds or property other than the specifically pledged to the payment of the Series 2003 Bonds. Because of the limited recourse of the Borrower's obligation, no information is being provided regarding any other financial assets or business and affairs of the Borrower.

THE SERIES 2003 BONDS

General Description

The Series 2003 Bonds will be issued in the aggregate principal amount of $23,315,000, will be dated December 1, 2003, and will mature on August 1 of the years 2005 through 2015 inclusive, and 2018, 2023 and 2033, subject to prior redemption provisions. The Series 2003 Bonds will bear interest at the rates shown on the cover page of this Official Statement, payable on February 1, 2004, and semi-annually thereafter on February 1 and August 1 (collectively, the "***Interest Payment Dates***", and each, an "***Interest Payment Date***") until paid, in an amount equal to the interest accrued from the Interest Payment Date immediately preceding the date of authentication of each Series 2003 Bond, unless such Series 2003 Bond is authenticated as of an Interest Payment Date, in which case it will bear interest from said Interest Payment Date, or unless such Series 2003 Bond is authenticated prior to February 1, 2004, in which event such Series 2003 Bond will bear interest from December 1, 2003, or unless, as shown by the records of the Trustee, interest on the Series 2003 Bonds shall be in default, in which event such Series 2003 Bond will bear interest from the date to which interest shall have been paid in full on such Series 2003 Bond, or unless no interest shall have been paid on the Series 2003 Bonds, in which event such Series 2003 Bond will bear interest from December 1, 2003.

Interest on the Series 2003 Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. The Series 2003 Bonds will be issued as fully registered bonds without coupons in the denominations of Five Thousand Dollars ($5,000) and any integral multiple thereof ("***Authorized Denominations***").

Payment of the Series 2003 Bonds

Principal and redemption price on the Series 2003 Bonds will be payable by check or draft at maturity or at a date set for prior redemption at the Office of the Trustee to the registered Owner of each Series 2003 Bond upon presentation and surrender of the Series 2003 Bonds being paid or redeemed. Interest on each Series 2003 Bond will be paid by check or draft mailed to the person in whose name such Series 2003 Bond is registered, at his or her address as it appears on the Bond Register as of the close of business on the Regular Record Date for such payment, irrespective of any transfer or exchange of the Series 2003 Bond subsequent to a Regular Record Date and prior to

such Interest Payment Date, by the person in whose name the Series 2003 Bond is registered. At the option of the Owner of not less than Five Hundred Thousand Dollars ($500,000) in aggregate principal amount outstanding of Series 2003 Bonds issued under and secured by the Indenture, interest shall be paid by wire transfer in immediately available funds in accordance with written wire transfer instructions filed with the Trustee prior to the close of business on the Regular Record Date. Interest will continue to be paid in accordance with such instructions, until revoked, except for the final payment of interest upon maturity or redemption prior to maturity which shall be paid *only upon presentation of such Series 2003 Bond to the Trustee.*

Book-Entry-Only System for the Series 2003 Bonds

Beneficial ownership interests in the Series 2003 Bonds will be available only in book-entry form. Beneficial Owners will not receive physical bond certificates representing their interests in the Series 2003 Bonds purchased. So long as DTC or its nominee is the registered Owner of the Series 2003 Bonds, references in this Official Statement to the Owners of the Series 2003 Bonds means DTC or its nominee and does not mean the Beneficial Owners. *The Indenture contains provisions applicable to periods when DTC or its nominee is not the* registered owner.

THE FOLLOWING DESCRIPTION OF DTC, OF PROCEDURES AND RECORD KEEPING ON BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2003 BONDS, PAYMENT OF INTEREST AND OTHER PAYMENTS WITH RESPECT TO THE SERIES 2003 BONDS TO DTC PARTICIPANTS OR TO BENEFICIAL OWNERS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2003 BONDS AND OF OTHER TRANSACTIONS BY AND BETWEEN DTC, DTC PARTICIPANTS AND BENEFICIAL OWNERS IS BASED ON INFORMATION FURNISHED BY DTC.

DTC will act as securities depository for the Series 2003 Bonds. The Series 2003 Bonds will be registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate in the aggregate principal amount of each maturity of the Series 2003 Bonds will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants (***"Direct Participants"***) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificated bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust *companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The* Depository Trust & Clearing Corporation (***"DTCC"***). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the ***"Indirect Participants"*** and collectively with the Direct Participants, the ***"Participants"***). DTC has Standard & Poor's highest rating: "AAA". The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com**.

Purchases of Series 2003 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2003 Bonds on DTC's records. The ownership interest of each Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of beneficial

ownership interests in the Series 2003 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2003 Bonds, unless the use of the book-entry system for the Series 2003 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2003 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2003 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2003 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2003 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2003 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2003 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2003 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an omnibus proxy to the Trustee as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting and voting rights to those Direct Participants to whose accounts the Series 2003 Bonds are credited on the record date.

BECAUSE DTC IS TREATED AS THE OWNER OF THE SERIES 2003 BONDS FOR SUBSTANTIALLY ALL PURPOSES UNDER THE INDENTURE, BENEFICIAL OWNERS MAY HAVE A RESTRICTED ABILITY TO INFLUENCE IN A TIMELY FASHION REMEDIAL ACTION OR THE GIVING OR WITHHOLDING OF REQUESTED CONSENTS OR OTHER DIRECTIONS. IN ADDITION, BECAUSE THE IDENTITY OF BENEFICIAL OWNERS IS UNKNOWN TO THE ISSUER, THE BORROWER, DTC OR THE TRUSTEE, IT MAY BE DIFFICULT TO TRANSMIT INFORMATION OF POTENTIAL INTEREST TO BENEFICIAL OWNERS IN AN EFFECTIVE AND TIMELY MANNER. **BENEFICIAL OWNERS SHOULD MAKE APPROPRIATE ARRANGEMENTS WITH THEIR BROKER OR DEALER REGARDING DISTRIBUTION OF INFORMATION REGARDING THE SERIES 2003 BONDS THAT MAY BE TRANSMITTED BY OR THROUGH DTC.**

Payments of principal, interest and any redemption premiums with respect to the Series 2003 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, the Borrower or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the Trustee's responsibility, disbursement of such payments to Direct Participants is DTC's responsibility, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants. THE ISSUER AND THE BORROWER CAN GIVE NO ASSURANCE THAT DIRECT AND INDIRECT PARTICIPANTS WILL PROMPTLY TRANSFER PAYMENTS TO BENEFICIAL OWNERS.

DTC may discontinue providing its service as depository for the Series 2003 Bonds at any time by giving reasonable notice to the Trustee or the Issuer. The Issuer also may determine that DTC is incapable of discharging its duties or that continuation of the book-entry system is not in the Beneficial Owners' best interests. In either situation, if the Issuer fails to identify another qualified securities depository to replace DTC, physical Series 2003 Bonds will be delivered to each Beneficial Owner.

THE ISSUER, THE UNIVERSITY, THE BORROWER AND THE TRUSTEE HAVE NO RESPONSIBILITY OR OBLIGATIONS TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT, OR THE MAINTENANCE OF ANY RECORDS; (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE SERIES 2003 BONDS, OR THE SENDING OF ANY TRANSACTION STATEMENTS; (3) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE INDENTURE TO BE GIVEN TO OWNERS; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS UPON ANY PARTIAL REDEMPTION OF THE SERIES 2003 BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE SERIES 2003 BONDS, INCLUDING ANY ACTION TAKEN PURSUANT TO AN OMNIBUS PROXY.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC, BUT NEITHER THE ISSUER NOR THE BORROWER TAKES ANY RESPONSIBILITY FOR THE ACCURACY THEREOF.

Series 2003 Bonds Are Limited Obligations

THE SERIES 2003 BONDS AND THE INTEREST THEREON ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER PAYABLE IN THE MANNER PROVIDED FOR IN THE INDENTURE. THE SERIES 2003 BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE ISSUER, THE STATE OF FLORIDA, LEON COUNTY, FLORIDA OR FLORIDA STATE UNIVERSITY OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND SHALL NOT CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER OR FLORIDA STATE UNIVERSITY OR THE FAITH AND CREDIT OR TAXING POWER OF THE STATE OF FLORIDA OR LEON COUNTY, FLORIDA OR OF ANY POLITICAL SUBDIVISION THEREOF. THE ISSUANCE OF THE SERIES 2003 BONDS SHALL NOT, DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF FLORIDA, LEON COUNTY OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY ANY TAXES OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE ISSUER HAS NO POWER TO TAX.

Redemption

Special Optional Redemption. The Series 2003 Bonds maturing on and after August 1, 2010, will be subject to special optional redemption prior to maturity by the Issuer upon the written request of the Borrower, on August 1, 2009, in whole or in part (in amounts not less than $50,000) at a redemption price equal to 102% of the principal amount of Series 2003 Bonds to be redeemed together with accrued interest thereon to the date set for redemption. See "**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003 BONDS - Leasehold Mortgage, Security Agreement, and Assignments of Agreements and Documents – *Release of a Portion of the Project***" herein.

Optional Redemption. The Series 2003 Bonds maturing on and after August 1, 2014, will be subject to optional redemption prior to maturity by the Issuer upon the written request of the Borrower, on or after August 1, 2013, in whole on any date or in part (in amounts not less than $50,000) on any Interest Payment Date at a redemption price equal to 100% of the principal amount of Series 2003 Bonds to be redeemed together with accrued interest thereon to the date set for redemption.

Extraordinary Optional Redemption. The Series 2003 Bonds will also be subject to redemption, at the option of the Issuer upon the written request of the Borrower, **in full** if:

(i) the Project shall have been destroyed or damaged to such an extent that in the opinion of an Independent Engineer expressed in a certificate filed with the Issuer, the Trustee and the Bond Insurer, (1) the Project cannot reasonably be restored within a period of twelve (12) months to the condition thereof immediately preceding such destruction or damage, **or** (2) the Borrower is thereby prevented from carrying on its normal operations therein for a period of twelve (12) consecutive months, or (3) the cost of restoration or replacement would exceed the net proceeds of insurance payable in respect of such destruction or damage; or

(ii) title to, or the temporary use of, a substantial portion of the Project shall have been taken under the exercise of the power of eminent domain by any governmental authority or person, firm, or corporation acting under governmental authority to such an extent that in the opinion of an Independent Engineer expressed in a certificate filed with the Issuer, the Trustee and the Bond Insurer, (1) the Project cannot be reasonably restored or replaced within a period of twelve (12) months to substantially the condition thereof immediately preceding such taking, **or** (2) the Borrower is thereby prevented from carrying on its normal operations therein for a period of twelve (12) consecutive months, or (3) the cost of restoration or replacement would exceed the total amount of compensation for such taking.

The Series 2003 Bonds will also be subject to redemption, at the option of the Issuer, upon the written request of the Borrower, **in part** in the event of partial condemnation or destruction of, or partial damage to, the Project from the net proceeds received by the Borrower as a result of such taking, destruction, or damage to the extent such net proceeds are not used for the restoration of the Project or for the acquisition of substitute property suitable for the Borrower's operations at the Project as such operations were conducted prior to such taking, damage, or destruction if the Borrower furnishes to the Issuer and the Trustee (i) a certificate of an Independent Engineer stating (A) that the property forming a part of the Project that was taken, damaged, or destroyed is not essential to the Borrower's use or occupancy of the Project at substantially the same revenue-producing level prior to such taking, destruction, or damage; **or** (B) that the Project has been restored to a condition substantially equivalent to its condition prior to the taking, damage, or destruction, **or** (C) that the Borrower has acquired improvements that are substantially equivalent to the property forming a part of the Project that was taken, destroyed, or damaged, **or** (ii) the written consent of the Bond Insurer.

If the Series 2003 Bonds are called for redemption upon the occurrence of any of the events described in the two immediately preceding paragraphs, the Series 2003 Bonds may be redeemed on any date for which the requisite notice of redemption can be given within one hundred eighty (180) days of such event at a redemption price of one hundred percent (100%) of the principal amount thereof plus interest accrued to the redemption date.

Other Redemptions at Par. The Series 2003 Bonds will also be subject to redemption prior to maturity in whole, at any time and as expeditiously as reasonably possible, or in part, on any Interest Payment Date, upon the deposit of moneys in the Redemption Fund required by the Loan Agreement or the Indenture as set forth below in a principal amount equal to such deposit and at a redemption price of one hundred percent (100%) of such principal amount thereof plus interest accrued thereon to the redemption date:

(i) any Net Proceeds of title insurance on the Project if the Borrower directs that such net proceeds be used to redeem Series 2003 Bonds) to the extent such net proceeds are not used, at the option of the Borrower, to acquire or construct replacement or substitute property; **or**

(ii) any net proceeds of a sale or disposition of any inadequate, obsolete, worn out, unsuitable, undesirable, or unnecessary Equipment (see **Appendix "B"** for the definition of ***"Equipment"***) that constitutes part of the Project (or part of any other portion of the Project if the Borrower directs that such proceeds be used to redeem Series 2003 Bonds) to the extent such net proceeds are not used, at the option of the Borrower, to acquire replacement equipment or related property having equal or greater value or utility (but not necessarily having the same function) in the operation of the Project for the purpose for which it is intended; **or**

(iii) any Net Proceeds of insurance received by the Borrower as a result of destruction of or damage to the Project (or any other portion of the Project if the Borrower directs that such net proceeds be used to redeem Series 2003 Bonds) to the extent such net proceeds are not used, at the option of the Borrower, to restore the Project and/or to acquire or construct replacement or substitute property; **or**

(iv) any Net Proceeds received by the Borrower as a result of the taking of the Project or any part thereof (or any other portion of the Project if the Borrower directs that such net proceeds be used to redeem Series 2003 Bonds) under the exercise of the power of eminent domain to the extent such net proceeds are not used, at the option of the Borrower, to restore the Project and/or to acquire or construct replacement or substitute property; **or**

(v) any money consideration received by the Trustee pursuant to the provisions of the Loan Agreement in connection with the release of, or the subordination of the lien of the Leasehold Mortgage with respect to, any portion of the Project (or any other portion of the Project if the Borrower directs that such consideration be used to redeem Series 2003 Bonds) (A) that the Parent Lessor proposes to convey fee title to a public utility or public body in order that utility services or public services may be provided to the Project, or (B) with respect to which the Borrower requests the Trustee to subordinate to the lien of the Leasehold Mortgage, rights granted to a public utility or public body in order that utility services or public services may be provided to the Project; **or**

(vi) the release price for any unimproved portion of the Project (or any other unimproved portion of the Project if the Borrower directs that such amount be used to redeem Series 2003 Bonds) released from the lien of the Leasehold Mortgage determined and paid to the Trustee pursuant to the provisions of the Loan Agreement; **or**

(vii) any unspent proceeds of the Series 2003 Bonds and investment earnings remaining in the (A) Construction Fund created under the Indenture on the date of completion of the development, design, acquisition, construction, and equipping of the Project, as that date shall be certified to the Trustee by the Borrower, and transferred to the Redemption Fund; or (B) the 2003 Subaccount of the Capitalized Interest Account of the Bond Fund no later than the third anniversary of the Closing Date and transferred to the Redemption Fund; **or**

(viii) any funds released from the Debt Service Reserve Fund as a result of the deposit of a surety bond or insurance policy with the Trustee in substitution for such funds in accordance with the provisions of the Indenture.

In all instances where the Trustee is directed by the terms of the Indenture to redeem Series 2003 Bonds from moneys deposited into the Redemption Fund, the Trustee will redeem the maximum number of Series 2003 Bonds that may be redeemed in accordance with the provisions of the preceding paragraph, and any excess money will remain in the Redemption Fund.

Mandatory Sinking Fund Redemption. The Series 2003 Bonds maturing August 1, 2018, August 1, 2023, and August 1, 2033, are subject to mandatory sinking fund redemption prior to maturity, in part at a redemption price of one hundred percent (100%) of the principal amount thereof plus interest accrued thereon to the redemption date, in the following principal amounts and on the dates set forth below:

Series 2003 Bonds Maturing August 1, 2018

August 1 of the Year	Principal Amount	August 1 of the Year	Principal Amount
2016	$665,000	2018*	$725,000
2017	695,000		

* Final Maturity

Series 2003 Bonds Maturing August 1, 2023

August 1 of the Year	Principal Amount	August 1 of the Year	Principal Amount
2019	$760,000	2022	$880,000
2020	800,000	2023*	925,000
2021	840,000		

* Final Maturity

Series 2003 Bonds Maturing August 1, 2033

August 1 of the Year	Principal Amount	August 1 of the Year	Principal Amount
2024	$ 970,000	2029	$1,245,000
2025	1,020,000	2030	1,310,000
2026	1,070,000	2031	1,375,000
2027	1,125,000	2032	1,450,000
2028	1,185,000	2033*	1,520,000

* *Final Maturity*

On or before the forty-fifth (45th) day immediately preceding any August 1 on which Series 2003 Bonds are to be retired pursuant to the applicable Sinking Fund Requirement (see **Appendix "B"** for the definition of ***"Sinking Fund Requirement"***), the Issuer or the Borrower may (i) deliver to the Trustee for cancellation, Series 2003 Bonds or portions thereof in any aggregate principal amount desired, or (ii) receive a credit with respect to the Sinking Fund Requirement for any Series 2003 Bonds that before said date have been purchased or redeemed (other than through mandatory sinking fund redemption) and cancelled by the Trustee and not theretofore applied as a credit against such Sinking Fund Requirement. Each Series 2003 Bond or portion thereof so delivered or previously purchased or redeemed and cancelled by the Trustee shall be credited by the Trustee at one hundred percent (100%) of the principal amount thereof against the Sinking Fund Requirement on such mandatory sinking fund redemption date and any excess over such amount shall be credited against future Sinking Fund Requirement in chronological order (or such order as may otherwise be selected by the Borrower in accordance with the Indenture), and the outstanding principal amount of the Series 2003 Bonds shall be accordingly reduced.

So long as all of the Series 2003 Bonds shall be maintained under a Book-Entry System with DTC or any other securities depository in accordance with the Indenture: (i) in the event that fewer than all Series 2003 Bonds of any one maturity shall be called for redemption, DTC, or such other securities depository, and not the Trustee, will select the particular accounts from which Series 2003 Bonds or portions thereof will be redeemed in accordance with DTC's or such other securities depository's standard procedures for redemption of obligations such as the Series 2003 Bonds; and (ii) in the event that part, but not all, of the Series 2003 Bond shall be called for redemption, the Owner of such Series 2003 Bond may elect not to surrender such Series 2003 Bond in exchange for a new Series 2003 Bond in accordance with the provisions as set forth in the Indenture and in such event shall make a notation indicating the principal amount of such redemption and the date thereof on the payment grid attached to such Series 2003 Bond. For all purposes, the principal amount of the Series 2003 Bond outstanding at any time shall be equal to the lesser of the principal sum shown on the face thereof and such principal sum reduced by the principal amount of any partial redemption of the Series 2003 Bond following which the Owner of the Series 2003 Bond has elected not to surrender the Series 2003 Bond in accordance with the provisions thereof. The failure of the Owner thereof to note the principal amount of any partial redemption on the payment grid attached to such Series 2003 Bond, or any inaccuracy therein, will not affect the payment obligation of the Issuer thereunder. **THEREFORE, IT CANNOT BE DETERMINED FROM THE FACE OF ANY SERIES 2003 BOND WHETHER A PART OF THE PRINCIPAL OF SUCH SERIES 2003 BOND HAS BEEN PAID.**

Partial Redemption. The Series 2003 Bonds shall be redeemed only in Authorized Denominations. The Trustee shall select the Series 2003 Bonds to be redeemed in accordance with the terms and provisions of the Indenture. If less than all of the Series 2003 Bonds or any maturity of Series 2003 Bonds within a series are to be called for redemption, the Trustee shall select, in such manner as the Trustee in its sole discretion may determine, the Series 2003 Bonds of such maturity to be redeemed. If a book entry system of evidence of transfer of ownership of Series 2003 Bonds is in effect with a securities depository as provided in the Indenture and less than all of the Series 2003 Bonds of any maturity are to be redeemed, then such securities depository shall determine by lot the amount of the interest of each direct participant in such Series 2003 Bonds to be redeemed. Notwithstanding the foregoing, if less than all of the Series 2003 Bonds are called for redemption (other than through mandatory sinking fund redemption), the Borrower shall have the right to designate the maturity or maturities of such Series 2003 Bonds to be called for redemption and to designate the sinking fund requirement to which such redemption shall be credited.

In all instances where the Trustee is directed by the terms of the Indenture to redeem Series 2003 Bo from moneys deposited in the Redemption Fund, the Trustee will redeem the maximum number of Series 2003 Bonds that may be redeemed in accordance with the provisions of the preceding paragraph, and any excess moneys will remain in the Redemption Fund.

Notice of Redemption; Effect of Calling for Redemption; Cessation of Interest.

In case of any redemption described under the subheading "***Optional Redemption***", the Borrower shall, at least twenty (20) days prior to the date that notice of redemption is required to be given by the Trustee (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee in writing of such redemption date and of the principal amount of Series 2003 Bonds to be redeemed. A copy of such notice to the Trustee shall be sent to the Bond Insurer and to each Rating Agency.

At least thirty (30) days and not more than sixty (60) days before the redemption date of any Series 2003 Bonds, whether such redemption will be in whole or in part, the Trustee shall cause a notice of such redemption signed by the Trustee to be mailed, first-class postage prepaid, to each Rating Agency and all Owners of Series 2003 Bonds to be redeemed in whole or in part at their addresses appearing upon the Bond Register; provided, however, that any such notice to a Securities Depository Nominee shall be given by facsimile followed by certified or registered mail. Failure to mail any such notice to any Owner or any defect in any notice so mailed shall not affect the validity of the proceedings for the redemption of the Series 2003 Bonds of any other Owners to whom such notice was given as required by the Indenture. The Trustee shall also give such notice of redemption, by certified or registered mail, to at least three (3) securities depositories and at least two (2) national information services which disseminate redemption information, but failure to mail such notice or any defect therein shall not affect the validity of any proceedings for the redemption of any Series 2003 Bonds. At least fifteen (15) days before the redemption date of Series 2003 Bonds, such redemption notice shall also be given to the Issuer by (i) registered or certified mail, postage prepaid, or (ii) overnight delivery service.

Each such notice shall set forth the date fixed for redemption, the place of payment, the CUSIP numbers the Series 2003 Bonds to be redeemed, the redemption price to be paid, and, if less than all of the Series 2003 Bon of any maturity then Outstanding shall be called for redemption, the distinctive numbers and letters, if any, of such Series 2003 Bonds to be redeemed and, in the case of any Series 2003 Bond to be redeemed in part only, the portion of the principal amount thereof to be redeemed. Each such notice shall also state that interest on the Series 2003 Bonds to be redeemed shall cease to accrue on the date fixed for redemption and that, if any Series 2003 Bond is to be redeemed in part only, on or after the redemption date, upon surrender of such Series 2003 Bond, a new Series 2003 Bond or Series 2003 Bonds in principal amount equal to the unredeemed portion of such Series 2003 Bond will be issued. Upon the written request of the Borrower, any notice of optional redemption of Series 2003 Bonds to be redeemed pursuant to the provisions hereinabove described under the subheading "***Optional Redemption***" may contain a statement to the effect that the redemption of such Series 2003 Bonds is conditioned upon the receipt by the Trustee of amounts equal to the redemption price of the Series 2003 Bonds to be redeemed on or before the redemption date, and, if a notice of such an optional redemption contains such statement, such optional redemption will be so conditioned.

On or before the date fixed for redemption, moneys or Defeasance Obligations shall be deposited with the Trustee sufficient to pay the redemption price of the Series 2003 Bonds or portions thereof called for redemption as well as the interest accruing thereon on the redemption date thereof.

On the date fixed for redemption, notice having been given in the manner and under the conditions hereinabove provided, the Series 2003 Bonds or portions thereof called for redemption shall be due and payable at the redemption price provided therefor, plus accrued interest to such date. On such date, if money or Defeasance Obligations, or a combination of both, sufficient to pay the redemption price of the Series 2003 Bonds or portions thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption, are held by the Trustee in trust for the Owners of Series 2003 Bonds or portions thereof to be redeemed, interest on the Series 2003 Bonds or portions thereof called for redemption shall cease to accrue; such Series 2003 Bonds or portions thereof shall cease to be entitled to any benefits or security under the Indenture or to be deemed Outstanding; and the Owners of such Series 2003 Bonds or portions thereof shall have no rights in respect thereof except to receive payment of the redemption price thereof, plus accrued interest to the date of redemption. Series 2003 Bonds and portions of Serie

2003 Bonds for which irrevocable instructions to pay on one or more specified dates or to call for redemption at a redemption date have been given to the Trustee in form satisfactory to the Trustee shall not thereafter be deemed to be Outstanding under the Indenture and shall cease to be entitled to the security of or any rights under the Indenture, other than rights to receive payment of the redemption price thereof and accrued interest thereon to the date of redemption, to be given notice of redemption in the manner provided in the Indenture, and, to the extent provided in the Indenture, to receive Series 2003 Bonds for any unredeemed portions of Series 2003 Bonds, if money or Defeasance Obligations, or a combination of both, sufficient to pay the redemption price of such Series 2003 Bonds or portions thereof, together with accrued interest thereon to the date upon which such Series 2003 Bonds or portions thereof are to be paid or redeemed, are held by the Trustee in trust for the Owners of such Series 2003 Bonds.

Series 2003 Bonds redeemed, presented, and surrendered in accordance with the terms thereof shall be cancelled on the surrender thereof.

Registration Provisions; Exchange; Replacement

The Trustee, for and on behalf of the Issuer, will keep the Bond Register in which will be recorded any and all transfers of ownership of Series 2003 Bonds. No Series 2003 Bonds will be registered to bearer. Any Series 2003 Bond may be transferred upon the Bond Register upon surrender thereof at the Office of the Trustee by the Owner of such Series 2003 Bonds in person or by his, her, or its attorney-in-fact or legal representative duly authorized in writing together with a written instrument of transfer in form and with guarantee of signature satisfactory to the Trustee duly executed by such Owner or his, her, or its attorney-in-fact or legal representative duly authorized in writing and upon payment by such Owner of a sum sufficient to cover any governmental tax, fee, or charge required to be paid as provided in the Indenture. Upon any such registration of transfer, the Issuer will cause to be executed and the Trustee shall authenticate and deliver in the name of the transferee a new fully registered Series 2003 Bond or Bonds of like tenor, in Authorized Denominations, and of the same maturity or maturities, and interest rate or rates and in the same aggregate principal amount, and the Trustee shall enter the transfer of ownership in the Bond Register. No transfer of any Series 2003 Bond shall be effective until entered on the Bond Register by the Trustee, as bond register.

Any Series 2003 Bonds, upon surrender thereof at the Office of the Trustee with a written instrument of transfer in form and with guarantee of signature satisfactory to the Trustee, duly executed by the Owner of such Series 2003 Bond or his, her or its attorney-in-fact or legal representative duly authorized in writing, may be exchanged, at the option of such Owner thereof; and upon payment by such Owner of a sum sufficient to cover any governmental tax, fee, or charge required to be paid as provided in the Indenture, when not prohibited by law, for an equal aggregate principal amount of Series 2003 Bonds of like tenor and of the same interest rate, and maturity or maturities and in any other Authorized Denominations and registered in the name of the same Owner. The Issuer will cause to be executed and the Trustee shall authenticate and deliver Series 2003 Bonds that the Owner making such an exchange is entitled to receive, bearing numbers not then Outstanding, and the Trustee, as bond registrar, shall enter such exchange in the Bond Register.

Except as provided in the Indenture with respect to exchanges for certain temporary Series 2003 Bonds, the cost of printing, lithographing, and engraving of all Series 2003 Bonds will be deemed to be an Ordinary Expense of the Trustee and there shall be no charge to any Owner for the registration, exchange, or transfer of Series 2003 Bonds, although in each case the Trustee may require the payment by any Owner requesting exchange or transfer of any Series 2003 Bond any tax, fee, or other governmental charge required to be paid with respect thereto and may require that such amount be paid before any such new Series 2003 Bond shall be delivered.

The Issuer and the Trustee may deem and treat the Owner of any Series 2003 Bond as the absolute owner of such Series 2003 Bond for the purpose of receiving any payment on such Series 2003 Bond and for all other purposes of the Indenture and the Loan Agreement, whether such Series 2003 Bond shall be overdue or not, and neither the Issuer nor the Trustee will be affected by any notice to the contrary. Payment of or on account of the principal of and interest and redemption premium, if any, on any Series 2003 Bond will be made to or upon the written order of the Owner thereof or his or her attorney-in-fact or legal representative duly authorized in writing. All such payments will be valid and effectual to satisfaction and discharge the liability upon such Series 2003 Bond to the extent of the sum or sums so paid.

New Series 2003 Bonds delivered upon any transfer or exchange will be valid limited and spec obligations of the Issuer, evidencing the same obligation as the Series 2003 Bonds surrendered, shall be secured l the Indenture and shall be entitled to all of the security and benefits thereof to the same extent as the Series 20(Bonds (or portions thereof) surrendered. The Trustee will not be required to transfer or exchange any Series 20(Bonds (a) after any notice calling such Series 2003 Bond (or a portion thereof) for redemption shall have been giv as provided in the Indenture, or (b) during the period beginning at the opening of business on the fifteenth (15th) d (whether or not a Business Day) immediately preceding either an Interest Payment Date or any date of selection Series 2003 Bonds to be redeemed and ending at the close of business on the Interest Payment Date or day on whic the applicable notice of redemption is given.

Additional Bonds

So long as no Event of Default under the Indenture shall then be existing, Additional Bonds may, with th consent of the Bond Insurer, be issued by the Issuer, upon the written request of the Borrower, to provide funds t pay any one or more of the following: (i) the costs of completing or expanding the Project, (ii) the costs of refundin any Bonds, and (iii) in each such case, the costs of the issuance and sale of the Additional Bonds and capitalized c funded interest for such period and such other costs reasonably related to the financing as shall be agreed upon b the Borrower and the Issuer. Such Additional Bonds will be issued on a parity with the Series 2003 Bonds and an Additional Bonds theretofore or thereafter issued and will be secured by the lien and security interests granted by th Leasehold Mortgage and the Security Agreement, equally and ratably with the Series 2003 Bonds and an Additional Bonds theretofore or thereafter issued.

Such Additional Bonds will be issued in such series and principal amounts, will be dated, will bear interes at such rate or rates, will be subject to redemption at such times and prices, and will mature in such years as th indenture supplemental to the Indenture authorizing the issuance thereof shall fix and determine and will b deposited with the Trustee for authentication and delivery.

No Additional Bonds will be issued pursuant to the Indenture unless and until there sha furnished to the Trustee written confirmation from each Rating Agency then rating the Series 2003 Bo that the issuance of such Additional Bonds will not result in a reduction, suspension, or withdrawal of an such rating.

Except for the provisions relating to Additional Bonds as described above, neither the Issuer nor the Borrower may incur any additional debt related to the Project and secured by General Revenues (including, but not limited to, guarantees or derivatives in the form of credit default swaps or total-rate-of-return swaps or similar instruments) whether or not issued under the Indenture, without (i) the prior written consent of the Bond Insurer and (ii) evidence in the form of an independent consultant's report satisfactory to the Bond Insurer that (A) the Fixed Charges Coverage Ratio for the most recent Lease Year prior to the incurrence of such additional debt was at least 1.20, and (B) the projected Fixed Charges Coverage Ratio for the first full Lease Year immediately succeeding completion of any additions or improvements to the Project financed by such additional debt be at least 1.35 (including such additional debt).

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003 BONDS

Limited Obligations

THE SERIES 2003 BONDS AND THE INTEREST THEREON ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER PAYABLE IN THE MANNER PROVIDED FOR IN THE INDENTURE. THE SERIES 2003 BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE ISSUER, THE STATE OF FLORIDA, LEON COUNTY, FLORIDA OR FLORIDA STATE UNIVERSITY OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND SHALL NOT CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER OR FLORIDA STATE UNIVERSITY OR THE FAITH AND CREDIT OR TAXING POWER OF THE STATE OF FLORIDA OR LEON COUNTY, FLORIDA OR OF ANY POLITICAL SUBDIVISION THEREOF. THE ISSUANCE OF THE SERIES 2003 BONDS SHALL NOT, DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF FLORIDA, LEON COUNTY OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY A TAXES OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE ISSUER HAS NO POWER TO TAX.

Leasehold Mortgage, Security Agreement, and Assignments of Agreements and Documents

As security for its obligations under the Loan Agreement and the Series 2003 Note, the Borrower will execute and deliver to the Trustee (i) the Leasehold Mortgage pursuant to which the Borrower will grant to the Trustee a first mortgage lien on the Borrower's leasehold interest in the Project and the Property created by the Partial Assignment and will assign and pledge to the Trustee the Borrower's interest in the leases, rents, issues, profits, revenues, income, receipts, moneys, royalties, rights, and benefits of and from the Project, (ii) the Security Agreement, pursuant to which the Borrower will grant to the Trustee a first priority security interest in the General Revenues, in the accounts, payment intangibles, documents, chattel paper, electronic chattel paper, letter of credit rights, instruments, general intangibles, supporting obligations, investment property and deposit accounts arising in any manner from the Borrower's ownership and operation of the Project, in the inventory located at the Project, and in the equipment, furnishings, and other tangible personal property considered a part of the Project, and in each case, all proceeds of any or all of the foregoing, and (iii) the Assignments of Agreements and Documents pursuant to which the Issuer and/or the Borrower will grant to the Trustee a first priority security interest in the Management Agreement, as assigned to the Borrower by the Issuer, pursuant to which the Manager will manage the Project, and the Development Agreement, pursuant to which the Developer has agreed to plan and develop the Project, including project and construction management related thereto, and to enter into all other contracts relating to the design and construction of the Project. The lien created by the Leasehold Mortgage is subject to the rights of the Parent Lessor as the owner of the Property, and the Leasehold Mortgage does not constitute a lien on the Parent Lessor's ownership interest in the Property. Because of certain risks associated with pledging and granting a security interest in collateral of this nature, potential investors should not rely upon such collateral as providing any significant security for the Series 2003 Bonds.

Release of a Portion of the Project. On August 1, 2009, or on any date on which Series 2003 Bonds may be redeemed as set forth in "**THE SERIES 2003 BONDS – Redemption - *Optional Redemption***", with 120 days notice to the Trustee and the Bond Insurer, if no Event of Default exists under the Loan Agreement or shall have happened and then be continuing, the Borrower and the Issuer may effect the release from the Leasehold Mortgage of any part (or interest in such part) of the premises relating to the part of the Project with respect to which the Issuer proposes to sublease to a person other than the Borrower; *provided, however*, that if at the time any such release is made any of the Series 2003 Bonds are Outstanding and unpaid, the Borrower shall deposit with the Trustee the following:

(i) cash in an amount equal to the fair market value of the Released Premises (which valuation shall expressly state that it takes into account the nature of the Released Premises as being either a leasehold interest or subject to a reversion in favor of the Parent Lessor), as determined by an independent appraiser who is a member of the American Institute of Real Estate Appraisers selected by the Borrower in a report acceptable to the Bond Insurer; but in no event less than the Release Price. (see **Appendix "B"** for the definition of ***"Released Premises"***).

(ii) a resolution of the Issuer, as sole member of the Borrower, (A) giving an adequate legal description of that portion of the Property to be released, (B) requesting such release, and (C) approving an appropriate amendment to the Leasehold Mortgage;

(iii) a copy of such amendment to the Leasehold Mortgage, as executed;

(iv) a copy of the instrument subleasing the Released Premises to such person (the ***"Subsublease"***);

(v) a certificate of the Borrower to the effect that no Event of Default or Default Condition has occurred under the Loan Agreement or any other Bond Document, accompanied by a detailed plat or survey of the Property certified by a registered surveyor of the State depicting (A) the boundaries of proposed Released Premises, (B) all improvements located on the Property surveyed and the relation of the improvements by distances to the boundaries of the proposed Released Premises, and (C) all easements, rights-of-way, or licenses with recording data and instruments establishing the same; and

(vi) the written consent of the Bond Insurer.

For purposes of this section, ***"Release Price"*** means the amount equal to the sum of (A) the p amount of Series 2003 Bonds Outstanding multiplied by a fraction, the numerator of which is the number of bec the building or buildings included in the Released Premises and the denominator of which is the number of bec the Project, initially, 384, plus (B) accrued interest through the date of redemption as described above under applicable caption **"THE SERIES 2003 BONDS -- Redemption – *Special Optional Redemption*,"** or **"THE SEF 2003 BONDS -- Redemption – *Optional Redemption*,"** plus (C) premium, if any, or, if applicable, plus (D) s greater amount as shall be required in the opinion of Bond Counsel to prevent the Subsublease from advers affecting the exclusion from gross income for federal income tax purposes of interest on the Series 2003 Bonds.

Any money consideration received in connection with the release of any portion of the Property or Proj from the lien of the Leasehold Mortgage pursuant to this paragraph shall be deposited in the Redemption Fund a used to redeem Bonds in accordance with the provisions set forth in **"THE SERIES 2003 BONDS – Redemptio *Special Optional Redemption*"** or **"THE SERIES 2003 BONDS -- Redemption – *Optional Redemption*"**, applicable.

If all of the conditions of this section entitled "***Release of a Portion of the Project***" and certain provisio of the Indenture are met, the Trustee shall be directed to release any such portion of the Property or Project from t lien of the Leasehold Mortgage or subordinate such lien.

Pledge of General Revenues

As security for its obligations under the Loan Agreement and the Series 2003 Note, the Borrower wi assign and pledge to the Trustee its interest in the General Revenues and will grant a security interest to the Truste in the accounts, payment intangibles, documents, chattel paper, electronic chattel paper, letter of credit rights instruments, general intangibles, supporting obligations, investment property and deposit accounts arising in an manner from the Borrower's operation of the Project.

Because of certain risks associated with pledging and granting a security interest in collateral as desc above, potential investors should not rely upon such collateral as providing any significant security for the pa of the Series 2003 Bonds. See **"BONDHOLDERS' RISKS – Pledge, Assignment, and Grant of Security Interest in Future Revenues"** herein.

Pledge and Assignment of Trust Estate

Pursuant to the Indenture, the Issuer will assign and pledge to the Trustee, in order to secure the payment of the principal and redemption price of and interest on the Series 2003 Bonds according to their tenor and effect and to secure the performance and observance by the Issuer of the covenants expressed in the Indenture and in the Series 2003 Bonds, the following (the "***Trust Estate***") which will consist of:

(i) all the right, title and interest of the Issuer in and to (a) the Loan Agreement (except for Unassigned Rights) and any loan, financing, or similar agreement between the Issuer and the Borrower relating to Additional Bonds, (b) the Series 2003 Note and any promissory note or notes executed by the Borrower in connection with Additional Bonds, and all extensions and renewals of the terms thereof, if any, and all amounts encumbered thereby, including, but without limitation, the present and continuing right to make claim for, collect, receive, and make receipt for payments and other sums of money payable, receivable, or to be held thereunder, to bring any actions and proceedings thereunder or for the enforcement thereof, and to do any and all other things that the Issuer is or may become entitled to do under the foregoing;

(ii) all the right, title and interest of the Issuer in and to all cash proceeds and receipts arising out of or in connection with the sale of the Series 2003 Bonds and all moneys held by the Trustee in the funds created under the Indenture (excluding only the Rebate Fund), including the Bond Fund, the Debt Service Reserve Fund, the Issuance Cost Fund, the Construction Fund, the Revenue Fund, the Repair and Replacement Fund, the Insurance Fund, the Condemnation Fund, the Surplus Fund, the Operating Reserve Fund and the Redemption Fund created thereunder, or held by the Trustee as special trust funds derived

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from insurance proceeds, condemnation awards; payments on contractors' performance or payment bonds or other surety bonds, or any other source;

(iii) all the right, title and interest of the Issuer in and to all moneys and securities and interest earnings thereon from time to time delivered to and held by the Trustee under the terms of the Indenture, and all other rights of every name and nature and any and all other property from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned, or transferred as and for additional security thereunder by the Issuer or by anyone on its behalf or with its written consent to the Trustee;

(iv) All other property of every name and nature from time to time hereafter by delivery or by writing mortgaged, pledged, delivered, or hypothecated as and for additional security under the Indenture by the Issuer or by anyone on its behalf or with its written consent in favor of the Trustee, and the Trustee is authorized to receive all such property at any time and to hold and apply the same subject to the terms thereof; and

(v) all products and proceeds of the foregoing.

Under the Indenture, upon the occurrence of an Event of Default, the rights of the Owners of the Series 2003 Bonds to the Trust Estate, to the extent provided for, are subject to a prior lien to secure the payment of all fees and expenses of the Trustee, and the Trustee may apply moneys received by it pursuant to any action taken by it in accordance with the Indenture in connection with such Event of Default to the payment of the costs and expenses of the proceedings resulting on the collection of such moneys and to the payment of the expenses, liabilities, and advances incurred or made by the Trustee prior to its applying such moneys to the payment of principal and redemption price of, and interest on, the Series 2003 Bonds.

Unless an Event of Default shall occur and be continuing, the Borrower will be permitted to possess and use the Security (except cash, securities, and other personal property deposited with the Trustee) and to receive and use the revenues, issues, profits, and other income of the Security (except cash, securities, and other personal property required to be deposited with the Trustee).

Because of certain risks associated with pledging and granting a security interest in collateral of the nature described above, potential investors should not rely solely upon such collateral as providing security for the Series 2003 Bonds. See "**BONDHOLDERS' RISKS – Pledge, Assignment, and Grant of Security Interest in Future Revenues**" herein.

Debt Service Reserve Fund

Under the Indenture, a Debt Service Reserve Fund will be created and will be funded initially from proceeds of the Series 2003 Bonds in an amount equal to the Debt Service Reserve Requirement for the Series 2003 Bonds as of the date of issuance and delivery thereof. Under the Indenture, the Trustee will be authorized, after transferring to the Bond Fund from, and in the following order, (i) the Surplus Fund, (ii) the Redemption Fund, (iii) the Operating Reserve Fund, and (iv) the Repair and Replacement Fund, all moneys held therein, to transfer to the Bond Fund amounts held in the Debt Service Reserve Fund to pay, first, all installments of interest then due on the Series 2003 Bonds and on any Additional Bonds for which there shall be a Debt Service Reserve Requirement, and then all principal and redemption price of Series 2003 Bonds and on any Additional Bonds in the event there should be insufficient funds for said purposes in the Bond Fund and the Redemption Fund on the date such interest, principal, and redemption price is due. Any withdrawals for this purpose from the Debt Service Reserve Fund will be required to be restored by payments of Reserve Loan Payments by the Borrower. See "**THE LOAN AGREEMENT - Loan Payments and Other Amounts Payable – *Reserve Loan Payments***" in "**SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS**" in **Appendix "C"** attached hereto. **The moneys in the Debt Service Reserve Fund will only be available to pay principal of, premium, if any, or interest on the Series 2003 Bonds.**

Repair and Replacement Fund

The Repair and Replacement Fund will be a trust fund into which the Borrower will be required to monthly deposits. See "**THE LOAN AGREEMENT - Loan Payments and Other Amounts Payable – *Addi Loan Payments***" in "**SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS**" in **Appendix "C"** attached hereto. moneys in the Repair and Replacement Fund will be disbursed by the Trustee for the costs of maintenanc repair of the Project or to pay the principal and redemption price of, and interest on the Series 2003 Bonds t extent there are insufficient funds on deposit in the Bond Fund, the Surplus Fund, the Redemption Fund an Operating Reserve Fund on the date such payment is due.

Title and Property Insurance

A mortgagee's title insurance policy will be delivered in the amount of not less than the original prin amount of the Series 2003 Bonds to insure that the Trustee will have a valid first mortgage lien on the Borrov leasehold interest in and to the Property, subject only to Permitted Encumbrances (see **Appendix "B"** fo definition of ***"Permitted Encumbrances"***) and the standard exclusions from the coverage of such policy. U such title insurance policy, the Trustee is not permitted to recover more than the fair market value of any prop *that is lost as a result of a title defect. The Borrower is obligated under the Loan Agreement to keep the Project* insured against fire and other casualties and to maintain certain specified amounts of liability and busi interruption insurance. See "**THE LOAN AGREEMENT - Insurance**" in "**SUMMARIES OF PRINCIPAL FINANC DOCUMENTS**" in **Appendix "C"** attached hereto.

Rate Covenant

The Borrower will be required to operate the Project as a revenue producing student housing facility non-discriminatory basis and to the extent permitted by law and by the Sublease and Partial Assignment, to ch such fees and rates for its facilities and services and to exercise such skill and diligence as will provide Reve Available for Fixed Charges (See **Appendix "B"** for the definition of ***"Revenue Available for Fixed Charg*** together with other available funds, sufficient to pay promptly all expenses of operation, maintenance, and r the Project and to provide all payments required to be made by the Borrower under the Loan Agreement. rates, fees, and charges will be required to be sufficient to produce a Fixed Charges Coverage Ratio (See **Appen "B"** for the definition of ***"Fixed Charges Coverage Ratio"***) of at least 1.20. In the event that it shall be determin based upon the annual audited financial statements of the Borrower required by the Loan Agreement, that for Lease Year, such Fixed Charges Coverage Ratio was not maintained, the Borrower will be required to prom (within 30 days) engage a financial consultant, acceptable to the Bond Insurer, to submit a report of such f containing recommendations as to changes in the operating policies of the Borrower designed to maintain s Fixed Charges Coverage Ratio and to commence in good faith to implement the recommendations of such finan consultant to the extent permitted by law and by the Partial Assignment. Such financial consultant shall tim prepare and submit to the Borrower, the Trustee and the Bond Insurer (within sixty (60) days of engagement written report of its recommendations. No default under the Loan Agreement shall occur if such recommendati are followed notwithstanding that such Fixed Charges Coverage Ratio shall not subsequently be reattained, but Borrower shall continue to be obligated to employ such a financial consultant for such purpose until such Fix Charges Coverage Ratio shall be reattained. Notwithstanding anything herein in the Bond Documents to *contrary, in no event shall the Fixed Charges Coverage Ratio fall below 1.00.*

The Borrower will also be required, from time to time as often as necessary and to the extent permitted law and the Sublease and Partial Assignment, to revise the rates, fees, and charges aforesaid in such manner as m be necessary or proper so that the Revenue Available for Fixed Charges will be sufficient to meet the requiremen of the Loan Agreement, and further, in order to comply with provisions of the Loan Agreement, to take all acti within its power to obtain approvals of any regulatory or supervisory authority to implement any rates, fees a charges required by the Loan Agreement.

Enforceability of Remedies

The realization of value from the real and personal property comprising the Project and from the oth security for the payment of the Series 2003 Bonds upon any default will depend upon the exercise of va

remedies specified by the Bond Documents. These and other remedies may require judicial actions, which are often subject to discretion and delay and which may be difficult to pursue. See "**BONDHOLDERS' RISKS – Enforceability of Remedies**" and "**BONDHOLDERS' RISKS – Pledge, Assignment, and Grant of Security Interest in Future Revenues**" herein.

Bond Insurance Policy

ACA Financial Guaranty Corporation (the ***"Bond Insurer"***) has made a commitment to issue a bond insurance policy with respect to the Series 2003 Bonds (the ***"Bond Insurance Policy"***) simultaneously with the delivery of the Series 2003 Bonds, insuring the timely payment of the principal of and interest on the Series 2003 Bonds when due.

For further information concerning the Bond Insurer and the Bond Insurance Policy see "**BOND INSURANCE**" herein and **Appendix "E"**, which contains a specimen copy of the Bond Insurance Policy.

BONDHOLDERS' RISKS

Introduction

No person should purchase any Series 2003 Bonds without carefully reviewing the following information, which summarizes some, but not all, of the factors that should be carefully considered prior to such a purchase. Furthermore, the tax-exempt status of the interest on the Series 2003 Bonds is relatively more valuable to high tax bracket investors than to investors who are in the lower tax brackets, and the value of the interest compensation to any particular investor will vary with his, her or its marginal tax rate. Each prospective investor should, therefore, determine his or her present and anticipated marginal tax rate before investing in the Series 2003 Bonds. Each prospective investor should also carefully examine this Official Statement and his, her or own financial condition (including the diversification of his, her or its investment portfolio) in order to make a judgment as to whether the Series 2003 Bonds are an appropriate investment.

Identified and summarized below are a number of ***"Bondholders' Risks"*** that could adversely affect the operation and ongoing revenue producing capability of the Project and/or the payment of the Series 2003 Bonds and that should be considered by prospective investors. The following discussion is not intended to be exhaustive, but includes certain major factors that should be considered along with other factors set forth elsewhere in this Official Statement, including the Appendices attached hereto.

Revenues from Operation of the Project

If the Borrower is unable to generate sufficient revenues from the operation of the Project to pay the operating expenses of the Project and the principal of and interest on the Series 2003 Bonds, an Event of Default will occur under the Bond Documents and the Series 2003 Note. Upon an Event of Default, the Series 2003 Bonds may not be paid or may be paid before maturity or applicable redemption dates and a forfeiture of redemption premiums may result. The Borrower's ability to generate revenues and its overall financial condition may be adversely affected by a wide variety of future events and conditions including (i) a decline in the enrollment of the University, (ii) increased competition from other schools, (iii) loss of accreditation by the University, (iv) failure to meet applicable federal guidelines or some other event that results in students of the University being ineligible for federal financial aid, and (v) cost overruns in connection with the Project or other capital improvements.

Limited Obligations of the Issuer

The Series 2003 Bonds constitute special, limited obligations of the Issuer and have three potential sources of payment. The sources of payment are as follows:

(1) Loan Payments received by the Trustee from the Borrower pursuant to the terms of t Agreement.

The Issuer has no obligation to pay the Series 2003 Bonds except from the Trust Estate, including B Loan Payments to be paid under the Loan Agreement. See **Appendix "B"** for the definition of ***"Basic L Payments"***. The Series 2003 Bonds, together with interest and premium, if any, thereon, will not be or consti general obligations or indebtedness of the State, the University, the County or any other political subdivision of State, but will be limited obligations of the Issuer. Neither the faith and credit nor the taxing power of the Stat any other agency or political subdivision thereof is pledged to the payment of the principal of, premium, if any the interest on the Series 2003 Bonds, and the Owners of the Series 2003 Bonds, will not have the right to con any exercise of the taxing power of the State or any other political subdivision of the State to pay the Series 2 Bonds, any premium thereon, or the interest thereon. The Issuer has no taxing power. The Borrower will required to make Basic Loan Payments (the interest in which the Trustee has received by assignment from Issuer) to the Trustee in amounts sufficient to enable the Trustee to pay the principal of, premium, if any, interest on the Series 2003 Bonds when due. See "**SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS – T INDENTURE – Bond Fund**" in **Appendix "C"** hereto. The Basic Loan Payments will be derived solely from operation of the Project. Furthermore, the Borrower's ability to meet its obligations under the Loan Agreement depend upon achieving and maintaining certain occupancy levels at the Project throughout the term of the Se 2003 Bonds. No assurance can be made that the Borrower will generate sufficient revenues from the operation the Project to pay maturing principal of, premium, if any, and interest on the Series 2003 Bonds after payment operating expenses of the Project.

(2) Revenues received from operation of the Project by a receiver upon an Event of Default under Indenture.

It has been the experience of lenders in recent years that attempts to have a receiver appointed to ta charge of properties with respect to which loans have been made are frequently met with defensive measures such the initiation of protracted litigation and the initiation of bankruptcy proceedings. Such defensive measure prevent the appointment of a receiver or greatly increase the expense and time involved in having a r appointed. See "**BONDHOLDERS' RISKS - Enforceability of Remedies**" herein. Accordingly, prospects uninterrupted payment of principal of and interest on the Series 2003 Bonds in accordance with their terms largely dependent upon the receipt of Basic Loan Payments by the Trustee from the Borrower as described in t preceding paragraph, which are wholly dependent upon the success of the Borrower in the operation of the Project.

(3) Proceeds realized from the sale or lease of the Borrower's interest in the Project to a third party the Trustee at or following foreclosure by the Trustee of the Leasehold Mortgage and procee realized from the liquidation of other security for the Series 2003 Bonds.

Debtors frequently employ defensive measures, such as protracted litigation and bankruptcy proceeding in response to lenders' efforts to foreclose on real property or otherwise to realize upon collateral to satis indebtedness that is in default. Such defensive measures can prevent, or greatly increase the expense and tin involved in achieving, such foreclosure or other realization. In addition, the Trustee could experience difficulty selling or leasing the real and personal property constituting a part of the Project upon foreclosure due to the speci purpose nature of a student housing facility, and the proceeds of such sale may not be sufficient to pay fully tl Owners of the Series 2003 Bonds. See "**BONDHOLDERS' RISKS - Enforceability of Remedies**" herei Accordingly, prospects for uninterrupted payment of principal of and interest on the Series 2003 Bonds accordance with their terms are largely dependent upon receipt of the Basic Loan Payments by the Trustee from tl Borrower as described in paragraph (1) above, which are wholly dependent upon the success of the Project and tl success of the Borrower in the operation of the Project. Even if the Project is operating in an efficient manner, oth factors could affect the ability of the Borrower to make Basic Loan Payments under the Loan Agreement. Tl Borrower also may become engaged in other ventures in the future.

Early Redemption

Purchasers of Series 2003 Bonds, including those who purchase Series 2003 Bonds at a price in excess the principal amount thereof or who hold Series 2003 Bonds trading at a price in excess of par, should consid

fact that the Series 2003 Bonds are subject to redemption at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date thereof upon the occurrence of certain events. This could occur, for example, (i) in the event the Series 2003 Note is prepaid as a result of a casualty or condemnation award affecting the Project, (ii) there is a default under the Bond Documents, or (iii) the Borrower and the Issuer effect the release from the Leasehold Mortgage of any portion (or interest therein) of the Property relating to such portion of the Project. See "**THE SERIES 2003 BONDS - Redemption**" and "**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003 BONDS - Leasehold Mortgage, Security Agreement, and Assignments of Agreements and Documents – *Release of a Portion of the Project***" herein. Under such circumstances, a purchaser of Series 2003 Bonds whose Series 2003 Bonds are called for early redemption may not have the opportunity to hold such Series 2003 Bonds for a time period consistent with such purchaser's original investment intentions.

Limited Resources

Other than the Project, the Borrower has no revenues or assets. Furthermore, the Series 2003 Bonds are secured only by the assets of the Project and the General Revenues. Therefore, timely payment of principal of, premium, if any, and interest on the Series 2003 Bonds will be dependent upon the Borrower's ability to operate the Project in a manner which will generate revenues from the Project sufficient to pay the Project's operating expense and such principal of, premium, if any, and interest on the Series 2003 Bonds. If after payment of operating expenses, net revenues are insufficient to pay the principal of, premium if any, and interest on the Series 2003 Bonds, the Borrower will have no moneys or assets other than the Project from which to make such payments.

Required Occupancy Levels and Rents

In order for the Borrower to generate sufficient revenues from the operation of the Project to enable the Borrower to make the payments at the times required under the Loan Agreement, the Project must meet certain occupancy levels and achieve certain rents. There can be no assurance, however, that the Project will be able to meet and maintain such required occupancy and rent levels.

Competing Facilities

There are other comparable properties competing with the Project for tenants. In addition, in the future, other facilities may be developed, constructed, acquired and/or operated that could compete with the Project for tenants. Furthermore, the Issuer has issued and may issue bonds for financing such other facilities that could compete with the Project for tenants. Any competing facilities, if so acquired, constructed or operated, including the existing Southgate student housing facility owned by the Issuer, could adversely affect occupancy of the Project and the revenues generated by the Project.

Special Use Nature of the Project

The Project will be constructed to serve as a student housing facility and is located near the campus of the University. If it were necessary to sell the Borrower's interest created by the Partial Assignment pursuant to the Leasehold Mortgage upon an Event of Default, the special use nature of the Project, the fact that the interest to be sold is in the nature of a leasehold interest and subject to the terms of the Sublease and Partial Assignment, may limit the purchase price that could be obtained, and the net proceeds received may be less than the principal amount of Series 2003 Bonds Outstanding. For all practical purposes, payment of the Series 2003 Bonds will be almost entirely dependent upon the continued successful operation of the Project.

Risks of Construction

On the basis the Developer's representations, the Issuer and the Borrower reasonably believe that the proceeds of the Series 2003 Bonds will be sufficient to complete the Project; however, the cost of construction of the Project may be affected by factors beyond the control of the Issuer, the Developer or the Borrower, including strikes, material shortages, adverse weather conditions, subcontractor defaults, delays, and unknown contingencies.

The Construction Contract between the Developer and Capstone Building Corp. (the "*Contractor*") will obligate the General Contractor to complete the Project within a specified time for a fixed pr The cost of the Project may be increased, however, if there are change orders. The Construction Contract requ the General Contractor to furnish performance and payment bonds; however, there can be no assurance that obligations of the surety under such bonds can be enforced without costly and time-consuming litigation.

If cost overruns resulting from delays, change orders, or other causes are experienced, the Develope obligated, subject to *force majeure* and eminent domain, to complete the Project at its own expense. To the ext that construction is delayed or halted due to acts of *force majeure* or eminent domain, neither the Issuer, University, the Borrower, the Developer nor the General Contractor will have any obligation to provide for su completion. In the event the Project is not completed, the only meaningful security for the Owners of the Se 2003 Bonds would be the right to foreclose under the Leasehold Mortgage on the Borrower's leasehold interest the uncompleted Project. While the Indenture permits the Issuer to issue Additional Bonds to complete the Proj the Issuer is not obligated to issue such Additional Bonds and there can be no assurance that a purchaser for su Additional Bonds could be obtained.

Normal Risks Attending any Investment in Real Estate

There are many diverse risks attending any investment in real estate, which may have a substantial eff on the profitability and financial feasibility of the Project, and which may affect the realizable value of the r estate and other collateral securing payment of the Series 2003 Bonds. Such risks include possible adverse use adjoining land, fire or other casualty, condemnation, increased taxes, changes in demand for such faciliti increases in utility rates, adverse general and local economic conditions, energy shortages, a decline in prope value, increases in operating costs, non-compliance of the tenants with the terms of their leases, unfavorat government regulation and uninsurable risks, construction strikes and decrease in the relative popularity of r estate investments as contrasted with other investments. Such risks and other risks cannot be controlled by t Borrower.

Clean-up Costs and Liens under Environmental Statutes

In anticipation of the execution and delivery of the Sublease, the Developer retained Southern Ear Sciences, Tallahassee, Florida (the "***Environmental Engineer***"), to conduct a phase I environmental site assessme (the "***Site Assessment***") of the Property. The Environmental Engineer conducted the Site Assessment whic revealed no evidence of recognized adverse environmental conditions on the Property. Prospective purchasers the Series 2003 Bonds may obtain a copy of the Site Assessment from the Underwriters; however, prospecti purchasers of the Series 2003 Bonds may not rely upon the findings contained in the Site Assessment or upon ar action or undertaking of the Developer in connection therewith.

The Borrower is not aware of any enforcement actions currently in process with respect to any releases pollutants or contaminants at the Property. However, there can be no assurance that an enforcement action actions will not be instituted under such statutes at a future date. In the event such enforcement actions we initiated, the Borrower could be liable for the costs of removing or otherwise treating pollutants or contaminan located at the Property. In addition, under applicable environmental statutes, in the event an enforcement actio were initiated, a lien superior to the Trustee's lien on behalf of the Owners of the Series 2003 Bonds could attach t the Project or Property, which would adversely affect the Trustee's ability to realize value from the disposition the Borrower's interest in the Project upon foreclosure of the Leasehold Mortgage. Furthermore, in determinin whether to exercise any foreclosure rights with respect to the Project under the Indenture, the Trustee and th Owners of the Series 2003 Bonds would need to take into account the potential liability of any tenant of the Projec including a tenant by foreclosure, for clean-up costs with respect to such pollutants and contaminants.

Pledge, Assignment, and Grant of Security Interest in Future Revenues

Under the Security Agreement, the Borrower will grant to the Trustee a security interest in (i) th Equipment, (ii) the General Revenues, (iii) the accounts, payment intangibles, documents, chattel paper, electroni chattel paper, letter of credit rights, instruments, general intangibles, supporting obligations, investment property an deposit accounts arising in any manner from the Borrower's ownership and operation of the Project, (iv) all

inventory located at the Project, (v) all leases of all or part of the Project and any and all tenant contracts, rental agreements, franchise agreements, management contracts, construction contracts, concessions, and other contracts, expenses, and permits affecting the Project, and (vi) all proceeds of any of the foregoing. Nevertheless, certain interests and claims of others may be on a parity with or prior to the pledge, assignment, and grant of a security interest made in the Loan Agreement, Security Agreement or Leasehold Mortgage and in the Indenture and certain statutes and other provisions may limit the Borrower's right to make such pledges, assignments, and grants of security interests. Examples of such claims, interests, and provisions are:

(1) statutory liens,

(2) the requirement that appropriate continuation statements be filed in accordance with Chapter 9 of the Uniform Commercial Code or similar regulations as from time to time in effect in the State.

(3) constructive trusts, equitable liens, or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction,

(4) federal bankruptcy laws as they affect amounts earned with respect to the Project after any effectual institution of bankruptcy proceedings by or against the Borrower or the Issuer,

(5) as to those items in which a security interest can be perfected only by possession, including items converted to cash, the rights of third parties in such items not in the possession of the Trustee, and

(6) items not in possession of the Trustee, the records to which are located or moved outside the State, which are thereby not subject to or are removed from the operation of Florida law.

Enforceability of Remedies

The Series 2003 Bonds are payable from the Trust Estate, including payments to be made under the Loan Agreement and the Indenture. The payments to be made under the Loan Agreement are secured by (i) a first mortgage lien on the Borrower's leasehold interest in the Project and the Property pursuant to the Leasehold Mortgage, (ii) an assignment and pledge to the Trustee of (a) the Borrower's interest in the rents, issues, profits, revenues, income, receipts, moneys, royalties, rights and benefits of and from the Project and from and in connection with the Borrower's ownership, occupancy, use, or enjoyment of the Project, and (b) all leases of all or part of the Project and any and all tenant contracts, rental agreements, franchise agreements, management contracts, construction contracts, concessions, and other contracts, expenses, and permits affecting the Project, pursuant to the Leasehold Mortgage, (iii) a grant of a security interest in the General Revenues, (iv) a grant of a security interest in the General Revenues, accounts, payment intangibles, documents, chattel paper, electronic chattel paper, letter of credit rights, instruments, general intangibles, supporting obligations, investment property and deposit accounts arising in any manner from the Borrower's operation of the Project pursuant to the Security Agreement, and (v) a grant of a security interest in inventory and in the furnishings, equipment, and other personal property included in the Project pursuant to the Security Agreement, all subject to Permitted Encumbrances. Pursuant to the Indenture, the Series 2003 Bonds are secured by the Trust Estate, including the assignment by the Issuer to the Trustee of and by a grant of a security interest in, the Issuer's interest in the Loan Agreement. The practical realization of value upon any default will depend upon the exercise of various remedies specified by the Bond Documents. These and other remedies may, in many respects, require judicial actions, that are often subject to discretion and delay. Under existing law (including, particularly, federal bankruptcy law), the remedies specified by the Bond Documents may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in the Bond Documents. The various legal opinions to be delivered concurrently with the delivery of the Series 2003 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings, and decisions affecting remedies, including judicial discretion in the application of the principles of equity, and by bankruptcy, reorganization, or other laws affecting the enforcement of creditors' rights generally.

Effect of Determination of Taxability

The Issuer and the Borrower will covenant not to take any action that would cause the Series 2003 Bo be arbitrage bonds or that would otherwise adversely affect the exclusion of interest on the Series 2003 Bonds gross income for federal income tax purposes. The Issuer and the Borrower will also make representations respect to certain matters within their knowledge that have been relied on by Bond Counsel and that Bond Co has not independently verified. Failure to comply with such covenants could cause interest on the Series Bonds to become subject to federal income taxation retroactively from their date of issuance.

It is possible that a period of time may elapse between the occurrence of the event that causes inter become taxable and the determination that such an event has occurred. In such a case, interest previously pa the Series 2003 Bonds could become retroactively taxable from the date of their issuance. Additionally, ce Owners of Series 2003 Bonds are subject to possible adverse tax consequences. See "**TAX MATTERS**" herein.

Market for the Series 2003 Bonds

There can be no assurance that a secondary market exists, or will exist for the Series 2003 Bonds, or the Series 2003 Bonds can be sold for any particular price. Accordingly, a purchaser of Series 2003 Bonds sh recognize that an investment in the Series 2003 Bonds will in all likelihood be illiquid and be prepared to have her or its funds committed until the Series 2003 Bonds mature or are redeemed.

Additional Bonds

The Issuer has the right to issue Additional Bonds under the Indenture that will be equally and rat secured on a parity basis with the Series 2003 Bonds. See "**THE SERIES 2003 BONDS – Additional Bonds**" he and "**SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS – THE INDENTURE – Additional Bonds**" in **Appen "C"** hereto. **SUCH ADDITIONAL BONDS COULD DILUTE THE SECURITY FOR THE SERIES 2 BONDS.**

Bond Insurance

If the Issuer should fail to make payment of the principal of or interest on the Series 2003 Bonds when same shall become due, any Owner of Series 2003 Bonds will have recourse against the Bond Insurer for s payments; however, the Bond Insurance Policy does not insure the principal of or interest on the Series 2003 Bo coming due by reason of acceleration or redemption (other than mandatory sinking fund redemption), nor does Bond Insurance Policy insure the payment of any redemption premium payable upon the redemption of the Ser 2003 Bonds, and under no circumstances, including the situation in which the interest on the Series 2003 Bo becomes subject to federal or Florida income taxation for any reason, may the maturities of the Series 2003 Bo be accelerated without the consent of the Bond Insurer. Furthermore, so long as the Bond Insurer shall perform obligations under the Bond Insurance Policy, the Bond Insurer may direct, and its consent must be obtained bef the exercise of, any remedies to be undertaken by the Trustee under the Indenture. If the Bond Insurer should unable to make payments of principal of and interest on the Series 2003 Bonds, such Series 2003 Bonds will payable solely from moneys received by the Trustee pursuant to the Indenture and the Loan Agreement. See t heading "**BOND INSURANCE**" herein and **Appendix "E"** attached hereto for more information regarding the Bo Insurer and the Bond Insurance Policy.

Insolvency of the Bond Insurer

The obligations of the Bond Insurer under the Bond Insurance Policy are general obligations of the Bo Insurer and rank equally in priority of payment and in all other respects with all other unsecured obligations of t Bond Insurer. In the event of insolvency of the Bond Insurer, the Owners of the Series 2003 Bonds would have depend entirely on the ability of the Borrower to pay the principal of and interest on the Series 2003 Bonds.

BOND INSURANCE

The following information has been furnished by ACA Financial Guaranty Corporation (the "***Bond Insurer***") for use in this Official Statement. Reference is made to **Appendix "E"** for a specimen of the Bond Insurance Policy.

Payment Pursuant to the Bond Insurance Policy

The Bond Insurer has made a commitment to issue the Bond Insurance Policy effective as of the date of issuance of the Series 2003 Bonds. Under the terms of the Bond Insurance Policy, the Bond Insurer unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Trustee or paying agent (as designated in the documentation providing for the issuance of and securing the Series 2003 Bonds) for the Series 2003 Bonds, for the benefit of any owner, or, at the election of the Bond Insurer, directly to such owner, that portion of the principal of and interest on the Series 2003 Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Bond Insurance Policy). The Bond Insurer will make such payments to or for the benefit of each owner on the later of the day on which such principal and interest becomes Due for Payment or within one Business Day following the Business Day on which the Bond Insurer shall have received Notice of Nonpayment (as such terms are defined in the Bond Insurance Policy). The Bond Insurance Policy is non-cancelable for any reason.

The Bond Insurance Policy will insure an amount equal to (i) the principal of (either at the stated maturity or pursuant to a mandatory sinking fund payment) and interest on the Series 2003 Bonds as such payments shall become Due for Payment but shall not be so paid by reason of Nonpayment by the Issuer (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than pursuant to a mandatory sinking fund payment, the payments guaranteed by the Bond Insurance Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of Series 2003 Bonds pursuant to a final nonappealable order of a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "***Preference***").

The Bond Insurance Policy does not insure against loss of any redemption premium which may at any time be payable with respect to any Series 2003 Bond. The Bond Insurance Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Series 2003 Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Bond Insurance Policy also does not insure against nonpayment of principal of or interest on the Series 2003 Bonds resulting from the insolvency, negligence, or any other act or omission of the Trustee or paying agent for the Series 2003 Bonds.

Upon receipt of telephonic or electronic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Bond Insurer from the Trustee or paying agent or any owner of a Series 2003 Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Bond Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with the Trustee or paying agent, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Series 2003 Bonds or presentment of such other proof of ownership of the Series 2003 Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series 2003 Bonds as are paid by the Bond Insurer, and appropriate instruments to effect the appointment of the Bond Insurer as agent for the owners of such Series 2003 Bonds in any legal proceeding related to payment of insured amounts on such Series 2003 Bonds, such instruments being in a form satisfactory to the Bond Insurer, the Bond Insurer shall disburse to such owners or the paying agent payment of the insured amounts due on such Series 2003 Bonds, less any amount held by the paying agent for the payment of such insured amounts and legally available therefor.

The insurance provided by the Bond Insurance Policy is not covered by the Florida Insurance Guar Association.

The Bond Insurer's Rights Under the Bond Documents

Under the Bond Documents, the Bond Insurer has certain rights to consents, notices, and to control cer procedures, including, without limitation, the right to control proceedings, without the consent of bondhold following an event of default under the Bond Documents. Reference is made to the provisions of the B Documents for a more complete description of the Bond Insurer's rights thereunder.

ACA Financial Guaranty Corporation

The Bond Insurer is domiciled in the State of Maryland and licensed to do business in and subjec regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Vir Islands of the United States, and the Territory of Guam. State laws regulate the amount of both the aggregate individual risks that may be insured, the payment of dividends by the Bond Insurer, changes in control transactions among affiliates. Additionally, the Bond Insurer is required to maintain contingency reserves on liabilities in certain amounts and for certain periods of time.

As of September 30, 2003, the Bond Insurer had, on an unaudited basis, admitted assets of $342,691,6 total liabilities of $204,969,707, and total capital and surplus of $137,721,956 as determined in accordance w statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information about the Bond Insurer, see the selected financial and statistical information ACA Financial Guaranty Corporation at www.aca.com/financials/index.html. Copies of the Bond Insurer's ye end financial statements prepared in accordance with statutory accounting practices are available without cha from the Bond Insurer. The address of the Bond Insurer is 140 Broadway, 47th Floor, New York, New York The telephone number of the Bond Insurer is (888) 427-2833.

Fitch Ratings and Standard & Poor's Ratings Services rate the financial strength of the Bond Insurer "A Each rating of the Bond Insurer should be evaluated independently. The ratings reflect the respective rati agency's current assessment of the creditworthiness of the Bond Insurer and its ability to pay claims on its polic of insurance. Any further explanation as to the significance of the above ratings may be obtained only from t applicable rating agency. The above ratings are not recommendations to buy, sell or hold the Series 2003 Bon and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downwa revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series 20 Bonds. The Bond Insurer does not guaranty the market price of the Series 2003 Bonds nor does it guaranty that t ratings on the Series 2003 Bonds will not be revised or withdrawn.

OTHER THAN WITH RESPECT TO INFORMATION CONCERNING THE BOND INSURE CONTAINED UNDER THIS HEADING AND IN APPENDIX "E" ATTACHED HERETO, NONE OF TH INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY TH BOND INSURER, AND THE BOND INSURER MAKES NO REPRESENTATION OR WARRANT EXPRESS OR IMPLIED, AS TO (I) THE ACCURACY OR COMPLETENESS OF SUC INFORMATION; (II) THE VALIDITY OF THE SERIES 2003 BONDS; OR (III) THE TAX-EXEMP STATUS OF THE INTEREST ON THE SERIES 2003 BONDS.

DISCLAIMER

The information relating to the Bond Insurer and the Bond Insurance Policy contained in "BO INSURANCE" herein and in **Appendix "E"** attached hereto has been furnished by the Bond Insurer. N representation is made by the Issuer, the Borrower, the University, the County or the Underwriters as to t accuracy, completeness, or adequacy of such information or as to the absence of material adverse changes in t condition of the Bond Insurer subsequent to the date of this Official Statement. Reference is made to **Append** "E" attached hereto for a copy of a specimen bond insurance policy.

NO ASSURANCE CAN BE GIVEN THAT THE BOND INSURER WILL BE ABLE TO MEET ITS OBLIGATIONS UNDER THE BOND INSURANCE POLICY.

THE DEVELOPER

General

Capstone/LLT, LLC (the ***"Developer"***) was organized under the laws of the State and is engaged in the design, development, construction, and construction management of the Project. As of the date of the Development Agreement, the Company's principal place of business is 402 West College Avenue, Tallahassee, Florida 32301-1407. The sole members of the Developer are Capstone Development Corp., an Alabama corporation and LLT Building Corporation, a Florida corporation. A summary of Capstone Development Corp. and LLT Building Corporation is included below.

Capstone Development Corp.

Capstone Development Corp. (***"Capstone"***) is an Alabama S corporation formed in 1990 for the express purpose of developing student housing communities. As of the present date, Capstone has developed (or has been selected to develop) 32,545 student beds, on or in connection with 62 separate collegiate campuses (excluding the Project). Capstone's corporate headquarters is in Birmingham, Alabama.

The original founding members of Capstone had completed six previous projects prior to forming Capstone. These members were employed with an Alabama based development/construction company, and left that firm in 1989 to form Capstone. Since the formation of Capstone, staff has been added to specialize in marketing, design and engineering, finance, and construction management in order to assure that all necessary disciplines are captive to Capstone. Capstone has a staff of 64 full-time employees, including a legal consultant, three architects, three CPA's, and an MAI. A summary of student apartment communities developed by Capstone is included below.

Key Personnel of Capstone Development Corp.

A brief description of the education and professional background of the officers of Capstone having primary responsibility for the development of the Project are as follows:

Michael A. Mouron, President

Mr. Mouron participated in the formation of Capstone in 1990 and has been the President of Capstone since its inception. He graduated from the University of Alabama in 1972, and is a Certified Public Accountant. He supervises the operations of the Capstone's development and management companies, and works with lenders and owners on all financial aspects of each of Capstone's projects.

James M. Goodson, III, Executive Vice President - On-Campus Development

Mr. Goodson participated in the formation of Capstone in 1990. He graduated from Auburn University in Architecture in 1979 and is a registered architect. He returned to graduate school at State University of New York - Buffalo and received his Master of Architecture in Real Estate in 1989. Mr. Goodson coordinates the development of on-campus housing, working directly with the educational institutions and Capstone's consultants to insure that Capstone's housing solutions are appropriate, interface well with existing infrastructure, and are within projected development budgets.

Kent T. Campbell, Senior Vice President

Mr. Campbell joined Capstone in 1992. He graduated from Louisiana State University in Architecture in 1986 and returned to graduate school at Louisiana State University and received his Masters of Business Administration in 1987. Mr. Campbell has managed the development of both off-campus and on-campus student housing communities, working with the educational institutions and the Capstone's consultants to insure that Capstone's housing solutions are appropriate and are within projected development budgets.

William E. Davenport, II, Senior Vice President

Mr. Davenport joined the Capstone in January of 1997. He graduated from Birmingham Southern Co in 1989 with degrees in accounting and finance and received a Master's in Business Administration from University of Alabama at Birmingham in 1995. He manages Capstone's on-campus finance department as we oversees finance for new development opportunities. His background of seven years in middle-market and ca market finance with banking institutions complements Capstone through maximizing the options and structu financing proposals.

Richard H. Meadows, Assistant Vice President

Mr. Meadows joined Capstone in August of 2001. He graduated from the University of Alabama in with a degree in finance. He works in Capstone's on-campus finance department in planning, structuring, coordinating finance for development opportunities.

Joe Harrison, Executive Vice President – Construction

Mr. Harrison joined Capstone in September of 1998 with over twenty years of experience in develop and general contracting. Mr. Harrison is a graduate of Virginia Polytechnic Institute and State University (Vir Tech) with a degree in Building Construction and a Master's in Business Administration. He manages construction management functions of Capstone's student housing developments to include budgeting, cor administration, scheduling, and quality control. He works closely with Capstone's construction managers development team.

Projects Developed and to be Developed and Experience of Capstone Development Corp.

The table below describes the student housing communities other than the Project developed by Cap and/or its principals and affiliates:

CAPSTONE DEVELOPMENT CORP.
STUDENT-ORIENTED APARTMENT PROJECTS (2002-PRESENT)
(OFF AND ON CAMPUS)

Facility Location	Year Opened	Total Cost	No. of Beds	2002-2003 Fall Occupancy
Oakland University Oakland, Michigan	2002	$ 20,715,670	459	100
University of San Diego San Diego, California	2002	27,000,000	362	100
Lawrence Technological Univ. Detroit, Michigan	2002	9,368,557	230	100
Southwest Texas State Univ. San Marcos, Texas	2002	44,334,596	660	94
Teikyo Post University Waterbury, Connecticut	2002	6,000,000	150	100
University of the Pacific Stockton, California	2003	10,000,000	200	0
Winthrop University Rock Hill, South Carolina	2003	17,000,000	406	100

CAPSTONE DEVELOPMENT CORP.
STUDENT-ORIENTED APARTMENT PROJECTS (2002-PRESENT)
(OFF AND ON CAMPUS)

Facility Location	Year Opened	Total Cost	No. of Beds	2002-2003 Fall Occupancy
Oklahoma State University Phase III Stillwater, Oklahoma	2003	$47,495,000	1,071	0[1]
Indiana University, Purdue University of Indianapolis Indianapolis, Indiana	2003	41,985,000	793	0[1]
Georgia Southern University Statesboro, Georgia	2003	32,349,095	1,110	0[1]
University of Redlands Redlands, California	2003	11,000,000	200	0[1]
DeVry University Fremont, California	2004	12,200,000	300	0[2]
DeVry University Kansas City, Missouri	2004	6,112,000	215	0[2]
Green River Community Coll. Auburn, Washington	2004	15,400,000	343	0[2]
University of Missouri, KC Kansas City, Missouri	2004	18,675,508	553	0[2]
Washington and Jefferson College Washington, Pennsylvania	2004	35,813,000	577	0[2]
Western Carolina University Cullowhee, North Carolina	2004	11,975,000	244	0[2]
University of Maryland, Phase II College Park, Maryland	2004	44,736,573	788	0[2]
Maine Maritime Academy Castine, Maine	2005	7,100,000	149	0[3]
Johns Hopkins University Baltimore, Maryland	2005	42,969,116	500	0[3]
TOTAL		$1,159,342,641	32,545	

[1] To be completed for Fall 2003 occupancy.
[2] To be completed for Fall 2004 occupancy.
[3] To be completed for Fall 2005 occupancy.

All of the above-listed student housing communities developed by Capstone, and approximately 51 similar projects completed between 1991 and 2001, have been completed on time and within the proposed budgets.

LLT Building Corporation

LLT Building Corporation (*"LLT"*) is a Florida corporation, formed August 1, 1986. LLT is owned and operated by Dennis Tribble and was established to provide construction management, general contracting, and renovation services in Florida and Georgia. LLT has provided services for private and public sectors located in and around Leon County, Florida, including the University.

LLT has completed more than $105 million in construction projects since its formation and $5 which have been construction projects for the University. LLT employs over 40 individuals and has estat offices in Tallahassee, Florida, Santa Rosa Beach, Florida and Thomasville, Georgia.

Key Personnel

Dennis Tribble, President.

Mr. Tribble formed LLT in 1986 and has been LLT's sole President to date. He graduated fro University of Florida with a degree in Building Construction, and is a Florida Licensed General Contracto oversees operations for LLT while playing an active role in the management of projects.

Don Mills, Vice President of Business Development.

Mr. Mills earned his B.A. in Accounting from Georgia Southern and has extensive knowledge and pla skills as a financial analyst. Mr. Mills joined LLT in 2000 and is the Vice President of Business Developme LLT. He brings experience in state government where he served as Deputy Secretary of the State of F Department of Management Services and directed over $1.5 billion of both state and local government f construction.

Angela Gray, Director of Corporate Services.

Ms. Gray has over 14 years of information management experience and has worked for LLT for 5 She graduated from Florida State University with a degree in Communications. She develops and coordina Women / Minority Business Entity participation in projects undertaken by LLT. She provides project coordi for projects managed by the President. She is also the liaison between LLT and local permitting agencies to e projects are permitted and inspected on schedule.

Projects Developed and to be Developed by, and Experience of, LLT Building Corporation

The table below describes projects, including student housing communities other than the Pr developed by LLT Building Corporation:

LLT BUILDING CORPORATION PROJECTS

PROJECT	YEAR COMPLETED	TOTAL COST
The Florida State University Landis Hall Remodeling	Summer 2006[1]	$14,284,387
Maclay School Master Plan	2000	10,432,240
The Florida State University Cawthon Hall Renovations	2002	9,861,138
The Florida State University Minor Services	2002	8,500,000[2]
Thomasville YMCA	2002	5,768,739
Good Shepherd Catholic Church	1999	5,720,368
The Florida State University Institute for Molecular Biophysics	2003	5,346,216
The Florida State University Business School Hospitality Improvements	2001	4,665,112
The Florida State University Alumni Center – President's House	Summer 2004[1]	4,500,000

PROJECT	YEAR COMPLETED	TOTAL COST
Tallahassee Community Hospital Medical Office Building Tenant Build-Outs	1998	$3,845,966
Hilton Garden Inn	1997	3,616,740
Greenberg Traurig	Phase 1 – 1994 Phase 2 – 2004[1]	3,500,000
Southern Pines Retirement Inn	1999	3,100,000
West Bay Elementary School	2001	2,537,774
Florida Commerce Credit Union – Mahan Drive	1996	2,427,760
Leon County Southside Health Clinic	2001	1,914,554
Textron	2000	1,894,573
Trinity Catholic School	2001	1,883,000
The Florida State University Mike Long Track	2002	1,545,000
Boys and Girls Club of Thomas County	2000	1,348,692
The Florida State University Library Technical Services	1999	1,321,226
Big Bend Hospice House	2000	1,267,591
Thomasville National Bank Branch	1997	1,267,436
Thomasville Community Resource Center	2001	1,216,000
The Florida State University Ball Fields	2002	1,208,954
Sonny's Barbecue Restaurant - Thomasville	1999	850,000
Wakulla Bank	2000	793,232
The Florida State University Doak Campbell Stadium Renovations	1999	759,512
TOTAL		$105,372,210

1. Projected
2. To date

THE DEVELOPMENT AGREEMENT

The Issuer and the Developer entered into a Development and Construction Management Agreement dated as of January 14, 2002, as amended by that First Amendment to Development and Construction Management Agreement (as amended, the "***Development Agreement***"), which sets forth certain terms and conditions relating to the development of the Project, including a guaranteed maximum price not exceeding $21,710,360 for which the Developer will pay any and all costs in excess thereof that are not due to changes in scope of work initiated by the Issuer or the Borrower or due to other unforeseen circumstances. In addition, the Developer has agreed in the Development Agreement to provide the following development services:

(a) Secure and retain the design professionals and/or consultants for the Project including architects, engineers, accountants, attorneys or other personnel necessary to complete the development in a first class manner.

(b) Obtain all permits, approvals, and authorizations to proceed with the financing, development, construction management, and management of the Project (but not property management, rental management or management after the completion of the Project).

(c) Retain or secure the services of bonded general contractors and/or subcontractors to pe work of the Project.

(d) Provide and/or approve funding or payment of invoices or payment requisitions for the Projec

(e) Provide assurances the Project is constructed in a workmanlike manner and is free of liens.

(f) Provide fixtures, equipment, and personal property identified in the Project budget to comple Project.

(g) Provide construction management services to insure the Project is built to specifications appı by the Architect, in a quality manner, in an expeditious manner as per the Project schedule, with an adequate sı of workmen.

(h) Provide appropriate insurance for the Project.

(i) Offer and comply with the terms of financing by bonds or leasehold mortgage for the Project.

The Developer has obtained all permits and approvals available to date and has no reason to believe th permits and approvals necessary for the completion of the Project are not capable of being secured. Development Agreement authorizes the Developer to negotiate and enter into the Construction Contract anc Architect's Agreement. The Developer will continue to perform its duties under the Development Agreeı subsequent to a default of the Borrower under the Indenture, *provided that* the Trustee advances or causes t advanced to the Developer the sums owed to the Developer in cash as payment for services rendered to the Tru or its designee after the date of any such notice given by the Trustee to the Developer. The Trustee shall nc obligated to advance or cause to be advanced any such funds except from amounts available therefore pursuaı the Indenture.

The Developer has no obligation to make payments on the Series 2003 Bonds. However, the Deve Agreement provides that should the Issuer meet all of its obligations to the Developer under the Developn Agreement, and the Project is not substantially complete on the date indicated in the Development Agreement, Developer shall provide comparable alternative housing (i.e., hotel rooms) and reasonable moving expense. students who have executed leases for residence in the Project, but require temporary housing pending substaı completion of the Project, and the Developer shall, if necessary, provide such affected students transportation to from such temporary housing to the campus of the University.

THE GENERAL CONTRACTOR AND THE CONSTRUCTION CONTRACT

General

The Developer has entered into a construction contract (the "***Construction Contract***") dated as October 27, 2003, with Capstone Building Corp. (the "***General Contractor***") relating to the Project. The Gen Contractor was formed in 1997 under the laws of the state of Alabama and maintains corporate offices locatec Birmingham, Alabama. The General Contractor holds unlimited contractors licenses in Alabama (License #221 and Florida (License # CG-C059154). The General Contractor will be responsible for the successful and tim delivery of the Project and will obtain payment and performance bonds, with riders naming each of the Develoı the Issuer, the Borrower, the Bond Insurer and the Trustee as a dual obligee, in the amount of the contract sum of Construction Contract.

Key Personnel

A brief description of the professional background of the employees of the General Contractor hav primary responsibility for the construction of the Project follows:

Jay Chapman – President

Mr. Chapman has over 25 years of experience in the construction industry and has overall responsibility of Capstone Building Corp. Mr. Chapman has been involved in all aspects of construction, from Field Superintendent to Senior Project Manager and Vice President of Construction. Mr. Chapman holds the contractor's license for Capstone Building Corp. in each state in which it is licensed.

Mike Thompson – Vice President

Mr. Thompson has over 20 years of experience managing large commercial construction projects. With Capstone Building Corp., he has overall responsibility for contracts, project management and pre-construction services. While supervising project managers and providing project oversight, his responsibilities have developed his skills in all areas of project management, contract negotiation, administration and coordination.

Danny Stevens – Vice President

Mr. Stevens has over 28 years of construction experience and has overall responsibility for the field operations at Capstone Building Corp.. Mr. Stevens assists clients in achieving successful project outcomes through his skills in scheduling, quality control, safety, and cost management.

Charlie Vick – Vice President

Mr. Vick has over 15 years of experience and has overall responsibility for the estimating department at Capstone Building Corp. His previous field and project management experience have developed his skills in all aspects of pre-construction, and clients benefit from his particular expertise in subcontractor coordination, scope definition and bid negotiation.

Chris Travis – CFO

Mr. Travis joined Capstone Building Corp. in 2002 serving in the newly created Chief Financial Officer position. Mr. Travis brings his many years of experience in the accounting and insurance industry to Capstone Building Corp. Mr. Travis is responsible for the supervision and management of all financial operations of Capstone Building Corp. He manages the insurance and bonding relationships and also supervises the human resources department of Capstone Building Corp.

THE ARCHITECT AND THE ARCHITECT'S AGREEMENT

General

The Developer has entered into an Architect's Agreement (the *"Architect's Agreement"*) with Pierce, Goodwin, Alexander, & Linville, Inc. (***"PGAL"*** or the ***"Architect"***), dated January 22, 2003, relating to the Project. The Architect was originally formed in 1946 under the laws of the State of Texas and consists of approximately 200 employees, 50 of whom are registered architects. The Architect's corporate headquarters is in Houston, Texas. The Architect's Boca Raton office specializes in student housing projects nationwide.

Key Personnel

Ian Nestler, AIA Principal/ Architectural Planner.

Mr. Nestler has 30 years of experience in architectural design and management encompass a variety of educational, civic, hospitality, and residential developments. He received a Bachelor or Arts in architecture from University of Southern California and a Master of Architecture from Harvard University.

Carl D. Romer, RA Associate Principal.

Mr. Romer is a registered architect with 15 years of experience in the design and development of a range of complex and diverse building types. He received his Bachelor or Arts in Architecture from the Universidad Piloto

de Colombia. His project experience background includes space planning, programming and design education, residential, hotel and resort projects as well as a host of commercial, dining and public projects.

Konrad Kwok, AIA Project Designer.

Mr. Kwok has 22 years of experience ranging from being Project Designer for multi-million dollar with a national firm to being a principal of a small firm in charge of the day-to-day operations and budg received a Bachelor of Arts in Architecture from the University of California Berkley and attended University to receive a Masters Degree in Architecture.

Projects Developed by the Architect

In the past five years, the Architect has served or is serving as architect for approximately nin student housing projects having an aggregate construction cost of approximately $200 million. Recent housing projects include the following:

Winton M. Blount Jr. Residence Hall, University of Alabama, Birmingham, Alabama
Millennium Residence Hall, Towson University, Towson Maryland
Honors College Student Residences, Florida Atlantic University, Jupiter, Florida
Residence Hall, Florida Atlantic University, Jupiter, Florida
Martel, Brown and Jones Colleges, Rice University, Houston, Texas

THE MANAGER

General

Coastal Property Services, Inc., is a Florida corporation formed in 1989 for the express purpose of o managing, and maintaining student housing communities, HUD financed properties, and conventional "Cl communities. As of the present date, the Manager manages (or has been selected to manage) over 6,000 re six (6) states. The Manager's corporate headquarters is in the City with regional managers located in the C site property managers at each student housing development location.

Key Personnel

A brief description of the educational and professional background of the employees of the Manager h primary responsibility for the management of the Project follows:

Dennis Fuller, President- Coastal Property Services

Mr. Fuller is responsible for the management of all of the communities in the portfolio of the Manager occupation requires (1) serving as the direct contact between the owners and the Manager, (2) preparing submitting required reports or information including monthly financial packages, (3) serving as the direct super for the on-site manager, and (4) performing routine property inspections and routine review of marketing financial information.

Mr. Fuller is a 1982 graduate of the University with majors in Finance and Risk Management/Real E. He received the designation of Certified Property Manager for the Institute of Real Estate Management in 198 has received continuing education each year from the Institute of Real Estate Management, the National Apart Association and the Capital City Apartment Association. He served as the President of the Jacksonville Apart Association, President of the Florida Apartment Association, Vice-President of the North Florida Chapter o Institute of Real Estate Management and President of the Capital City Apartment Association. He regularly at numerous management related seminars and has been an instructor for the Certified Apartment Manager progran

Brian Lambert, Property Manager

Mr. Lambert received a Bachelors degree in Sports Marketing and Facility Management from the State University of New York at Brockport in Rochester, New York in 1995 and a Masters Degree in Sport Marketing from the University in 1998. While working towards his Masters Degree, he gained experience in the property management industry by holding leasing, management and marketing positions. Mr. Lambert's six years of on-site experience includes managing several properties and supervising a marketing portfolio of four properties. He was hired by the Manager in January, 2003 as an Assistant Regional Property Manager.

Management Agreement

The Issuer will engage the Manager to manage and maintain the Project pursuant to a Management Agreement (the "***Management Agreement***"). Subsequently, the Issuer will assign certain of its rights, duties and obligations under the Management Agreement to the Borrower under the Assignment of Agreements and Documents. Under the Management Agreement, the Manager will be responsible for the collection of all rents, payment of operating expenses, and other payments of indebtedness for the Project. In addition to these duties, the Manager will assure proper scheduled maintenance of the Project, including daily, monthly, and annual maintenance requirements.

The Manager's responsibilities under the Management Agreement will include hiring, training, and overseeing on-site personnel of the Project. The Manager will agree to manage, operate, and maintain the Project in compliance with the standards, rules, and procedures outlined within the Sublease. In connection with the management, operation, and maintenance of the Project, the Manager shall, among other things: (1) operate, manage, procure insurance for, and lease the Project and the Property in the same manner as is customary and usual in the operation, management and leasing of comparable student residential and commercial facilities, (2) provide such services as are customarily provided by operators of such complexes of comparable class and standing as the Project, and (3) act with the care, skill, prudence and due diligence in the management of the Property for the period and upon the terms therein provided, and agrees to furnish the services of its organization for the renting, leasing, operating and managing of the therein described Property. Any lease executed for the Issuer by the Manager shall not exceed one year without Issuer's approval. The Manager shall lease units in the Project only to students enrolled at the University, unless otherwise directed by Issuer. In addition to the other obligations of the Manager set forth therein, and consistent with but not in limitation of the foregoing, the Manager shall render the following services and perform the following duties for the Issuer:

(1) coordinate the plans of tenants or subtenants for moving into or out of the Project;

(2) maintain business-like relations with tenants, including, but not limited to, receiving, considering and recording tenants' service requests in a prompt and systematic fashion in order to show that the action with respect to each such request is consistent with the terms of the Sublease;

(3) use its best reasonable efforts at all times during the term of the Management Agreement to maintain the Project according to the highest standards achievable consistent with operation of comparable student residential and commercial complexes;

(4) subject to certain program guidelines, cause all such acts and things to be done in or about the Project as shall be necessary or desirable to comply with any and all laws, orders, rules and regulations, and, subject to program guidelines adopted from time to time by the Issuer concerning management, marketing, budgets and improvements for the Project (the ***"Program Guidelines"***), and the applicable budgets, to remove any and all cited violations affecting the Project placed thereon by any federal, state, county or municipal authority having jurisdiction over the Project; provided that if the costs of compliance with any such order or to remove any such violation are in excess of the applicable budgets, but failure to comply would, in the reasonable judgment of Manager, expose the Issuer, the Borrower or Manager to criminal liability, Manager may cause such order to be complied with or such violation to be removed in accordance with the Management Agreement;

(5) cause to be prepared and filed all necessary forms relating to the maintenance and ope Project required by any federal, state, county or municipal authority;

(6) cooperate with the Issuer's and Borrower's accountants, auditors and other represent regard to the annual audit and periodic inspection of the books of account of the Issuer and Borrower;

(7) cooperate with the Issuer's and Borrower's accountants in regard to the preparation and behalf of the Issuer of all federal, state, city and other income or other tax returns required by any gove authority (including the preparation and filing by Manager of any applicable IRS Form 1099 within required by law); and

(8) hire, discharge and supervise all labor and employees required for the operation and mai of the Project; it being agreed that all employees shall be deemed employees of the Manager, and that the I may perform any of its duties through its attorneys, agents or employees and shall not be responsible for th defaults or negligence if reasonable care has been exercised in their appointment and retention;

The Manager shall comply with all applicable provisions of the Florida Landlord-Tenant Act and behalf of Issuer and Borrower maintain all records and provide all notices required by such Florida Landlord Act. Furthermore, Manager shall timely apprise the Trustee of the need for security deposits to be refu tenants by the Trustee. Manager may advance funds to reimburse tenants for security deposits due to tena shall be reimbursed by the Trustee for such advances.

Termination

The Management Agreement will take effect on the date of its execution and has an initial term of years, unless terminated earlier in accordance with the provisions thereof. The Management Agreement terminated by the Issuer or Borrower with cause upon three days written notice to the Manager or, if fo comply with the Program Guidelines, 30 days written notice to the Manager and the failure of the Mana a cure within the designated time period. The Management Agreement may also be terminated by the Borrower on the last day of each contract year of the Management Agreement by the Issuer or Borrower penalty or cause by giving written notice 60 days prior to such termination date. Finally, the Bond Insurer sh have the independent right to terminate the Management Agreement, for cause (subject to notice to the Manag reasonable opportunity to cure).

The Borrower has agreed in the Loan Agreement that if the Manager shall cease to serve as Manager Project, the Borrower will, with the consent of the Bond Insurer, which consent shall not be unreasonably wit promptly employ and at all times thereafter employ as the Manager a recognized manager of student h facilities reasonably acceptable to the Trustee, the Issuer and the Bond Insurer.

Management Fee

The management fee payable to the Manager shall be four percent (4%) of gross revenues of the Pr Such fee will be payable monthly and is subordinated to the payment of all scheduled monthly deposits to the F other than the Surplus Fund, held under the Indenture.

ASSIGNMENTS OF AGREEMENTS AND DOCUMENTS

The Issuer and/or the Borrower will assign to the Trustee as security for the payment of the Series Bonds all of their respective rights, title, and interests in and to the Management Agreement, the Develop Agreement, the Construction Contract, the Architect's Agreement and other agreements and assignments relat the development and construction of the Project (collectively, the *"Agreements and Documents"*). In the ev an event of default by the Borrower under the Loan Agreement and the corresponding event of default und Indenture, the Trustee will be entitled to enforce performance of the Agreements and Documents. The Issuer a party to the Construction Contract or the Architect's Agreement, but has been assigned the interest o Developer in such Construction Contract and Architect's Agreement pursuant to a collateral assignment th

the Developer to the Issuer. In the event of an event of default by the Borrower under the Loan Agreement and an event of default by the Developer under the Development Agreement, the Trustee will be entitled to enforce performance of the Construction Contract and the Architect's Agreement, but, unless the Trustee chooses to enforce performance of the Construction Contract and the Architect's Agreement, the Trustee will not be required to perform the obligations of the Developer as set forth in such contracts.

THE UNIVERSITY

General

The University is located in Tallahassee, Florida, and is one of the eleven units of the Division of Colleges and Universities of the Florida State Board of Education, and since January 7, 2003, is under the Florida Board of Governors. Although the Florida Board of Governors has responsibility for management of the entire state university system, the University is its own separate public corporation of the State with its own 13-member Board of Trustees, with six members appointed by the Governor and five members appointed by the Florida Board of Governors. The president of the Faculty Senate and president of the Student Government Association are also members.

The University was established as the Seminary West of the Suwannee by act of the Florida Legislature in 1851 and first offered instruction at the post-secondary level in 1857. The University's Tallahassee campus has been the site of an institution of higher education longer than any other site in the State. In 1905, the Buckman Act reorganized higher education in the state and designated the Tallahassee campus as the Florida Female College. In 1909, it was renamed Florida State College for Women. In 1947, the school returned to coeducational status, and the name was changed to Florida State University. The main University campus is spread over 463 acres in the City with branch campuses in Panama City, Florida, Sarasota, Florida, and in Italy, Great Britain, Spain, and the Republic of Panama.

Academic and Research Programs

The University is a comprehensive, graduate-research university with a liberal-arts base. Currently, the University is comprised of seventeen separate degree-granting schools, colleges and divisions: (1) The College of Arts and Sciences; (2) The College of Business; (3) The College of Communication; (4) The School of Criminology and Criminal Justice; (5) The College of Education; (6) The College of Engineering; (7) The College of Human Sciences; (8) The School of Information Studies; (9) The College of Law; (10) The College of Medicine; (11) The School of Motion Picture, Television, and Recording Arts; (12) The School of Music; (13) The School of Nursing; (14) The College of Social Sciences; (15) The School of Social Work; (16) The School of Theatre; and (17) The School of Visual Arts. The University offers degrees at the baccalaureate, masters, intermediate and doctoral (education) levels. In the fall of 2003, student undergraduate enrollment was approximately 29,297, student graduate enrollment was approximately 6,851, and 1,180 students were unclassified. The University's faculty consists of 1,510 full-time and 533 part time members. During the 2002-2003 summer, fall, and spring semesters, the University awarded 8,511 bachelor, masters, doctorate, specialist, and juris doctor degrees.

Governance

The governing body of the University is its Board of Trustees. The Board of Trustees constitutes a body corporate composed of thirteen members. The Governor appoints six board members, and the Florida Board of Governors appoints five board members. The president of the Faculty Senate and the president of the Student Government Association also are members of the Board of Trustees. Until January 7, 2003, when a change to the Florida Constitution became effective, the Board of Trustees was under general direction and control of the Commissioner of Education, and the Chancellor of the Division of Colleges and Universities, and was governed by Florida law and the rules of the Florida Board of Education. In December 2002, under the existing statute, the Board of Trustees selected a new University President and the Florida Board of Education ratified the candidate selected. On January 7, 2003, when the Florida Board of Governors assumed management responsibility for the State's university system, it gave the Board of Trustees the same power and duty to select the University President, subject to ratification by the Florida Board of Governors. The Board of Trustees adopts University rules and procedures, and plans for future needs of the University. The University President is responsible for the

management of the University and has the ultimate responsibility for administering the policies prescribed Board of Trustees.

Enrollment

The following schedule indicates enrollment at the University for each of the four previous academi and the current academic year:

	Total Fall Enrollment	Change over Previous Year	Percent Change over Previous Year
1999	33,327	2,134	6.84
2000	34,477	1,150	3.45
2001	35,462	985	2.86
2002	36,683	1,221	3.44
2003	37,328	645	1.76

Source: Florida State University & www.fsu.edu

Housing

Current student housing at the University consists of sixteen (16) residence halls containing a total of beds. See "**THE PROJECT**" in **Appendix "A"** hereto.

THE PARENT LEASE, THE SUBLEASE AND THE PARTIAL ASSIGNMENT

The Sublessor acquired leasehold title to the Property pursuant to Lease Agreement No. 2736 dated February 18, 1974, as amended by Amendment Number 32 to Lease Number 2736, dated May 1, 2001 (as and supplemented, the ***"Parent Lease"***), whereby the State of Florida Board of Trustees of the Improvement Trust Fund (the ***"Parent Lessor"***) leased certain property, including the Property, to the Subl (formerly known as the State of Florida Board of Regents, which is the predecessor in interest to the Sublessor) a term of ninety-nine (99) years. The Parent Lease is subject to termination at the sole option of the Parent Le and the Sublessor is required to surrender the leased premises to the Parent Lessor, when and if said leased prem including lands and improvements thereon shall cease to be used for public purposes.

Pursuant to the Sublease Agreement, the Sublessor has leased the Property to the Issuer for a term of (50) years, unless sooner terminated as a result of a breach of the covenants contained therein, subject to certain provisions as further described in the Sublease. The annual payment from the Issuer under the Sublease wil equal to $301 per year, consisting of a $300, as an administrative payment to the Parent Lessor, and $1.00 to Sublessor, as rent. If on or after December 19, 2012, the Property shall not have been utilized for the constructio student housing, meeting facilities, amenities, infrastructure and related facilities the Sublessor may terminate Sublease with respect to such undeveloped property. The Issuer has covenanted in the Sublease to make the Pro available primarily to provide housing for students attending the University and to particularly accommodate housing needs of students at the University who are members of non-profit affinity groups or organizations offici recognized by the University all in accordance with the housing policies applicable to the Property. However, Issuer has no specific contractual relationship or agreement with the University, any other educational institutior any non-profit affinity group or organization for the use of the Project

An event of default shall occur under the Sublease if the Issuer shall fail to comply with any other te covenant, condition, or provision of the Sublease and shall fail to correct such default within ninety (90) days a written notice specifying such default is given to the Issuer by the Sublessor. In the case of any such failure t cannot, with due diligence, be corrected within such ninety (90) day period, then the Issuer shall have s additional time, not to exceed 150 days, as is necessary to attempt to cure said default, so long as the Issue continuously and actively working toward the cure of such default. Notwithstanding the foregoing, in the event t litigation is commenced to cure any default, then the 150 day limitation shall be inapplicable. Upon the occurre of an event of default, the Sublessor will, subject to the provisions of the Sublease, have the right to (i) termi

Sublease and collect from the Issuer the reasonable costs and expenses of recovering the Property, or (ii) maintain the Sublease in full force and effect and exercise all rights and remedies conferred upon the Sublessor. Notwithstanding the foregoing termination rights of the Sublessor, the Sublessor may not terminate the Sublease as long as there remains unpaid any obligations, including the Series 2003 Bonds, secured by any portion of the Property or the repayment of which is secured by or to be paid from revenues of the Project. The holder of any such obligations are deemed to be third-party beneficiaries to the Sublease.

Pursuant to the Partial Assignment of Subleasehold Interest dated as of December 1, 2003 (the ***"Partial Assignment"***) the Issuer has assigned to the Borrower its rights, title and interest in a portion, but not all, of that real property granted to the Issuer under the Sublease, as more particularly described in the Partial Assignment. However, nothing shall be deemed or implied by the Partial Assignment which would in any way diminish or excuse the obligations of the Issuer from its covenants and agreements with the Sublessor, pursuant to the terms of the Sublease. The Issuer shall continue to be bound by the terms of the Sublease, as originally stated, and as such the Issuer shall be responsible to the Sublessor for the Borrower's compliance therewith, but to no other entity not a party to the Sublease. Nevertheless, the Partial Assignment shall be subject to any easements, rights of ingress or egress and of use of common areas upon the Property heretofore or hereafter designated or imposed by the Issuer in the course of the development and operation of the Project. Specifically, the Issuer may grant easements or rights of use of common areas, driveways or roadways to any subsublessees (as described in the Sublease) of designated parcels of land constituting a part of the Property.

LITIGATION

The Issuer

There is not now pending, or to the knowledge of the Issuer, threatened, any litigation restraining or enjoining the issuance or delivery of the Series 2003 Bonds or questioning or affecting the validity of the Series 2003 Bonds or the proceedings or authority under which the Series 2003 Bonds are issued. Neither the creation, organization, or existence, nor the title of the present members and officers of the Issuer to their respective office, is being challenged or questioned. There is no litigation pending, or to the knowledge of the Issuer, threatened, against the Issuer that in any manner questions the right of the Issuer to enter into the Indenture, the Assignments of Agreements and Documents or the Loan Agreement or to secure the Series 2003 Bonds in the manner provided in the Indenture and the Act or wherein an unfavorable decision, ruling, or finding would materially and adversely affect the transactions contemplated by the Indenture or the Loan Agreement or in any agreement or instrument to which the Issuer is a party or used or contemplated for use in the consummation of the transactions contemplated by the Indenture or the Loan Agreement.

The Borrower

There is no litigation now pending or threatened against the Borrower that in any manner questions the right of the Borrower to enter into or perform its obligations under the Loan Agreement, the Leasehold Mortgage, the Security Agreement, or the Assignments of Agreements and Documents or that individually or in the aggregate would adversely affect the operations of the Borrower the Project, the development, construction or operation of the Project, financial or otherwise.

RELATIONSHIPS

The Borrower is a single member limited liability company organized under the State, the sole member of which is the Issuer. In addition, the Developer is a limited liability company, a member of which is the General Contractor. Finally, Terrell C. Madigan, Esq., counsel for the Borrower and the Issuer also provides contract support for the Issuer. See **"THE ISSUER"** herein.

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TAX MATTERS

General

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law (1) interes Series 2003 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Revenue Code of 1986, as amended (the *"Code"*), and interest on the Series 2003 Bonds is not an iten preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and Series 2003 Bonds and the income thereon are exempt from taxation under the laws of the State, except esta imposed by Chapter 198, Florida Statutes, as amended, and net income and franchise taxes imposed by Chap Florida Statutes, as amended. Bond Counsel will express no opinion as to any other tax consequences regar Series 2003 Bonds.

The opinion on federal tax matters will be based on and will assume the accuracy of certain represe and certifications, and continuing compliance with certain covenants, of the Issuer and the Borrower to be co in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the 2003 Bonds are and will remain obligations the interest on which is excluded from gross income for federal tax purposes. Bond Counsel will also rely on the opinion of Borrower's Counsel as to the status of the Borr a disregarded entity for federal income tax purposes. Bond Counsel will not independently verify the accu those certifications and representations or that opinion.

The Code prescribes a number of qualifications and conditions for the interest on state an government obligations to be and to remain excluded from gross income for federal income tax purposes, s which require future or continued compliance after issuance of the obligations in order for the interest to be continue to be so excluded from the date of issuance. Noncompliance with these requirements by the Iss Borrower may cause the interest on the Series 2003 Bonds to be included in gross income for federal purposes and thus to be subject to federal income tax retroactively to the date of issuance of the Series 20 The Borrower and, subject to certain limitations, the Issuer have each covenanted to take the actions requir for the interest on the Series 2003 Bonds to be and to remain excluded from gross income for federal inco purposes, and not to take any actions that would adversely affect that exclusion.

A portion of the interest on the Series 2003 Bonds earned by certain corporations may be subje federal corporate alternative minimum tax. In addition, interest on the Series 2003 Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a fede imposed on excess net passive income of certain S corporations.

Under the Code, the exclusion of interest from gross income for federal income tax purposes ma certain adverse federal income tax consequences on items of income, deduction or credit for certain tax including financial institutions, certain insurance companies, recipients of Social Security and Railroad Reti benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligatio individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and ot consequences will depend upon the particular tax status or other tax items of the Owner of the Series 2003 Bond Counsel will express no opinion regarding those consequences.

Purchasers of the Series 2003 Bonds at other than their original issuance at the respective prices in on the cover of this Official Statement should consult their own tax advisers regarding other tax consideratio as the consequences of market discount.

Original Issue Discount and Original Issue Premium

Certain of the Series 2003 Bonds (*"Discount Bonds"*) as indicated on the cover of this Official Sta were offered and sold to the public at an original issue discount (*"OID"*). OID is the excess of the redemption price at maturity (the principal amount) over the *"issue price"* of a Discount Bond. The issue Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar pers

in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the Owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the Owner). The portion of OID that accrues during the period of ownership of a Discount Bond purchased in the initial offering at the initial price for that Discount Bond stated on the cover of this Official Statement (1) is interest excluded from the Owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Series 2003 Bonds, and (2) is added to the Owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond. A purchaser of a Discount Bond in the initial public offering at the price for that Discount Bond stated on the cover of this Official Statement who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of that Discount Bond.

Certain of the Series 2003 Bonds (***"Premium Bonds"***) as indicated on the cover of this Official Statement were offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the Owner of a Premium Bond. For purposes of determining the Owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the Owner's tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an Owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the Owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond stated on the cover of this Official Statement who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

Owners of Discount and Premium Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable in any period with respect to the Discount or Premium Bonds and as to other federal tax consequences and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

UNDERWRITING

The Issuer is offering the Series 2003 Bonds through Morgan Keegan & Company, Inc., Memphis, Tennessee and George K. Baum & Company, Denver, Colorado (collectively, the "***Underwriters***"), pursuant to a Bond Purchase Agreement. The obligation of the Underwriters to purchase and reoffer the Series 2003 Bonds for sale will be subject to various conditions contained in the Bond Purchase Agreement.

The Underwriters are purchasing the Series 2003 Bonds and intend to offer the Series 2003 Bonds to the original purchasers thereof at the offering prices set forth on the cover page of this Official Statement, which offering prices may subsequently be changed without any requirement of prior notice. The Underwriters will purchase the Series 2003 Bonds at a price equal to $22,528,421 (representing the par amount of the Series 2003 Bonds, less an Underwriters' discount of $326,410, less net original issue discount of $460,169) plus accrued interest. The Underwriters have reserved the right to permit other securities dealers who are members of the National Association of Securities Dealers, Inc., to assist in selling the Series 2003 Bonds. The Underwriters may offer and sell Series 2003 Bonds to certain dealers at prices lower than the public offering prices or otherwise allow concessions to such dealers who may re-allow concessions to other dealers. Any discounts and/or commissions that may be received by such dealers in connection with the sale of the Series 2003 Bonds will be deducted from the Underwriters' discount.

The Borrower will agree to indemnify the Underwriters against certain civil liabilities, including certain liabilities under federal securities laws. Under existing statutes, regulations, and court decisions, the enforceability of such an agreement to indemnify the Underwriters is uncertain.

RATING OF THE SERIES 2003 BONDS

Standard & Poor's Ratings Services ("*S&P*"), a Division of the McGraw-Hill Companies, is exp assign the Series 2003 Bonds a long-term rating of "A", with the understanding that upon delivery of th 2003 Bonds, the Bond Insurance Policy insuring the payment when due of the regularly scheduled principa interest on the Series 2003 Bonds will be issued by the Bond Insurer. An explanation of the significance ratings may be obtained from S&P. Such rating reflects only the view of S&P, and neither the Issuer, the B the University, the Bond Insurer, nor the Underwriters make any representation as to the appropriateness ther

There is no assurance that such rating will continue for any given period of time or that it will revised downward or withdrawn entirely, if in the judgment of S&P, circumstances so warrant. Any such do revision or withdrawal of such rating may have an adverse affect on the market price of the Series 2003 Bond

LEGAL MATTERS

All legal matters incidental to the authorization and issuance of the Series 2003 Bonds will be subjec approving opinion of Squire, Sanders & Dempsey LLP, Miami, Florida and Tampa, Florida, Bond Couns form of which is included as **Appendix "D"** hereto. Certain legal matters will be passed on for the Issuer a Borrower by their counsel, McFarlain & Cassedy, P.A., Tallahassee, Florida, and for the Underwriters b counsel, Parker Poe Adams & Bernstein L.L.P., Charlotte, North Carolina.

Bond Counsel has been employed primarily for the purpose of preparing certain legal documen supporting certificates, reviewing the transcript of proceedings pursuant to which the Series 2003 Bonds hav authorized to be issued, and rendering opinions in conventional form as to the validity and legality Series 2003 Bonds and to the exemption or lack thereof of interest thereon from income taxation by the U States of America and the State. While Bond Counsel has assisted in the preparation of this Official Stat is of the opinion that the statements made herein under the headings "**THE SERIES 2003 BONDS**", "**SEC SOURCES OF PAYMENT FOR THE SERIES 2003 BONDS**", "**TAX MATTERS**", "**LEGAL MATTER** "**DEFINITIONS**" and "**SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS**" in **Appendices "B"** and "*C*" att hereto and those portions of the section "**SUMMARY STATEMENT**" related to the aforementioned, fairly sum the matters there referred to, Bond Counsel has not been requested to check or verify, has not checked or ver and will express no opinion with respect to the accuracy, completeness, or fairness of any other inform contained in this Official Statement (other than the form of legal opinion set forth in **Appendix "D"** att hereto).

None of the legal counsel referenced in this Official Statement has (a) participated in the underwriti the Series 2003 Bonds, (b) provided any advice regarding the creditworthiness of the Series 2003 Bon (c) assisted in determining the value of the collateral securing the Series 2003 Bonds upon the occurrence c event of default. Legal counsel have solely and exclusively opined to those matters which are expressly set for their opinions which are attached hereto or which have been delivered in connection herewith and no Owner Series 2003 Bond shall be authorized or entitled to infer that such legal counsel have rendered opinions be those stated in their written opinions or to rely on the participation of counsel in this transaction. Except negligent errors in their express written opinions, legal counsel shall have no obligations to Owners of the S 2003 Bonds and Owners of the Series 2003 Bonds must not rely either expressly or implicitly upon such couns determining whether the Series 2003 Bonds represent suitable investments or otherwise meet their creditworthi and risk tolerance standards.

Under the Act, the State pledges to the holders of any bonds issued thereunder, including the Series 2 Bonds, that it will not limit or alter the rights vested in the Issuer until such obligations, together with inte thereon, are fully met and discharged. The State however has reserved the right to effect such limitation alterations if and when adequate provisions is made by law for the protection of the holders of the Series 2 Bonds of the Issuer.

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CONTINUING DISCLOSURE

The Borrower has agreed to undertake in the Continuing Disclosure Agreement (the ***"Continuing Disclosure Agreement"***), to be dated on or about December 1, 2003 between the Borrower and Wachovia Bank, National Association, as dissemination agent, for the benefit of Beneficial Owners of the 2003 Bonds to provide:

(a) by not later than six months after the end of each twelve (12) month period commencing on July 1 of each calendar year and ending on June 30 of the immediately succeeding calendar year, as such may be changed from time to time as provided in the Continuing Disclosure Agreement (the ***"Annual Period"***), commencing with the Annual Period ended June 30, 2005, to each nationally recognized municipal securities information repository (***"NRMSIR"***) and to the state information depository for the State of Florida (***"SID"***), if any, the audited financial statements of the Borrower for such Annual Period, if available, or, if such audited financial statements are not available by six months after the end of such Annual Period, the unaudited financial statements of the Borrower for such Annual Period to be replaced subsequently by the audited financial statements of the Borrower to be delivered when such audited financial statements become available for distribution;

(b) in a timely manner, to each NRMSIR or to the Municipal Securities Rulemaking Board (***"MSRB"***), and to the SID, if any, notice of the occurrence of any events set forth in Rule 15c2-12(b)(5)(i)(C) issued under the Securities and Exchange Act of 1934, as amended (as such Rule exists on the date of this Official Statement) with respect to the Series 2003 Bonds, if material; and

(c) in a timely manner, to each NRMSIR or to the MSRB, and to the SID, if any, notice of a failure of the Borrower to provide any required annual financial information described in (a) above on or before the date specified.

If the Borrower fails to comply with the undertaking described above, the Trustee or any Beneficial Owner of the Series 2003 Bonds may take action to protect and enforce the rights of the Beneficial Owners of the Series 2003 Bonds with respect to such undertaking, including an action for specific performance; provided, however, that failure to comply with such undertaking is not an Event of Default under the Indenture and will not result in any acceleration of payment of the Series 2003 Bonds, and the sole remedy if the Borrower fails to comply with the undertaking described above is an action to compel specific performance. All actions shall be instituted and maintained in the manner provided in this paragraph for the benefit of all Beneficial Owners of the Series 2003 Bonds.

The Borrower has not failed to provide any information required to be provided by any undertaking previously made by the Borrower pursuant to the requirements of the Rule.

MISCELLANEOUS

The information set forth in this Official Statement relating to (i) the Borrower has been furnished by the Borrower; (ii) the Developer, the Development Agreement, the cashflow forecast of the Project and the Project, unless otherwise specified herein, has been furnished by the Developer; (iii) the Architect and the Architect's Agreement has been furnished by the Architect; (iv) the General Contractor and the Construction Contract has been furnished by the General Contractor; (v) the Manager and the Management Agreement has been furnished by the Manager; (vi) the University and the existing student housing on the campus of the University has been furnished by the University.

The Issuer has not participated in the preparation of this Official Statement and has not verified the accuracy of the information contained herein, other than the information relating the Issuer set forth under the captions "THE ISSUER" "THE PARENT LEASE, THE SUBLEASE AND THE PARTIAL ASSIGNMENT", "THE ISSUER", "LITIGATION - The Issuer", and those other statements related to the Issuer under the headings "RELATIONSHIPS", "SUMMARY STATEMENTS", and "INTRODUCTORY STATEMENT" (the *"Issuer Information"*).

The Issuer's approval of this Official Statement does not constitute approval of the information contained Official Statement, other than the Issuer Information, or a representation of the Issuer as to the completen accuracy of the other information contained in this Official Statement.

Any statements made in this Official Statement involving estimates or matters of opinion, whether or expressly stated, are set forth as such and not as representations of fact, and no representation is made that any estimates or matters of opinion will be realized. Neither this Official Statement nor any statement that may been made orally or in writing is to be construed as a contract with the Owners of the Series 2003 Bonds.

The Issuer and the Borrower have duly authorized the execution, delivery, and distribution of this O Statement in connection with the offering of the Series 2003 Bonds.

LCEFA OCALA ROAD, LLC

By: **LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY**, *its sole member*

By: /s/ Robert E. Kellam
Robert E. Kellam
Chairman

LEON COUNTY EDUCATIONAL FACILITIES AUTHOI

By: /s/ Robert E. Kellam
Robert E. Kellam
Chairman

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Appendix "A"

THE PROJECT

Description of the Project

The site for the Project consists of approximately thirty-seven (37) acres, less certain parcels granted for the benefit of the Equity Houses, located 400 feet south of Tennessee Street on the east side of Ocala Road, near the campus of the University. The Issuer is subleasing the site from the State of Florida Board of Education for an initial term of fifty (50) years, with the express intention of both parties to continue and to renew the Sublease as long as both parties are authorized by law to continue the Sublease. The Issuer is, in turn, assigning a portion of its interest in the Sublease, with respect to the Property, to the Borrower pursuant to the Partial Assignment.

The Project will contain 384 beds in approximately eight 3-story residential buildings containing a total of 192 two-bedroom units and eight community buildings detached from the residential buildings, all surrounding an expansive green. The Project will contain approximately 1,057 parking spaces, on lighted and landscaped grounds.

The brick veneer residential buildings will be three stories in height with stair access to the upper floors. Each of the units in the residential buildings will contain two individually lockable bedrooms, each with its own bathroom, along with a common living/dining area, fully equipped kitchen and laundry closet. Construction material will include a combination of brick, hardi-plank siding, and stucco and asphalt roof shingles in the style prevalent on the Florida State University campus. Each unit will have a central heating and cooling system, fire sprinkler systems, fire alarms and smoke alarms.

The brick veneer community buildings will be one story in height. Each of the community building's will contain a large meeting room with an adjacent catering kitchen, a small parlor/ conference room, an office, restrooms, and a storage room. Construction material will include a combination of brick and stucco, with asphalt roof shingles in the style prevalent on the University campus.

In addition to the residential buildings and the community buildings, the Project will contain a community swimming pool and deck, and a small commons building providing leasing and administrative space, maintenance and storage areas, and restrooms associated with the pool.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Existing On-Campus Student Housing

Building	Completed/Renovated	Capacity(Beds)
Broward	1917 / 1998	135
Bryan	1907 / 1996	131
Cawthon	1949 / 2001-02	295
Degraff	1950	140
Deviney	1952	245
Dorman	1959	276
Gilchrist	1925 / 1998	229
Jennie Murphree	1921 / 1993	327
Kellum	1959	538
Landis[1]	1939	N/A
Mccollum	1973	199
Reynolds	1911 / 1994	243
Rogers	1964	188
Salley	1964/ 2000-01	570
Smith	1952	562
New Hall	2003	555
Phi Kappa Tau[2]	1952	40

[1] To be closed for Major Renovations in May, 2004 and to re-open in Fall of 2006
[2] This facility is leased to Phi Kappa Tau and is not used by the University for inclusion in occupancy statist
Source: Florida State University and www.fsu.edu

Seven of the residence halls are configured in a suite style living environment with semi-private bathro Five residence halls (Smith, Kellum, Dorman, Deviney, Degraff) offer a traditional corridor style facility community bathrooms.

One residence hall (Mccollum) offers townhouse and efficiency style apartments. One student is assi to an efficiency apartment and each efficiency unit is equipped with a day bed, dresser, a kitchen unit, desk chair, closet, shared study area and a bathroom. Four students occupy the townhouse units and each townh apartment is equipped with twin beds, dresser space, desks with chairs, a shared study area, a living/dining are kitchen unit, and a bathroom.

Two residence halls (New Hall and Rogers Hall) house students in an apartment style unit. A unit wi New Hall consists of four students in single bedrooms with two bathrooms. A unit within Rogers Hall consist two students assigned to each one –bedroom apartment unit.

The occupancy rate for the University's existing on-campus housing over the last five academic year shown in the following table:

Year	Occupancy Rate
1999-00	103%
2000-01	102
2001-02	97
2002-03	100
2003-04	100

Source: Florida State University

APPENDIX "B"

DEFINITIONS

Certain words and terms used in this Official Statement are defined herein. In addition to the words and terms defined elsewhere herein, the following words and terms are defined terms in this Official Statement.

"***2003 Account of the Construction Fund***" means the Account of the Construction Fund of that name created in the Indenture.

"***2003 Account of the Issuance Cost Fund***" means the Account of the Issuance Cost Fund of that name created in the Indenture.

"***2003 Subaccount of the Capitalized Interest Account***" means the subaccount of the Capitalized Interest Account of that name created in the Indenture.

"***2003 Subaccount of the Defeasance Account***" means the subaccount of the Defeasance Account of that name created in the Indenture.

"***Accountant***" means an independent certified public accountant or firm of independent certified public accountants (which may be the accountant or firm of accountants retained by the Borrower).

"***Accounts***" means, collectively, all of the accounts within the Funds created pursuant to the Indenture (each, an "***Account***").

"***Act***" means the Higher Educational Facilities Authorities Law, as amended, Chapter 243, Part I, Florida Statutes, and other applicable provisions of law, including a Resolution adopted on July 17, 1990 by the Board of County Commissioners of Leon County, Florida establishing the Authority, and all future acts supplemental thereto and amendatory thereof.

"***Additional Bonds***" means any additional parity Bonds authorized to be issued by the Issuer pursuant to the terms and conditions of the Indenture.

"***Additional Loan Payments***" means the Loan Payments payable by the Borrower to the Issuer pursuant to the Loan Agreement that are described under the caption "**THE LOAN AGREEMENT - Loan Payments and Other Amounts Payable – *Additional Loan Payments***" in "**SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS**" in Appendix "C" attached hereto.

"***Additional Notes***" means any promissory notes issued by the Borrower in connection with Additional Bonds.

"***Additions or Alterations***" means modifications, repairs, renewals, improvemer replacements, alterations, additions, enlargements, or expansions in, on, or to the Proje including any and all machinery, furnishings, and equipment therefor.

"***Affiliate***" means any Person (i) directly or indirectly controlling, controlled by, or unc common control with the Borrower; or (ii) a majority of the members of the Directing Body which are members of the Directing Body of the Borrower. For purposes of this definitic control means with respect to: (a) a corporation having stock, the ownership, directly indirectly, of more than fifty percent (50%) of the securities (as defined in Section 2(1) of t Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinaril in the absence of contingencies, entitled to elect a majority of the directors of such corporatio (b) a nonprofit corporation not having stock, having the power to elect or appoint, directly indirectly, a majority of the members of the Directing Body of such corporation; or (c) any oth entity, the power to direct the management of such entity through the ownership of at least majority of its voting securities or the right to designate or elect at least a majority of tl members of its Directing Body, by contract or otherwise.

"***Architect***" means Pierce, Goodwin, Alexander & Linville, Inc.

"***Annual Budget***" means the annual budget of the Borrower required by the Lo Agreement.

"***Annual Debt Service***" means the amount required to pay all principal of and inter a series of Bonds in any Bond Year.

"***Architect***" means Pierce, Goodwin, Alexander & Linville, Inc.

"***Assignments of Agreements and Documents***," with respect to the Series 2003 Bond means, collectively, the Assignment of Agreements and Documents, dated as of December 2003, by the Authority, and the separate Assignment of Agreements and Documents also of eve date herewith by the Borrower, each in favor of the Trustee, and each as the same may b amended and/or supplemented from time to time as permitted hereby.

"***Audit Report***" means an audit report resulting from an audit conducted by a Accountant in conformity with generally accepted auditing standards prepared in accordanc with GAAP.

"***Authorized Borrower Representative***" means any person at the time designated to a on behalf of the Borrower by written certificate furnished to the Issuer and the Truste containing the specimen signature of such person and signed on behalf of the Borrower by i authorized representative. Such certificate or any subsequent or supplemental certificate s executed may designate an alternate or alternates.

"***Authorized Denominations***," with respect to the Series 2003 Bonds, means Fi Thousand Dollars ($5,000) and whole multiples thereof (each, an "***Authorized Denomination***").

"***Authorized Developer Representative***" means any person at the time designated to act on behalf of the Developer by written certificate furnished to the Issuer, the Borrower and the Trustee, containing the specimen signature of such person and signed on behalf of the Developer by its authorized representative. Such certificate or any subsequent or supplemental certificate so executed may designate an alternate or alternates.

"***Authorized Issuer Representative***" means any person at the time designated to act on behalf of the Issuer by written certificate furnished to the Borrower and the Trustee, containing the specimen signature of such person and signed on behalf of the Issuer by the Chairman or the Executive Director. Such certificate or any subsequent or supplemental certificate so executed may designate an alternate or alternates.

"***Authorized Newspaper***" means The Bond Buyer or any other newspaper in English customarily published each Business Day and generally circulated in the Borough of Manhattan, City and State of New York.

"***Available Moneys***" means, as of any date (i) funds that (a) have been paid to the Trustee by the Borrower or any Affiliate of the Borrower, and deposited into and held in a separate and segregated subaccount or subaccounts in the Redemption Fund, the Debt Service Reserve Fund, or the Bond Fund in which no moneys not deposited on the same date were at any time held, and (b) have been on deposit with the Trustee in such subaccount or subaccounts in the Redemption Fund, the Debt Service Reserve Fund, or the Bond Fund for a period of at least one hundred twenty-three (123) consecutive days prior to such date, during and prior to which period no Event of Bankruptcy shall have occurred and (c) are represented by cash or direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America; (ii) the proceeds deposited directly into the Defeasance Account of the Bond Fund from the sale of refunding obligations other than, directly or indirectly, to the Issuer, the Borrower, or any Affiliate of the Borrower or any entity who, at the time of the purchase of the Bonds, is a secured creditor of the Borrower; (iii) proceeds from investment of the foregoing; *provided, however,* that such proceeds are retained in the Fund in which they were earned; and (iv) any other funds so long as, in the opinion of nationally recognized Independent Counsel experienced in bankruptcy matters, payments therefrom will not constitute an avoidable preference under the Bankruptcy Code.

"***Bankruptcy Action***" means (i) commencing any case, proceeding or other action on behalf of the Borrower under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization, relief from debts, or the protection of debtors generally, (ii) instituting proceedings to have the Borrower adjudicated as bankrupt or insolvent, (iii) consenting to the institution of bankruptcy or insolvency proceedings against the Borrower, (iv) filing a petition or consenting to a petition seeking reorganization, arrangement, adjustment, winding-up, dissolution, composition, liquidation, or other relief on behalf of the Borrower on behalf of its debts under any federal or state law relating to bankruptcy or insolvency, (v) seeking or consenting to the appointment of a receiver, liquidator, assignee, trustee, sequestrator, custodian, or similar official for the Borrower or a substantial portion of its properties, (vi) making any assignment for the benefit of the Borrower's creditors, or (vii) taking any action or causing the Borrower to take any action in furtherance of any of the foregoing.

"***Bankruptcy Code***" means the Bankruptcy Reform Act of 1978, as amended (1 the United States Code, as amended).

"***Basic Loan Payments***" means the Loan Payments payable by the Borrower to t pursuant to the Loan Agreement that are described under the caption "**THE AGREEMENT - Loan Payments and Other Amounts Payable – *Basic Loan Payn*** "**SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS**" in Appendix "C" hereto.

"***Beneficial Owner,***" with respect to the Bonds, means a Person owning a B Ownership Interest therein, as evidenced to the satisfaction of the Trustee.

"***Beneficial Ownership Interest***" means the beneficial right to receive payme notices with respect to the Bonds that are held by a Securities Depository under a boo system.

"***Bond Counsel***" means Independent Counsel nationally recognized as experie matters relating to Tax-Exempt Bonds and reasonably acceptable to the Issuer, the Trus the Bond Insurer.

"***Bond Documents,***" with respect to the Series 2003 Bonds, means, collectiv Indenture, the Loan Agreement, the Series 2003 Note, the Tax Compliance Certific Leasehold Mortgage, the Security Agreement, the Assignment of Agreements and Doc the Bond Purchase Agreement, the Indemnity Letters, the Ground Lease, the De Agreement, the Construction Contracts, the Management Agreement, the Continuing Dis Agreement and the Financing Statements.

"***Bond Fund***" means the Fund of that name created in the Indenture.

"***Bond Insurance Policy***" means, with respect to the Series 2003 Bonds, the fi guaranty insurance policy issued by the Bond Insurer insuring the payment when due principal of and interest on the Series 2003 Bonds.

"***Bond Insurer***" means ACA Financial Guaranty Corporation, a Maryland insurance company, and its successors and assigns.

"***Bond Payment Dates***" means, collectively, the Interest Payment Dates and all da which principal, interest, redemption price, or a sinking fund payment, shall be payable o respect of any of the Bonds according to their terms and the terms of the Indenture, inc without limitation, scheduled mandatory sinking fund redemption dates, unscheduled man redemption dates, dates of acceleration of the Bonds pursuant to the Indenture, o redemption dates, extraordinary optional redemption dates, and stated maturity dates, so l any Bonds shall be Outstanding (each, a "***Bond Payment Date***").

"***Bond Purchase Agreement,***" with respect to the Series 2003 Bonds, means the Purchase Agreement, dated December 5, 2003, among the Issuer, the Borrower, a Underwriters.

"***Bond Register***" means the books for the registration of the Bonds and for the registration of the transfer of the Bonds kept and maintained by the Trustee as bond registrar.

"***Bond Resolution,***" with respect to the Series 2003 Bonds, means the resolution or resolutions adopted by the Issuer authorizing the issuance and sale thereof, the security therefor, and the execution, delivery, and performance of the applicable Issuer Documents.

"***Bond Year***" means the twelve (12) month period beginning on August 2 of each calendar year and ending on August 1 of the immediately succeeding calendar year; *provided, however,* that the initial Bond Year shall begin on the date of issuance and delivery of the Series 2003 Bonds and end on August 1, 2004.

"***Bondholders,***" "***Bondowners,***" or "***Owners***" means the Persons in whose names any of the Bonds are registered on the Bond Register.

"***Bonds***" means the Series 2003 Bonds and all Additional Bonds.

"***book entry form***" or "***book entry system***" means, with respect to the Bonds, a form or system, as applicable, under which (i) the Beneficial Ownership Interests may be transferred only through a book entry and (ii) physical Bond certificates in fully registered form are registered only in the name of the Securities Depository or the Securities Depository Nominee, with the physical Bond certificates immobilized in the custody of the Securities Depository or a custodian on behalf of the Securities Depository. The book entry system that is maintained by and the responsibility of the Securities Depository (and which is not maintained by or the responsibility of the Issuer or the Trustee) is the record that identifies and records the transfer of the interests of, the owners of book entry interests in the Bonds.

"***Borrower***" means LCEFA OCALA ROAD, LLC, a single member limited liability company, whose sole member is the Authority, duly organized and existing under of the laws of the State of Florida, and its successors and assigns.

"***Borrower Documents,***" with respect to the Series 2003 Bonds, means the Loan Agreement, the Series 2003 Note, the Tax Compliance Certificate of Borrower, the Leasehold Mortgage, the Security Agreement, an Assignment of Agreements and Documents, the Bond Purchase Agreement, the Borrower Indemnity Letter, the Ground Lease, the Management Agreement, the Continuing Disclosure Agreement and the Financing Statement(s).

"***Borrower Indemnity Letter,***" with respect to the Series 2003 Bonds, means the indemnity letter, dated December 16, 2003, from the Borrower to the Issuer, the Underwriters and the Bond Insurer.

"***Building***" means those certain buildings and all other facilities and improvements constituting part of the Project and not constituting part of the Equipment that are or will be located on the Property.

"***Business Day***" means any day other than a Saturday, a Sunday, or a day on wh located in the cities in which the Office of the Trustee is located are authorized by lav and on which the New York Stock Exchange is closed.

"***Campus***" means the campus of the University.

"***Capital Expenditures***" means capital repair, replacement, or upgrade c extraordinary maintenance expenses to the extent considered capital in nature under GA

"***Capitalized Interest***" means amounts derived from the proceeds of Bonds dep the Capitalized Interest Account of the Bond Fund to pay interest on Bonds and interes on such amounts to the extent that such interest earned is required to be applied to pay in Bonds.

"***Capitalized Interest Account***" means the Account of the Bond Fund by th created in the Indenture.

"***Chairman***" means the Chairman of the Issuer. The term shall include th Chairman of the Issuer whenever, by reason of absence, illness, or other reason, the Chai the Issuer is unable to act.

"***Closing Date***" means December 16, 2003.

"***Code***" means the Internal Revenue Code of 1986, as amended. Reference he specific provision of the Code shall be deemed to include a reference to any successor pr or provisions to such provision and to any Regulations issued or proposed under or with to such provision or under or with respect to any predecessor provision of the Internal R Code of 1954, as amended, to the extent any of the foregoing is applicable to the Bonds.

"***Condemnation Fund***" means the Fund of that name created in the Indenture.

"***Consistent Basis***" means, in reference to the application of GAAP, that the acco principles observed in the period referred to are comparable in all material respects to applied in the preceding period, except as to any changes consented to by the Trustee.

"***Construction Consultant***" means The Staubach Company – Southeast, Inc., a successors and assigns.

"***Construction Consultant Agreement***" means, collectively, the Memorandu Understanding, dated August ____, 2003, between the Authority and the Constru Consultant, as supplemented by Letter Agreement, dated _____, from the Constru Consultant to and accepted by the Bond Insurer, as assigned by the Authority to the Bon with the consent of the Construction Consultant by that certain Assignment of Constru Consultant Agreement, dated December 1, 2003.

"***Construction Contracts***," with respect to the Series 2003 Project, means Development Agreement, the General Construction Contract, the Construction C

Agreement and the other contracts, if any, relating to the construction of the Series 2003 Project between or among the Developer, the General Contractor, the Authority or the Borrower and construction professionals or suppliers of materials and Equipment (each, a "***Construction Contract***").

"***Construction Costs,***" with respect to the Series 2003 Project, means all Costs of the Project that are properly payable to the appropriate contractors pursuant to the applicable Construction Contracts.

"***Construction Fund***" means the Fund of that name created in the Indenture.

"***Construction Period,***" with respect to the Series 2003 Project, means the period between the beginning of construction thereof or the date on which Series 2003 Bonds are first delivered to the Underwriters (whichever is earlier) and the Series 2003 Completion Date.

"***Continuing Disclosure Agreement***" means the Continuing Disclosure Agreement, dated as of December 1, 2003, between the Borrower and the Dissemination Agent.

"***Costs of the Project,***" with respect to the Series 2003 Project, means those costs and expenses in connection with the development, design, acquisition, construction, and equipping thereof permitted by the Act to be paid or reimbursed from the proceeds of the Series 2003 Bonds or any Additional Bonds including, but not limited to, the following:

(i) (a) the cost of the preparation of Plans and Specifications (including any preliminary study or planning thereof or any aspect thereof), (b) the cost of acquisition and construction thereof and all construction, acquisition, and installation expenses required to provide utility services or other facilities and all real or personal properties deemed necessary in connection therewith (including development, architectural, engineering, and supervisory services with respect to any of the foregoing), (c) interest on the Series 2003 Bonds during the applicable Construction Period, and (d) any other costs and expenses relating to the development, design, acquisition, construction, and placing in service thereof;

(ii) the purchase price of the Equipment in connection therewith, including all costs incident thereto, payment for labor, services, materials, and supplies used or furnished in site improvement and in the construction thereof, including all costs incident thereto, payment for the cost of the construction, acquisition, and installation of utility services or other facilities in connection therewith, payment for all real and personal property deemed necessary in connection therewith, payment of consulting and development fees in connection therewith, and payment for the miscellaneous expenses incidental to any of the foregoing items, including the premium on any surety bond;

(iii) the fees or out-of-pocket expenses, if any, of those providing services with respect thereto, including, but not limited to, architectural, engineering, and supervisory services;

(iv) any other costs and expenses relating to the Series 2003 Project, including on the Series 2003 Bonds during the Construction Period and for such ad period as the Issuer shall reasonably determine to be necessary for plac Series 2003 Project, premiums for the Bond Insurance Policy and the (marketing the Series 2003 Project during the Construction Period and months after the scheduled completion date, that would constitute a "cost "expense" permitted to be paid by the Issuer under the Act, other than Is Costs of the Series 2003 Bonds; and

(v) reimbursement to the Issuer or the Borrower for any costs described abov by it, whether before or after the execution of the Loan Agreement; *pro however,* that reimbursement for any expenditures made prior to the execu the Loan Agreement from the 2003 Account of the Construction Fund sha be permitted for expenditures meeting the requirements of the Regul including but not limited to, Section 1.150-2 of the Regulations.

"***County***" means Leon County, Florida.

"***Debt Service Payment***" means, with respect to any Bond Payment Date, (i) the in payable on the Bonds on such Bond Payment Date, (ii) the principal or redemption price, i payable in respect of the Bonds on such Bond Payment Date, and (iii) the Sinking Requirement, if any, with respect to such Bond Payment Date (collectively, the "***Debt Se Payments***").

"***Debt Service Reserve Fund***" means the Fund of that name created in the Indenture.

"***Debt Service Reserve Fund Obligation***" means a surety bond or insurance p meeting the requirements described in the Indenture.

"***Debt Service Reserve Requirement,***" (i) with respect to the Series 2003 Bonds and Additional Bonds that are Tax-Exempt Bonds and for which there shall be a Debt Ser Reserve Requirement, at the time of determination, means the least of (a) ten percent (10% the stated principal amount thereof, (b) one hundred twenty-five percent (125%) of the ave Annual Debt Service thereon, (c) the Maximum Annual Debt Service thereon, or (d) in the (of the Series 2003 Bonds and any Additional Bonds that are Tax-Exempt Bonds, such lesser as shall be required by the Code and the Regulations to ensure the exclusion of the inte thereon from the gross income of the Owners thereof for federal income tax purposes; and with respect to the Bonds, means the sum of the Debt Service Reserve Requirements for e series of Bonds Outstanding; *provided, however,* that the amount of principal due in any B Year shall be determined, in the case of Bonds subject to mandatory sinking fund redempt pursuant to the Indenture and similar provisions in any supplemental indenture, by the princi amount of Bonds to be redeemed by mandatory sinking fund redemption in such Bond Year.

"***Default Condition***" means the occurrence or existence of an event or condition whi upon the giving of notice or the passage of time, or both, would constitute an Event of Default.

"***Defaulted Interest***" means any interest on any Bond that is due and payable, but that is not punctually paid or duly provided for on any Interest Payment Date.

"***Defeasance Account***" means the Account of the Bond Fund by that name created in the Indenture.

"***Defeasance Obligations***" means (i) Cash (insured at all times by the Federal Deposit Insurance Corporation), (ii) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America, and (iii) senior debt obligations of federal agencies approved in writing at the time of investment therein by the Bond Insurer.

"***Developer***" means Capstone/LLT, LLC, a Florida limited liability company formed by Capstone Development Corporation of Birmingham, Alabama and LLT Building Corporation of Tallahassee, Florida, and its successors and assigns.

"***Developer Indemnity Letter***," with respect to the Series 2003 Bonds, means the indemnity letter, dated December 16, 2003, from the Developer to the Issuer, the Borrower, the Underwriters and the Bond Insurer.

"***Development Agreement***," with respect to the Series 2003 Bonds, means, collectively, the Development and Construction Management Agreement, dated January 14, 2003, between the Authority and the Developer, as amended by the First Amendment to Development and Construction Management Agreement, dated as of December 1, 2003, between the Authority and the Developer, as the same may be amended.

"***Directing Body***," for purposes of the defined term "***Affiliate***," means with respect to: (x) a corporation having stock, such corporation's board of directors and owners, directly or indirectly, of more than fifty percent (50%) of the securities (as defined in § 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the directors of such corporation (both of which groups shall be considered a Directing Body); (y) a non-profit corporation not having stock, such corporation's members if the members have complete discretion to elect the corporation's directors, or the corporation's directors if the corporation's members do not have such discretion; or (z) any other entity, its governing body or board. For the purposes of this definition, all references to directors and members shall be deemed to include all entities performing the function of directors or members however denominated.

"***Dissemination Agent***" means Wachovia Bank, National Association, in its capacity as dissemination agent under the Continuing Disclosure Agreement and its successors and assigns, and the dissemination agent under any successor agreement.

"***DTC***" means The Depository Trust Company, New York, New York, or any successor securities depository.

"***DTC Participant***" means brokers and dealers, banks, trust companies, clea corporations, and certain other organizations on whose behalf DTC was created to hold securi to facilitate the clearance and settlement of securities transactions among DTC Participants.

"***Equipment***" means the equipment, machinery, furnishings, and other personal prop described in the Loan Agreement, and all replacements, substitutions, and additions thereto.

"***Equity Houses***" mean those certain buildings, and other facilities and improveme constituting a part thereof located on that portion of the real property subject to that Suble Agreement, dated December 19, 2002, between the State of Florida Board of Education, successor to the Florida Board of Regents, as sublessor, and the Authority, as sublessee, un that certain Lease Agreement No. 2736, dated February 18, 1974, between the Improvem Trust Fund and the Florida Board of Regents, as amended and particularly as amended Amendment Number 32 to Lease Number 2736, dated May 1, 2001, between the Improvem Trust Fund and the Florida Board of Regents, that is excluded from the Ground Lease.

"***Event of Bankruptcy***" means the filing of a petition in bankruptcy (or ot commencement of a bankruptcy or similar proceedings) by or against the Issuer or the Borrow as debtor, under any applicable bankruptcy, reorganization, insolvency, or other similar law now or hereafter in effect.

"***Event of Default***" means each of the events specified in the Indenture.

"***Event of Taxability***," with respect to any series of Tax-Exempt Bonds, means existence or absence of any circumstances that causes the interest thereon or on any porti thereof to become includable in the gross income of the Owner thereof for federal income purposes.

"***Examination Report***" means an examination report resulting from an examinati conducted by an Accountant in conformity with generally accepted standards for accountan services on prospective financial information prepared in accordance with GAAP.

"***Expenses***," with respect to the Series 2003 Project, means, for any period, the aggreg of all expenses relating thereto, calculated under GAAP, including necessary expenses incur by the Borrower in connection with the inspection thereof, collection and payment of arbitra rebate relating to the Series 2003 Bonds as required by federal law, enforcement of obligations of other parties to documents executed in connection therewith, and the performan of any other obligations of the Borrower, the Insurance Consultant, or the Independent Engine under the Bond Documents directly related thereto, but excluding (i) any extraordinary expens (including without limitation losses on the sale of assets other than in the ordinary course business and losses on the extinguishment of debt or termination of pension plans), (ii) a expenses resulting from a forgiveness of or the establishment of reserves against Indebtedness an Affiliate that do not constitute extraordinary expense, (iii) losses resulting from a reappraisal, revaluation, or write-down of assets, (iv) any expense constituting a Fixed Char (v) the management fee payable to the Manager under the Management Agreement, and (vi) Issuer Fee (if any).

"***Extraordinary Services of the Trustee***" and "***Extraordinary Expenses of the Trustee***" mean all services rendered and all expenses incurred by the Trustee under the Indenture, including, without limitation, reasonable counsel fees and expenses, other than Ordinary Services of the Trustee and Ordinary Expenses of the Trustee.

"***Favorable Opinion of Bond Counsel***" means an opinion of Bond Counsel, addressed to the Issuer, the Borrower, the Bond Insurer, and the Trustee to the effect that the action proposed to be taken is authorized or permitted by the laws of the State and the Indenture and will not adversely affect any exclusion from gross income for federal income tax purposes or any exemption from State income taxes, of interest on any Tax-Exempt Bonds.

"***Financial Consultant***" means a firm of Accountants and/or professional management, marketing, housing, or financial consultants having the skill and experience necessary to render the particular report required which firm is reasonably acceptable to the Trustee and the Bond Insurer. Such firm(s) shall not be, and no member, stockholder, director, officer, or employee of which shall be, an officer or employee of the Borrower or the University. The reports of the Financial Consultant showing forecast financial performances may be in the form of a forecast of the management of the Borrower that is accompanied by a statement of a Financial Consultant to the effect that such Financial Consultant has reviewed the underlying assumptions and procedures used by management and that such assumptions provide a reasonable basis for the forecast of management.

"***Financing Statements***," with respect to the Series 2003 Bonds, means the UCC-1 Financing Statement(s) filed under the Security Agreement and the Assignment of Agreements and Documents.

"***Fixed Charge***" or "***Fixed Charges***" means, for any period, the Debt Service Payments to the extent due and payable during such period.

"***Fixed Charges Coverage Ratio***" means, for any period, the ratio of Revenue Available for Fixed Charges to Fixed Charges.

"***Funds***" means, collectively, all of the funds created pursuant to the Indenture (each, a "***Fund***").

"***GAAP***" means those principles of accounting set forth in pronouncements of the Financial Accounting Standards Board and its predecessors or pronouncements of the American Institute of Certified Public Accountants or those principles of accounting that have other substantial authoritative support and are applicable in the circumstances as of the date of application, as such principles are from time to time supplemented and amended.

"***General Construction Contract***" means, collectively, the Standard Form of Agreement Between Owner and Contractor (the "Construction Contract"), effective on October 27, 2003, between the Developer, as developer/construction manager for the Series 2003 Project, and the General Contractor, pursuant to which the General Contractor has agreed to construct the Series 2003 Project.

"***General Contractor***" means Capstone Building Corporation, an Alabama corporati and its successors and assigns.

"***General Revenues***" means (i) the sum of (a) the gross receipts and operating and n operating revenues of the Borrower (other than contributions), including proceeds of insuran and (b) Unrestricted Contributions, all as determined in accordance with GAAP, but excludi in any event, (ii) the sum of (a) earnings on amounts that are irrevocably deposited in escrow pay the principal of or interest on Indebtedness, and (b) security deposits received from stud residents of the Project and held by the Borrower until such time, if any, as the Borrower shall permitted to apply such deposits to the payment of rent or to the repair and maintenance of t Project in accordance with the terms of a lease or residency agreement (provided, however, t nothing herein shall prohibit the Borrower from returning such security deposits to stud residents of the Project upon termination of their respective leases or residency agreements accordance with their terms and applicable law).

"***Government Obligations***" means direct obligations of, or obligations the payment of t principal of and interest on which when due are unconditionally guaranteed by the United Sta of America or any agency or instrumentality thereof and evidences of direct ownership interest amounts payable upon any of the foregoing.

"***Ground Lease***," with respect to the Series 2003 Bonds, means the Partial Assignment Subleasehold Interest, dated as of December 1, 2003, between the Authority, as assignor, a Borrower, as assignee, with the consents of the Ground Lessor and the Improvement Trust Fu of a portion of the real property subject to that Sublease Agreement, dated December 19, 20 between the State of Florida Board of Education, as successor to the Florida Board of Regents, sublessor, and the Authority, as sublessee, under that certain Lease Agreement No. 2736, dat February 18, 1974, between the Improvement Trust Fund and the Florida Board of Regents, amended and particularly as amended by Amendment Number 32 to Lease Number 2736, dat May 1, 2001, between the Improvement Trust Fund and the Florida Board of Regents, as t same may be amended from time to time in accordance with the provisions thereof and hereof.

"***Ground Lease Payments***" means, collectively, the annual administrative fee of $3 pursuant to Florida Administrative Code, Rule 18-2.020(8), due and payable to the Improveme Trust Fund on each July 1, and the annual rent of One Dollar ($1.00) pursuant to Section 41 that Sublease Agreement, dated December 19, 2002, between the State of Florida Board Education, as successor to the Florida Board of Regents, as sublessor, and the Authority, sublessee, due and payable to the Ground Lessor on each July 1.

"***Ground Lessor***" means The Florida State University Board of Trustees (successor interest by operation of law to the Florida Board of Education) which was the successor interest by type two transfer pursuant to Section 20.06(2), Florida Statutes, to the Florida Boa of Regents, as sublessor with respect to the Ground Lease, or any agency, board, boc commission, department or officer succeeding to the principal functions thereof or to whom t powers conferred upon the Ground Lessor by said provisions shall be given by law.

"***Improvement Trust Fund***" means the State Board of Trustees of the Internal Improvement Trust Fund of the State of Florida.

"***Indebtedness***" means, but only to the extent incurred in connection with the Project or secured by a lien on the Project or the General Revenues, (i) all indebtedness, whether or not represented by bonds, debentures, notes, or other securities, for the repayment of money borrowed, (ii) all deferred indebtedness for the payment of the purchase price of properties or assets purchased, (iii) all guaranties, endorsements (other than endorsements in the ordinary course of business), assumptions, and other contingent obligations in respect of, or to purchase or to otherwise acquire, indebtedness of others, (iv) all indebtedness secured by mortgage, pledge, security interest, or lien existing on property owned that is subject to such mortgage, pledge, security interest, or lien, whether or not the indebtedness secured thereby shall have been assumed, and (v) all capitalized lease obligations; *provided, however,* that for the purpose of computing Indebtedness, there shall be excluded any particular Indebtedness if, upon or prior to the maturity thereof, there shall have been irrevocably deposited with the proper depository in trust the necessary funds

(or direct obligations of the United States of America not redeemable by the issuer thereof) for the payment, redemption, or satisfaction of such Indebtedness, and thereafter such funds and such direct obligations of the United States of America so deposited shall not be included in any computation of the assets of the Borrower and the income derived from such funds and such direct obligations of the United States of America so deposited shall not be included in any computation of the income of the Borrower.

"***Indemnity Letters***," with respect to the Series 2003 Bonds, means, collectively, the Borrower Indemnity Letter and the Developer Indemnity Letter.

"***Indenture***" means the Trust Indenture, dated as of December 1, 2003, between the Issuer and the Trustee, as the same may be amended and/or supplemented from time to time in accordance with the provisions thereof.

"***Independent Counsel***" means an attorney or firm of attorneys duly admitted to practice law before the highest court of any state of the United States or the District of Columbia and not in the full-time employment of the Issuer or the Borrower.

"***Independent Engineer***" means, initially the Construction Consultant, or any other architect, engineer, or firm of architects or engineers that is independent of the Issuer and the Borrower, selected by the Authority and approved by the Bond Insurer, at the cost of the Borrower, to report and be accountable solely to the Issuer (but only if the Construction Consultant is the Independent Engineer), the Trustee for the benefit of the Bondholders and the Bond Insurer for the purposes of, *inter alia*, producing monthly construction monitoring reports, passing on questions relating to the design and construction of any particular facility, reviewing repairs and replacements to the Project and the adequacy of the Repair and Replacement Fund Requirement, and that has all licenses and certifications necessary for the performance of such services and has a favorable reputation for skill and experience in performing similar services in respect of facilities of a comparable size and nature.

"***Insurance Consultant***" means any Person that is not the Borrower or an Affiliate of the Borrower and acceptable to the Bond Insurer, appointed by the Borrower, that is qualified to survey risks and to recommend insurance coverage for student housing facilities and organizations engaged in like operations as that of the Borrower in the State, and that has a favorable reputation for skill and experience in such surveys and such recommendations and who may be a broker or agent with whom the Borrower or the Issuer transacts business.

"***Insurance Fund***" means the Fund of that name created in the Indenture.

"***Interest Payment Date***" means February 1 and August 1 of each year, commencing February 1, 2004, in the case of Series 2003 Bonds, and the dates on which interest is scheduled to be paid, in the case of Additional Bonds.

"***IRS***" means the United States Internal Revenue Service or any successor agency or department.

"***Issuance Cost Fund***" means the Fund of that name created in the Indenture.

"***Issuance Costs***," with respect to the Series 2003 Bonds, means:

(i) the initial or acceptance fee of the Trustee (which includes the administration fee for the first year), the fees and taxes for recording and filing the Leasehold Mortgage, the Security Agreement, the Assignment of Agreements and Documents, financing statements, and any title curative documents that either the Trustee or Independent Counsel may reasonably deem desirable to file for record in order to perfect or protect the title of the Borrower to the Series 2003 Project or the lien or security interest created or granted by the Leasehold Mortgage, the Security Agreement, or the Assignment of Agreements and Documents and the reasonable fees and expenses in connection with any actions or proceedings that either the Trustee or Independent Counsel may reasonably deem desirable to bring in order to perfect or protect the lien or security interest created or granted by the Leasehold Mortgage, the Security Agreement, or the Assignment of Agreements and Documents in connection with the issuance thereof;

(ii) the costs of legal fees and expenses, underwriter's spread, underwriting fees, financing costs, Issuer's fees and expenses, financial advisor's fees, accounting fees and expenses, consulting fees, Trustee's fees, paying agent and certifying and authenticating agent fees, reasonable fees and expenses of counsel to the Trustee, publication costs, title insurance premiums, and printing and engraving costs incurred in connection with the authorization, sale, issuance, and carrying of the Series 2003 Bonds and the preparation of the applicable Bond Documents and all other documents in connection therewith; and

(iii) other costs in connection with the issuance of the Series 2003 Bonds permitted by the Act to be paid or reimbursed from Series 2003 Bond proceeds.

"***Issuer***" or "***Authority***" means the LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY, a public body corporate and politic created and existing under the laws of the State of Florida and any successor to its rights, duties and obligations hereunder.

"***Issuer Documents***," with respect to the Series 2003 Bonds, means, collectively, the Indenture, the Loan Agreement, the endorsement to the Series 2003 Note, the Partial Assignment of Subleasehold Interests, an Assignment of Agreements and Documents, the Assignment of Construction Consultant Agreement, the Assignment of Management Agreement, the Tax Compliance Certificate and the Bond Purchase Agreement.

"***Issuer Fee***" means the program administration fee owed to the Issuer from the Borrower, accruing from the date of issuance of the Bonds, equal to 25 basis points (.25%) per annum of the aggregate principal amount of Bonds Outstanding as of the date of issue and each Bond Payment Date thereafter (prior to any principal reduction on that date); *provided, however,* that such fee does not include amounts due, if any, for indemnification, extraordinary services and expenses of the Issuer to be paid by the Borrower pursuant to the Loan Agreement.

"***Lease Year***" means the twelve (12) month period commencing on August 1 of each calendar year and ending on July 30 of the immediately succeeding calendar year.

"***Leasehold Mortgage***," with respect to the Series 2003 Bonds, means the Leasehold Mortgage and Assignment of Rents and Leases, dated as of December 1, 2003, by the Borrower in favor of the Trustee, as the same may be amended and/or supplemented from time to time as permitted hereby.

"***Loan***" means the loan by the Issuer to the Borrower of the proceeds of the Bonds pursuant to Article III of the Loan Agreement and which is evidenced by the Notes.

"***Loan Agreement***," with respect to the Series 2003 Bonds, means the Loan Agreement, dated as of December 1, 2003, between the Issuer and the Borrower, as the same may be amended and/or supplemented from time to time in accordance with the provisions of the Indenture.

"***Loan Payments***" means the Basic Loan Payments, the Additional Loan Payments, and the Reserve Loan Payments.

"***Majority of the Bondholders***" means the Owners of more than fifty percent (50%) in aggregate principal amount of the Bonds then Outstanding.

"***Management Agreement***," with respect to the Series 2003 Bonds, means (i) the Management Agreement, dated _____, 2003, between the Borrower and the Manager, as the same may be amended and/or supplemented from time to time, and (ii) any management or similar agreement between the Borrower and any successor Manager relating to the management of the Series 2003 Project, as the same may be amended and/or supplemented from time to time.

"***Manager***" means, initially, Collegiate Property Services, Inc., a Florida corporation, and thereafter, any other management company acceptable to the Bond Insurer employed by the Borrower to manage the Project.

"***Maximum Annual Debt Service***," with respect to a series of Bonds, means the maximum Annual Debt Service thereon in the then current Bond Year or in any future Bond Year, whether at maturity or subject to mandatory sinking fund redemption.

"***Moody's***" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "***Moody's***" shall be deemed to refer to any other nationally recognized securities rating agency or service designated by the Borrower. Whenever rating categories of Moody's are specified in the Indenture, such categories shall be irrespective of gradations within a category.

"***Net Proceeds***," when used with respect to any insurance or condemnation award or with respect to any other recovery on a contractual claim or claim for damage to or for taking of property, means the gross proceeds from the insurance or condemnation award or recovery remaining after payment of all expenses (including attorneys' fees and any Extraordinary Expenses of the Trustee) incurred in the collection of such gross proceeds.

"***Non-Construction Costs***" means all Costs of the Project other than the costs and fees that are properly payable to the appropriate contractors pursuant to the Construction Contracts.

"***Notes***" means the Series 2003 Note and any Additional Notes.

"***Office of the Trustee***" means the corporate trust office of the Trustee in Nashville, Tennessee, currently located at Wachovia Bank, National Association, 2525 West End Avenue, Suite 1200, Nashville, Tennessee 37203, Attention: Corporate Trust Department, or such other location as may be designated by it to the Borrower, the Issuer, and the Bond Insurer in writing, or the principal corporate trust office of, or such other location as may be designated to the Borrower, the Issuer, and the Bond Insurer in writing by, any successor or temporary Trustee hereunder.

"***Operating Account***" means the checking account maintained by the Borrower from which the Borrower shall pay Expenses.

"***Operating Account Surplus***" means the amount, if any, by which the amounts paid to the Borrower by the Trustee for deposit into the Operating Account in a Lease Year pursuant to the Indenture exceed the amounts paid, incurred, or accrued in respect of operating expenses of the Project during such Lease Year, such amount to be determined with reference to, and simultaneously with the delivery of, the audited financial statements delivered to the Trustee, and the Bond Insurer in accordance with the provisions of the Loan Agreement, as such amount may be adjusted in accordance with the provisions of the Indenture.

"***Operating Reserve Fund***" means the Fund of that name created in the Indenture.

"***Operating Reserve Fund Requirement***" means $500,000.

"***Ordinary Services of the Trustee***" and "***Ordinary Expenses of the Trustee***" mean those reasonable services rendered and those reasonable expenses incurred by the Trustee in the performance of its duties under the Indenture of the type ordinarily performed by corporate trustees under like indentures, including, without limitation, reasonable counsel fees and expenses.

"***Outstanding Bonds***" or "***Bonds Outstanding***" means all Bonds that have been duly authenticated and delivered by the Trustee under the Indenture, except:

(i) Bonds theretofore canceled or required to be canceled by the Trustee;

(ii) Bonds that are deemed to have been paid in accordance with the Indenture; and

(iii) Bonds in substitution for which other Bonds have been authenticated and delivered under the Indenture.

If the Indenture shall be discharged pursuant to the provisions thereof, no Bonds shall be deemed to be Outstanding within the meaning of this definition.

"***Permitted Encumbrances***" means, as of any particular time, (i) liens for ad valorem taxes, special assessments, and other charges not then delinquent or for taxes, assessments, and other charges being contested in accordance with the Loan Agreement, (ii) the Bond Documents, (iii) currently existing utility, access, and other easements and rights of way, restrictions, and exceptions described in the title policy required by the Loan Agreement, (iv) inchoate mechanics' and materialmen's liens that arise by operation of law, but that have not been perfected by the required filing of record, for work done or materials delivered after the date of recording the Leasehold Mortgage in connection with Additions or Alterations, (v) the mechanics' and materialmen's liens contested by the Borrower in accordance with the Loan Agreement, and (vi) liens or encumbrances securing Additional Bonds permitted by the Indenture.

"***Permitted Investments***" means any of the following:

(i) The following obligations to be used as Permitted Investments for all purposes, including defeasance investments in refunding escrow accounts:

(a) Cash deposits (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in item (b)(2) below, or

(b) Direct obligations of (including obligations issued or held in book entry form on the books of the Department of Treasury) the United States of America. In the event these securities are used for defeasance, they shall be non-callable and non-prepayable.

(c) Obligations of the following federal agencies so long as such obligations are backed by the full faith and credit of the United States of America (in the event these securities are used for defeasance, they shall be non-callable and non-prepayable):

(1) U.S. Export-Import Bank (Eximbank)

(2) Rural Economic Community Development Administration

(3) Federal Financing Bank

(4) U.S. Maritime Administration

(5) U.S. Department of Housing and Urban Development (PHAs)

(6) General Services Administration

(7) Small Business Administration

(8) Government National Mortgage Association (GNMA)

(9) Federal Housing Administration

(10) Farm Credit System Financial Assistance Corporation

(ii) The following obligations to be used as Permitted Investment for all purposes other than defeasance investments in refunding escrow accounts:

(a) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

(1) Senior debt obligations rated in the highest long-term rating category by at least two nationally recognized rating agencies issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC),

(2) Senior debt obligations of the Federal Home Loan Bank System.

(3) Senior debt obligations of other Government Sponsored Agencies approved by the Bond Insurer.

(b) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which either (1) have a rating on their short-term certificates of deposit on the date of purchase in the highest short-term rating category of at least two nationally recognized rating agencies, (2) are insured at all times by the Federal Deposit Insurance Corporation, or (3) are collateralized with direct obligations of the United States of America at one hundred two percent (102%) valued daily. All such certificates must mature no more than three hundred sixty (360) days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank).

(c) Commercial paper which is rated at the time of purchase in the highest short-term rating category of at least two (2) nationally recognized rating agencies and which matures not more than two hundred seventy (270) days after the date of purchase.

(d) Investments in (1) money market funds subject to SEC Rule 2a 7 and rated in the highest short-term rating category of at least two nationally recognized rating agencies and (2) public sector investment pools operated pursuant to SEC Rule 2a 7 in which the Issuer's deposit shall not exceed 5% of the aggregate pool balance at any time and such pool is rated in one of the two highest short-term rating categories of at least two nationally recognized rating agencies.

(e) Pre-refunded municipal obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and,

(1) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest long-term rating category of at least two (2) nationally recognized rating agencies; or

(2) (A) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or direct obligations of the United States of America, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and

(B) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

(f) General obligations of states with a short-term rating in one of the two (2) highest rating categories and a long-term rating in one (1) of the two (2) highest rating categories of at least two (2) nationally recognized rating agencies. In the event such obligations are variable rate obligations, the interest rate on such obligations must be reset not less frequently than annually.

(g) Investment agreements approved in writing by the Bond Insurer; and

(h) Other forms of investments (including repurchase agreements) approved in writing by the Bond Insurer.

"***Person***" means natural persons, firms, joint ventures, associations, trusts, partnerships, corporations, limited liability companies, public bodies, and similar entities.

"***Plans and Specifications***," with respect to the Series 2003 Project, means the detailed plans and specifications for the construction thereof prepared by the Architect, as amended from time to time in accordance with the Construction Contracts and with the consent of the Bond Insurer, a copy of which is or will be on file with the Trustee.

"***Premises***" means, collectively, the Project and the Property.

"***Prime Rate***" means the prime rate charged corporate borrowers by the commercial lending department of the Trustee, if any, or in the absence of such commercial lending department or rate, the rate designated the "Prime Rate" as published each Business Day in *The Wall Street Journal*.

"***Project***" means the Series 2003 Project and any additional project developed, designed, acquired, constructed, and equipped with the proceeds of Additional Bonds.

"***Property***" means the land on which the Project is to be developed, acquired, constructed, and equipped.

"***Qualified Management or Service Agreement***" means a management contract or other service contract the terms of which will not cause interest on any Tax-Exempt Bonds to be includable in the gross income of the Owners thereof for federal income tax purposes.

"***Rating Agency***," at any point in time, means any nationally recognized securities rating agency or service then rating a series of Bonds (collectively, the "***Rating Agencies***").

"***Rebate Fund***" means the Fund of that name created in the Indenture.

"***Redemption Fund***" means the Fund of that name created in the Indenture.

"***Redemption Price***" means, with respect to Bonds or a portion thereof, the principal amount of such Bonds or portion thereof plus accrued interest, if any, plus the applicable premium, if any, payable on redemption thereof in the manner contemplated in accordance with its terms and the Indenture.

"***Regular Record Date***," with respect to Series 2003 Bonds, means the fifteenth (15th) day of the month (whether or not such day is a Business Day) immediately preceding each Interest Payment Date.

"***Regulations***" means the applicable treasury regulations promulgated under the Code or under § 103 of the Internal Revenue Code of 1954, as amended, whether at the time proposed, temporary, final, or otherwise. Reference herein to any specific provision of the Regulations shall be deemed to include a reference to any successor provision or provisions to such provision.

"***Released Premises***" means a portion of the Series 2003 Project released or proposed to be released from the lien of the Leasehold Mortgage pursuant to the Loan Agreement.

"***Repair and Replacement Fund***" means the Fund of that name created in the Indenture.

"***Repair and Replacement Fund Requirement***" means with respect to the Series 2003 Project (i) initially $90,240 per year ($235 per bed in the Series 2003 Project per year), subject to annual increases of three percent (3%) each Lease Year, commencing August 1, 2005, or (ii) such greater amount as recommended by an Independent Engineer based on an assessment performed by such Independent Engineer (not less than every five (5) years) of the Series 2003 Project's physical condition as provided in the Loan Agreement.

"***Requisite Number of Bondholders***" means the Owners of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then Outstanding.

"***Reserve Loan Payments***" means the Loan Payments payable by the Borrower to the Issuer pursuant to the Loan Agreement that are described under the caption "**THE LOAN AGREEMENT - Loan Payments and Other Amounts Payable – *Reserve Loan Payments***" in "**SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS**" in Appendix "C" attached hereto.

"***Responsible Officer***" means, when used with respect to the Trustee, any officer within the Corporate Trust Department (or any successor group of the Trustee) including, without limitation, any vice president, assistant vice president, assistant secretary, or any other officer or assistant officer of the Trustee designated by the Trustee and who are located at the Office of the Trustee.

"***Revenue Available for Fixed Charges***" means, for any period, the excess of Revenues over Expenses, plus amounts deducted in arriving at such excess of Revenues for (i) depreciation and (ii) amortization.

"***Revenue Fund***" means the Fund of that name created in the Indenture.

"***Revenues***," for any period, means (i) the sum of (a) the gross receipts and operating and non-operating revenues of the Borrower (other than contributions) including the proceeds of a series of Bonds deposited into the Capitalized Interest Account and expended during such period to pay interest on such series of Bonds, **and** (b) Unrestricted Contributions, all as determined in accordance with GAAP, but excluding in any event (ii) the sum of (a) any gains on the sale or other disposition of investments or fixed or capital assets not in the ordinary course of business, **and** (b) earnings on amounts that are irrevocably deposited in escrow to pay the principal of or interest on Indebtedness, **and** (c) earnings or gains resulting from any reappraisal, revaluation, or write-up of assets, **and** (d) contributions from any Affiliate, **and** (e) security deposits received

from student residents of the Project and held by the Borrower until such time, if any, as the Borrower shall be permitted to apply such deposits to the payment of rent or to the repair and maintenance of the Project in accordance with the terms of a lease or residency agreement (provided, however, that nothing herein shall prohibit the Borrower from returning such security deposits to student residents of the Project upon termination of their respective leases or residency agreements in accordance with their terms and applicable law), **and** (f) Net Proceeds of insurance (other than the coverage for lost revenues due to damage or destruction of the Project prior to completion and business interruption insurance as set forth in Sections 4.01(b) and (c) and 6.04 of the Loan Agreement) and condemnation awards.

"***S&P***" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency or service designated by the Borrower. Whenever rating categories of S&P are specified in the Indenture, such categories shall be irrespective of gradations within a category.

"***Secretary***" means the Secretary or the Executive Director of the Issuer. The term shall include any Assistant Secretary of the Issuer whenever, by reason of absence, illness, or other reason, the Secretary of the Issuer is unable to act.

"***Securities Depository***," with respect to the Series 2003 Bonds, means The Depository Trust Company, New York, New York, or other recognized securities depository selected by the Issuer, which maintains a book entry system in respect of such Bonds and agrees to follow the procedures required to be followed under the Indenture by a Securities Depository, and shall include any substitute for or successor to the securities depository initially acting as Securities Depository.

"***Securities Depository Nominee***" means, as to any Securities Depository, such Securities Depository or the nominee of such Securities Depository in whose name there shall be registered on the Bond Register the Bond certificates to be delivered to and immobilized at such Securities Depository during the continuation with such Securities Depository of participation in its book entry system.

"***Security***" means any of the property subject to the operation of the granting clauses contained in the Leasehold Mortgage, the Security Agreement, the Assignments of Agreements and Documents, the Loan Agreement, and the Indenture that is part of the Trust Estate and that serves as collateral for the Bonds.

"***Security Agreement***," with respect to the Series 2003 Bonds, means the Security Agreement, dated as of December 1, 2003, by and between the Borrower and the Trustee, as the same may be amended and/or supplemented from time to time as permitted by the Indenture.

"***Security Documents***" means, collectively, the Indenture, the Leasehold Mortgage, the Security Agreement, the Assignments of Agreements and Documents, and the Loan Agreement (each, a "***Security Document***").

"***Series 2003 Bonds***" means the revenue bonds designated "LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY Student Housing Revenue Bonds (Heritage Grove Project at Florida State University), Series 2003" in the aggregate principal amount of $23,315,000 to be issued pursuant to the Indenture.

"***Series 2003 Buildings***" means those certain buildings and all other facilities and improvements constituting part of the Series 2003 Project and not constituting part of the Series 2003 Equipment that are or will be located on the Property.

"***Series 2003 Completion Date***" means the date of completion of the Series 2003 Project, as certified by the Borrower as provided in the Loan Agreement.

"***Series 2003 Equipment***" means the equipment, machinery, furnishings, and other personal property acquired with the proceeds of the Series 2003 Bonds and described in Exhibit "B" attached to the Loan Agreement, and all replacements, substitutions, and additions thereto.

"***Series 2003 Loan***" means the loan by the Issuer to the Borrower of the proceeds of the Series 2003 Bonds pursuant to the Loan Agreement and which is evidenced by the Series 2003 Notes.

"***Series 2003 Note***" means the Series 2003 Promissory Note of the Borrower, dated December 16, 2003, in the original principal amount of $23,315,000, payable to the Issuer, given to evidence the obligation of the Borrower to repay the Loan relating to the Series 2003 Bonds.

"***Series 2003 Project***" means the 384-bed student housing facility that will be developed, designed, acquired, constructed and equipped, including all furnishings, fixtures, related facilities and equipment incidental or necessary in connection therewith near the Campus, consisting of the Borrower's leasehold interest in the Property, the Series 2003 Buildings and the Series 2003 Equipment.

"***Series 2003 Startup Date***" means the date on which at least eighty-five percent (85%) of the beds in the Series 2003 Project shall have been leased to student residents thereof, as that date shall be certified to the Trustee by the Borrower as provided in Section 4.04 of the Loan Agreement.

"***Sinking Fund Payments***" means, collectively, all amount paid in respect of the Sinking Fund Requirements.

"***Sinking Fund Requirement,***" with respect to the Series 2003 Bonds, means the principal amount established under the Indenture for the retirement thereof by purchase or redemption on July 1 of such Bond Year (collectively, the "***Sinking Fund Requirements***").

"***Special Record Date,***" for the payment of any Defaulted Interest, means the date fixed by the Trustee pursuant to the Indenture.

"***State***" means the State of Florida.

"***Surplus Fund***" means the Fund of that name created in the Indenture.

"***Tax Compliance Certificate,***" with respect to the Series 2003 Bonds, means the Tax Compliance Certificate of Issuer, dated December 16, 2003, together with the Instructions for Compliance with Rebate Requirements and the Tax Compliance Certificate of Borrower, dated December 16, 2003 and the other attachments thereto.

"***Taxable Bonds***" means any Bonds which are not Tax-Exempt Bonds.

"***Tax-Exempt Bonds***" means any Bonds the interest on which is intended to be excluded from the gross income of the Owners thereof for federal income tax purposes.

"***Trust Estate***" means any and all property subject to the operation of the granting clauses of the Indenture.

"***Trustee***" means the state banking corporation or national banking association with corporate trust powers qualified to act as trustee under the Indenture that may be designated (originally or as a successor) as Trustee for the Owners of the Bonds issued and secured under the terms of the Indenture, initially WACHOVIA BANK, NATIONAL ASSOCIATION

"***Unassigned Rights***" means all of the rights of the Issuer to receive reimbursements and payments pursuant to the Loan Agreement, to be held harmless and indemnified pursuant to the Loan Agreement, and to execute and deliver supplements to and amendments of the Loan Agreement pursuant to the provisions thereof.

"***Underwriters***" means, collectively, Morgan Keegan & Company, Inc., Nashville, Tennessee, and George K. Baum & Company, Denver, Colorado, and their successors and assigns.

"***University***" means Florida State University, located in Tallahassee, Leon County, Florida.

"***Unrestricted Contributions***" means contributions to the Borrower that are not restricted in any way that would prevent their application to the payment of debt service on Indebtedness of the Borrower and that do not have to be repaid.

"***Value***" means (i) with respect to securities, means (A) the closing bid price quoted by Interactive Data Systems, Inc., <u>or</u> (B) a valuation performed by a nationally recognized and accepted pricing service acceptable to the Bond Insurer whose valuation method consists of the composite average of various bid price quotes on the valuation date, <u>or</u> (C) the lower of two dealer bids on the valuation date, it being understood that the dealers or their parent holding companies must be rated at least investment grade by Moody's and S&P and must be marke

makers in the securities being valued; (ii) with respect to certificates of deposit and bankers' acceptances, means the face amount thereof, plus accrued interest; and (iii) with respect to any investment not specified above, means the value thereof established by prior agreement between the Borrower, the Trustee, and the Bond Insurer.

APPENDIX "C"

SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS

The following summaries of certain of the Bond Documents do not purport to be comprehensive or definitive statements of the provisions of such Bond Documents and prospective purchasers of the Series 2003 Bonds are referred to the complete texts of such documents, copies of which are available upon request from the Underwriter prior to the issuance and delivery of the Series 2003 Bonds and from the Trustee after the issuance and delivery of the Series 2003 Bonds.

THE LOAN AGREEMENT

Introduction

The Loan Agreement is an agreement that will provide for the loan of the proceeds of the Series 2003 Bonds issued by the Issuer to the Borrower for the purposes described under the caption "**ESTIMATED SOURCES AND USES OF FUNDS**" in the Official Statement and for the repayment of and security for such loan by the Borrower.

Agreement to Issue Series 2003 Bonds and Make Loan

The Issuer will issue the Series 2003 Bonds and lend the proceeds thereof to the Borrower. All obligations incurred by the Issuer under the Loan Agreement will be limited obligations, payable solely from the Trust Estate.

Term of the Loan Agreement

The Loan Agreement will become effective upon its execution and delivery and will be in full force and effect until the Series 2003 Bonds and all Additional Bonds issued under the Indenture shall have been paid in full (or provision for such payment shall have been made in accordance with the Indenture); *provided, however,* that the covenants and obligations expressed in the Loan Agreement to so survive will survive the termination of the Loan Agreement.

Borrower Constraints

(a) Under the Loan Agreement the Borrower will agree that, except as otherwise may be agreed with the Bond Insurer, it will:

(1) not directly or indirectly, incur, assume, or guarantee any Indebtedness (secured or unsecured) except indebtedness incurred with the written consent of the Bond Insurer;

(2) when acting on matters subject to the vote of the members of the Borrower, notwithstanding that the Borrower may not then be insolvent, take into account the interests of the Borrower's creditors;

(3) require a unanimous vote of the Borrower's members for the Borrower to take any Bankruptcy Action;

(4) except as permitted in the Bond Documents including the Loan Agreement, not engage in any dissolution, liquidation, consolidation, merger, or sale of assets;

(5) not transfer any direct or indirect ownership interest if such transfer would result in the transferee (and the transferee's affiliates) owning more than a forty-nine percent (49%) interest in the Borrower;

(6) if there is a dissolution or other termination event for the Borrower, require the vote of a majority-in-interest of the remaining members in order to continue the life of the Borrower;

(7) take such action necessary to ensure that the Borrower is a separate and distinct entity separate from the Authority or any other member or Affiliate which action shall include:

(A) maintaining books, financial records, and bank accounts (including checking and other bank accounts and custodian and other securities safekeeping accounts) that are separate and distinct from the books, financial records, and bank accounts of any other person or entity;

(B) maintaining books, financial records, and bank accounts in a manner so that it will not be difficult or costly to segregate, ascertain, and otherwise identify the assets and liabilities of the Borrower;

(C) not commingling any of its assets, funds, liabilities, or business functions with the assets, funds, liabilities, or business functions of any other person or entity;

(D) observing all appropriate corporate procedures and formalities;

(E) paying its own liabilities, losses, and expenses only out of its own funds;

(F) maintaining separate annual financial statements prepared in accordance with GAAP, consistently applied, showing its assets and liabilities separate and distinct from those of any other person or entity;

(G) in the event the financial statements of the Borrower are consolidated with the financial statements of any other entity, causing to be included in such consolidated financial statements a narrative description of the separate assets, liabilities, business functions, operations, and existence of the Borrower to ensure that such separate assets, liabilities, business functions, operations, and existence are readily distinguishable by any person or entity receiving or relying upon a copy of such consolidated financial statements;

(H) paying or bearing the cost of the preparation of its financial statements, and having such financial statements audited by a certified public accounting firm that is not affiliated with the Borrower or its Affiliates;

(I) not guaranteeing or becoming obligated for the debts or obligations of any other entity or person;

(J) not holding out its credit as being available to satisfy the debts or obligations of any other person or entity;

(K) holding itself out as an entity separate and distinct from any other person or entity (including its Affiliates);

(L) correcting any known misunderstanding regarding its separate identity and using separate stationery, business cards, purchase orders, invoices, checks, and the like bearing its own name;

(M) maintaining a sufficient number of employees in light of its contemplated business operations;

(N) compensating all consultants, independent contractors, employees, and agents from its own funds for services provided to it by such consultants, independent contractors, employees, and agents;

(O) to the extent that the Borrower or any of its Affiliates shall occupy any premises in the same location, allocating fairly, appropriately, and nonarbitrarily any rent and overhead expenses among and between such entities with the result that each entity bears its fair share of all such rent and expenses;

(P) to the extent that the Borrower or any of its Affiliates share the same officers and other employees, allocating fairly, appropriately, and nonarbitrarily any salaries and expenses related to providing benefits to such officers and other employees between or among such entities, with the result that each such entity shall bear its fair share of the salary and benefit costs associated with all such common or shared officers or other employees;

(Q) to the extent that the Borrower or any of its Affiliates shall jointly contract or do business with vendors or service providers or share overhead expenses, allocating fairly, appropriately, and nonarbitrarily any costs and expenses incurred in so doing between or among such entities, with the result that each such entity shall bear its fair share of all such costs and expenses;

(R) to the extent the Borrower shall contract or do business with vendors or service providers where the goods or services shall be wholly or partially for the benefit of its Affiliates, allocating fairly, appropriately, and

nonarbitrarily any costs incurred in so doing to the entity for whose benefit such goods or services are provided, with the result that each such entity shall bear its fair share of all such costs;

(S) conducting its own business and holding all of its assets in its own name;

(T) maintaining an arm's-length relationship with its Affiliates and entering into transactions with Affiliates only on a commercially reasonable basis;

(U) not pledging its assets for the benefit of the Authority or any other Affiliate of the Borrower;

(V) not identifying itself as a division or department of the Authority or any other Affiliate of the Borrower;

(W) maintaining adequate capital in light of its contemplated business operations;

(X) conducting transactions between the Borrower and third parties in the name of the Borrower and as an entity separate and independent from its Affiliates;

(Y) causing representatives, employees, and agents of the Borrower to hold themselves out to third parties as being representatives, employees, or agents, as the case may be, of the Borrower; or

(Z) causing transactions and agreements between the Borrower, on the one hand, and any one or more of its Affiliates, on the other hand (including transactions and agreements pursuant to which the assets or property of one is used or to be used by the other), to be entered into in the names of the entities that are parties to the transaction or agreement, to be formally documented in writing and to be approved in advance by the Authority;

(8) not make any loans to any person or entity or buy or hold any indebtedness issued by any other person or entity (except for cash and investment-grade securities);

(9) cause the pricing and other material terms of all such transactions and agreements to be established at the inception of the particular transaction or agreement on commercially reasonable terms (substantially similar to the terms that would have been established in a transaction between unrelated third parties) by written agreement (by formula or otherwise);

(10) not incur Indebtedness other than (A) its obligations under any of the Borrower Documents or under any supplement hereto entered into in accordance with the terms hereof and indebtedness permitted under the Indenture, (B) trade payables in the ordinary course of its business that are related to the ownership and operation of the Project, and (C)

indebtedness incurred in connection with the development, construction, ownership, and operation of other student housing projects;

(11) not create or suffer to be created any Lien, except for Permitted Encumbrances, on the Project;

(12) permit the Bond Insurer to discuss the affairs, finances, and accounts of the Borrower or any information the Bond Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the Borrower and its representatives and agents;

(13) permit the Bond Insurer to have access to and make copies of all books and records relating to the Bonds, and the security therefor, at any reasonable time upon reasonable prior notice; and

(14) furnish to the Bond Insurer or, at its written direction, any agent or consultant of the Bond Insurer any information that the Bond Insurer may reasonably request in order to perform a monitoring evaluation of the operations of the Borrower.

(b) The Borrower agrees that any obligation it has to indemnify its directors and officers will be fully subordinated to the Borrower's obligations hereunder and under the other Borrower Documents and not constitute a claim against the Borrower while any of the Bonds remain Outstanding or the Borrower has any obligations under the Borrower Documents.

(c) The Bond Insurer shall have the right to direct an accounting at the Borrower's expense, and the Borrower's failure to comply with such direction within forty-five (45) days after receipt of written notice of the direction of the Bond Insurer shall be deemed a default hereunder; *provided, however,* that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Bonds.

(d) While the Bond Insurance Policy is in effect, the Borrower covenants and agrees to furnish to the Bond Insurer timely information regarding the Borrower, including but not limited to:

(1) as soon as practicable after the filing thereof, a copy of any financial statement of the Borrower and a copy of any audit and annual report of the Borrower;

(2) a copy of any notice or report to be given to the Owners of the Bonds, including, without limitation, notice of any redemption or defeasance of Bonds, and any certificate rendered pursuant to the Bond Documents relating to the security for the Bonds;

(3) a copy of any information filed by the Borrower with any NRMSIR under SEC Rule 15c2-12, simultaneously with the filing with such NRMSIR; and

(4) such additional information as the Bond Insurer may reasonably request.

(e) The Borrower shall pay or reimburse the Bond Insurer for any and all charges, fees, costs, and expenses that the Bond Insurer may reasonably pay or incur in connection with the following: (1) the administration, enforcement, defense, or preservation of any rights or security hereunder or under any other Bond Document; (2) the pursuit of any remedies hereunder, under any other Bond Document, or otherwise afforded by law or equity, (3) any amendment, waiver, or other action with respect to or related to the Loan Agreement or any other Bond Document whether or not executed or completed; (4) the violation by the Borrower of any law, rule, or regulation or any judgment, order or decree applicable to it; (5) any litigation or other dispute in connection with the Loan Agreement, any other Bond Document, or the transactions contemplated hereby or thereby, other than amounts resulting from the failure of the Bond Insurer to honor its payment obligations under the Bond Insurance Policy; or (6) curative advances. The Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver, or consent proposed in respect of the Loan Agreement or any other Bond Document.

(f) The obligations of the Borrower to the Bond Insurer shall survive discharge and termination of the Loan Agreement.

(g) The Borrower shall not amend, modify, or supplement, nor agree to any amendment or modification of, or supplement to, any of the Bond Documents or its Articles of Organization, Operating Agreement, or any other organization document, without the prior written consent of the Bond Insurer.

(h) The Borrower hereby agrees to pay or reimburse the Bond Insurer any and all charges, fees, costs and expenses which the Bond Insurer may reasonably pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, in connection with (1) any accounts established to facilitate payments under the Bond Insurance Policy, (2) the administration, enforcement, defense or preservation of any rights in respect of the Indenture or any other financing document including defending, monitoring or participating in any litigation or proceeding (including any bankruptcy proceeding in respect of the Borrower or any affiliate thereof) relating to the Loan Agreement or any other financing documents, any party to the Loan Agreement or any other financing document or the transactions contemplated by the financing documents (the "***Transaction***"), (3) the foreclosure against, sale or other disposition of any collateral securing any obligations under the Loan Agreement or any other financing document, or the pursuit of any remedies under the Indenture or any other financing document, to the extent such costs and expenses are not recovered from such foreclosure, sale or other disposition, or (4) any amendment, waiver or other action with respect to, or related to, the Loan Agreement or any other financing document whether or not executed or completed; costs and expenses shall include a reasonable allocation of compensation and overhead attributable to time of employees of the Bond Insurer spent in connection with the actions described in clauses (2) - (4) above; and the Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Loan Agreement or any other financing document.

(i) In addition to any and all rights of reimbursement, subrogation and any other rights pursuant hereto or under law or in equity, the Borrower agrees to pay or reimburse the Bond Insurer any and all charges, fees, costs, claims, losses, liabilities (including penalties),

judgments, demands, damages, and expenses which the Bond Insurer or its officers, directors, shareholders, employees, agents and each Person, if any, who controls the Bond Insurer within the meaning of either Section 15 of the Securities Act of 1933 or Section 20 of the Securities Exchange Act of 1934 may reasonably pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, of any nature in connection with, in respect of or relating to the transactions contemplated by the Indenture or any other Bond Document by reason of:

(1) any omission or action (other than of or by the Bond Insurer) in connection with the offering, issuance, sale, remarketing or delivery of the Bonds;

(2) the negligence, bad faith, willful misconduct, misfeasance, malfeasance or theft committed by any director, officer, employee or agent of the Borrower in connection with any transaction arising from or relating to the Loan Agreement or any other Bond Document;

(3) the violation by the Borrower of any law, rule or regulation, or any judgment, order or decree applicable to it;

(4) the breach by the Borrower of any representation, warranty or covenant under the Loan Agreement or any other Bond Document or the occurrence, in respect of the Borrower, under the Loan Agreement or any other Bond Document of any "event of default" or any event which, with the giving of notice or lapse of time or both, would constitute any "event of default"; or

(5) any untrue statement or alleged untrue statement of a material fact contained in any official statement or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such claims arise out of or are based upon any untrue statement or omission in information included in an official statement and furnished by the Bond Insurer in writing expressly for use therein.

Loan Payments and Other Amounts Payable

(a) ***Basic Loan Payments***: (1) Until all Debt Service Payments shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, the Borrower shall pay to the Trustee for the account of the Issuer as Basic Loan Payments, in each case for deposit into the Bond Fund, amounts sufficient to pay the Debt Service Payments on the Bonds as and when the same shall become due and all other sums payable under the terms of the Bonds. Specifically, the Borrower shall pay to the Trustee for the account of the Issuer:

(A) on January 20, 2004, a sum equal to the amount payable on the February 1, 2004 Interest Payment Date as interest on the Series 2003 Bonds, and on or before February 20, 2004, and on or before the twentieth (20th) day of each month thereafter, a sum equal to one-sixth ($^1/_6{}^{th}$) of the amount payable on the immediately succeeding Interest Payment Date as interest on the Series 2003 Bonds, or such lesser amount that, together with amounts already on deposit in the Bond Fund, will be sufficient to pay

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interest on the Series 2003 Bonds to become due on the immediately succeeding Interest Payment Date, as provided in the Indenture;

(B) on the dates set forth in any amendment or amendments hereto executed in connection with the issuance of Additional Bonds, the amount(s) set forth therein to be paid by the Borrower in respect of interest on such Additional Bonds;

(C) on or before August 20, 2004, and on or before the twentieth (20th) day of each month thereafter, to and including July 20, 2033, a sum equal to (1) one-twelfth ($^{1}/_{12}^{th}$) of the principal due on the immediately succeeding August 1 that is a maturity date of the Series 2003 Bonds, or (2) one-twelfth ($^{1}/_{12}^{th}$) of the amount required to retire Series 2003 Bonds under the mandatory sinking fund redemption requirements of Section 303 of the Indenture on the immediately succeeding August 1, as provided in the Indenture, as the case may be;

(D) on the dates set forth in any amendment or amendments hereto executed in connection with the issuance of Additional Bonds, the amount(s) set forth therein to be paid by the Borrower in respect of the principal of such Additional Bonds (whether at maturity or under any mandatory sinking fund or other similar redemption requirements of any supplemental indenture or indentures executed in connection with the issuance of Additional Bonds);

(E) on the Business Day prior to any date on which the Series 2003 Bonds are to be redeemed pursuant to the mandatory redemption provisions of the Indenture (other than mandatory sinking fund redemption pursuant to Section 303 of the Indenture), an amount equal to the principal of, and premium, if any, and interest on, the Series 2003 Bonds to be redeemed (taking into account amounts then on deposit in the Bond Fund to be used for the payment of such Series 2003 Bonds to be redeemed); and

(F) on the Business Day prior to any date on which any Additional Bonds are to be redeemed pursuant to any mandatory redemption provisions of any supplemental indenture or indentures executed in connection with the issuance of Additional Bonds (other than mandatory sinking fund or other similar redemption pursuant to such supplemental indenture or indentures), an amount equal to the principal of, and premium, if any, and interest on, such Additional Bonds to be redeemed (taking into account amounts then on deposit in the Bond Fund to be used for the payment of such Additional Bonds to be redeemed).

(2) Each payment of Basic Loan Payments under clause (1)(A) and (B) of the immediately preceding paragraph shall in all events be sufficient, after giving credit for funds held in the Bond Fund (including amounts held in the Capitalized Interest Account) and the Revenue Fund available for such purpose, to pay the total amount of interest payable on the

Bonds on the immediately succeeding Interest Payment Date and each payment of Basic Loan Payments under clause (i)(C) and (D) of the immediately preceding paragraph shall in all events be sufficient, after giving credit for funds held in the Bond Fund available for such purpose, to pay the total amount of principal payable in respect of the Bonds on the immediately succeeding August 1. Any Basic Loan Payments shall be reduced or need not be made to the extent that there are moneys on deposit in the Bond Fund in excess of scheduled payments of Basic Loan Payments plus the amount required for the payment of Bonds theretofore matured or called for redemption, the amount required for the payment of interest for which checks or drafts have been mailed by the Trustee, and past due interest in all cases where Bonds have not been presented for payment. Further, if the amount held by the Trustee in the Bond Fund and the Redemption Fund shall be sufficient to pay at the times required the principal of and interest on the Bonds then remaining unpaid, the Borrower shall not be obligated to make any further payments of Basic Loan Payments under the provisions of this Section. There shall also be a credit against remaining Basic Loan Payments for Bonds purchased, redeemed, or canceled, as provided in the Indenture or in any supplemental indenture or indentures executed in connection with the issuance of Additional Bonds as provided therein.

(b) ***Additional Loan Payments***: (1) After paying all amounts required under paragraph(a) immediately above, the Borrower shall pay in the following order of priority:

(A) to the Trustee until the principal of, premium, if any, and interest on the Bonds shall have been fully paid (1) promptly upon request, an amount equal to the annual fee of the Trustee for the Ordinary Services of the Trustee rendered and the Ordinary Expenses of the Trustee incurred under the Indenture, as and when the same shall become due, (2) promptly upon request, the reasonable fees and charges of the Trustee, as bond registrar and paying agent, and of any other paying agents on the Bonds for acting as paying agents as provided in the Indenture, as and when the same shall become due, and (3) promptly upon request, the reasonable fees and charges of the Trustee for the Extraordinary Services of the Trustee rendered by it and Extraordinary Expenses of the Trustee incurred by it under the Indenture, as and when the same shall become due; *provided, however,* that the Borrower may, without creating a default hereunder, contest in good faith the reasonableness of any such Extraordinary Services of the Trustee and Extraordinary Expenses of the Trustee and the reasonableness of any such fees, charges, or expenses;

(B) to the Bond Insurer, the Independent Engineer, the Insurance Consultant and the Financial Consultant all of their reasonable fees, charges, and expenses;

(C) for deposit into any fund or funds created under the Indenture or any supplemental indenture or indentures executed in connection with the issuance of Additional Bonds other than the Repair and Replacement Fund and the Surplus Fund, any and all additional amounts required to be deposited into such fund or funds by any amendment or amendments

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hereto executed in connection with the issuance of Additional Bonds on the dates set forth therein;

(D) for deposit into the Repair and Replacement Fund, each Lease Year commencing with the Lease Year beginning August 1, 2004, payable August 20, 2004, and on the twentieth (20th) day of each month thereafter, in equal monthly installments, (a) one-twelfth ($^{1}/_{12}{}^{th}$) of the Repair and Replacement Fund Requirement, and (b) to the extent that the deposit into the Repair and Replacement Fund in the immediately preceding Lease Year shall have been less than the then applicable Repair and Replacement Fund Requirement, one-twelfth ($^{1}/_{12}{}^{th}$) of the amount of such deficiency, and any and all additional amounts required to be deposited therein by any amendment or amendments hereto executed in connection with the issuance of Additional Bonds on the dates set forth therein;

(E) to the Trustee on each June 20th, commencing June 20, 2004, the respective Ground Lease Payments due to the Improvement Trust Fund and the Ground Lessor on each July 1;

(F) for deposit into the Operating Reserve Fund, the deposits required by paragraph (d) immediately below;

(G) to the Trustee for deposit into the Repair and Replacement Fund, such amount as identified by the Independent Engineer as described below under the caption "**THE LOAN AGREEMENT – Repairs and Replacements**" in **SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS** in this Appendix "C," and

(H) (H) to the Issuer, an amount sufficient to pay the Issuer Fee and to reimburse the Issuer for all expenses reasonably incurred by the Issuer hereunder in connection with the Project, including, but not limited to the reasonable fees and expenses of counsel for the Issuer and Bond Counsel, and to the Manager any management fees owed pursuant to the Management Agreement which shall be evidenced by a written invoice from the Manager approved by the Borrower.

(2) Such Additional Loan Payments shall be billed to the Borrower by the Issuer, the Bond Insurer, the Independent Engineer, the Insurance Consultant, the Financial Consultant or the Trustee from time to time, together with a statement certifying that the amount billed has been incurred or paid by such party for one or more of the above items. Amounts so billed shall be paid by the Borrower within thirty (30) days after receipt of the bill by the Borrower.

(3) In the event the Borrower shall fail to make any of the payments required in under this paragraph (b), the item or installment so in default shall continue as an obligation of the Borrower until the amount in default shall have been fully paid and shall bear interest at the highest rate of interest on the Bonds.

(4) All amounts deposited in the Funds and Accounts created in the Indenture and available to be used to pay the amounts, fees, charges, and expenses described in item (1) of this paragraph (b) in accordance with the terms of the Indenture shall be credited against the Borrower's obligation to make Additional Loan Payments to the extent such amounts are so used.

(c) ***Reserve Loan Payments***: The Debt Service Reserve Fund shall be funded in an amount equal to the Debt Service Reserve Requirement for the purpose of paying principal and redemption price of, and interest on the Series 2003 Bonds and on any Additional Bonds for which there is a Debt Service Reserve Requirement as the same shall become due in the event there shall be insufficient funds for said purpose in the Bond Fund and the Redemption Fund, unless provision for their payment in full shall have been duly made, and for payment of the fees, charges, and expenses of the Trustee upon the occurrence of an Event of Default under the Indenture. In the event any funds from the Debt Service Reserve Fund shall be withdrawn or if there is a diminution in Value of the amounts held in the Debt Service Reserve Fund as of the last day of any month or if any net losses result from the investment of amounts held in the Debt Service Reserve Fund that reduces the amount on deposit in the Debt Service Reserve Fund to less than the Debt Service Reserve Requirement as of the last day of any month, the Borrower shall, beginning on the twentieth (20th) day of the month following notice from the Trustee of such withdrawal, diminution in Value, or losses, and on the twentieth (20th) day of each month thereafter, in addition to any other Loan Payments that may be due, make payments sufficient to restore the Debt Service Reserve Fund to the Debt Service Reserve Requirement (i) in twelve (12) consecutive equal monthly installments beginning in the month following any withdrawal from the Debt Service Reserve Fund which causes the amount therein to be less than the Debt Service Reserve Requirement, or (ii) in four (4) consecutive equal monthly installments beginning in the month following any calculation of the value of the Debt Service Reserve Fund at an amount less than the Debt Service Reserve Requirement.

(d) ***Operating Reserve Fund Payments***: The Operating Reserve Fund shall be funded over a twenty-four (24) month period commencing on August 1, 2004 (or such other date upon which rent is due from residents of the Series 2003 Project), in an aggregate amount equal to the Operating Reserve Fund Requirement. In the event any funds from the Operating Reserve Fund shall be withdrawn, the Borrower shall, beginning on the twentieth (20th) day of the month following notice from the Trustee of such withdrawal, and on the twentieth (20th) day of each month thereafter, in addition to any other Loan Payments that may be due, make Loan Payments to the Trustee for deposit into the Operating Reserve Fund equal to the amount of such withdrawal. In the event that the Operating Reserve Fund Requirement is not satisfied on or prior to July 31, 2006, the Borrower shall promptly (within thirty (30) days) engage a Financial Consultant acceptable to the Bond Insurer to submit a report of such firm containing recommendations as to changes in the operating policies of the Borrower designed to achieve the Operating Reserve Fund Requirement and to commence in good faith to timely implement the recommendations of such Financial Consultant to the extent permitted by law and by the Ground Lease. Such Financial Consultant shall timely prepare and submit to the Borrower, the Trustee and the Bond Insurer (within sixty (60) days of engagement) a written report of its recommendations. No default under this paragraph shall occur for purposes as described below under "***Events of Default***" if such recommendations are followed notwithstanding that such Operating Reserve Fund Requirement shall not subsequently be attained, but the Borrower shall

continue to be obligated to employ such a Financial Consultant for such purpose until such Operating Reserve Fund Requirement shall be attained.

Obligations of Borrower Unconditional

The obligations of the Borrower to make the payments required in the Loan Agreement and to perform and observe any and all of the other covenants and agreements on its part contained in the Loan Agreement will be a general obligation of the Borrower and will be absolute and unconditional irrespective of any defense or any rights of setoff, recoupment, or counterclaim it may otherwise have against the Issuer. The Borrower will agree that it will not (a) suspend, abate, reduce, abrogate, diminish, postpone, modify, or discontinue any payments described above under the caption "**THE LOAN AGREEMENT -- Loan Payments and Other Amounts Payable**" in **SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS** in this Appendix "C," (ii) fail to observe any of its other agreements contained in the Borrower Documents, or (c) terminate its obligations under any of the Borrower Documents for any contingency, act of God, event, or cause whatsoever, including, without limiting the generality of the foregoing, failure of the Borrower to occupy or to use the Project as contemplated in the Loan Agreement or otherwise, any change or delay in the time of availability of the Project, any acts or circumstances that may impair or preclude the use or possession of the Project, any defect in the title, design, operation, merchantability, fitness, or condition of the Project or in the suitability of the Project for the Borrower's purposes or needs, failure of consideration, any declaration or finding that any of the Bonds are unenforceable or invalid, the invalidity of any provision of the Loan Agreement or any of the other Bond Documents, any acts or circumstances that may constitute an eviction or constructive eviction, destruction of or damage to the Project, the taking by eminent domain of title to or the use of all or any part of the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision or agency of either or in the rules or regulations of any governmental authority, or any failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability, or obligation arising out of or connected with the Loan Agreement.

In the event the Issuer shall fail to perform any such agreement on its part, the Borrower will be permitted to institute such action against the Issuer as the Borrower may deem necessary to compel performance so long as such action does not abrogate the Borrower's obligations under the Loan Agreement. **THE RIGHTS OF THE ISSUER TO ENFORCE THE OBLIGATIONS OF THE BORROWER WILL BE LIMITED AS DESCRIBED IN THE OFFICIAL STATEMENT UNDER THE CAPTION "NON-RECOURSE OBLIGATION OF THE BORROWER."**

Maintenance and Operation of Project; Additions or Alterations

The Borrower will agree that during the Agreement Term it will (a) keep the Project in as reasonably safe condition as its operations shall permit, (b) keep the improvements forming a part of the Project in good repair and in good operating condition, making from time to time all necessary and proper repairs thereto and renewals and replacements thereof, including external and structural repairs, renewals, and replacements, and (c) use the Equipment included in the Project in the regular course of its business only, within the normal capacity of the Equipment,

without abuse, and in a manner contemplated by the manufacturer thereof, and cause the Equipment included in the Project to be maintained in accordance with the manufacturer's then currently published standard maintenance contract and recommendations. The Borrower will be permitted, also at its own expense, from time to time to make any Additions or Alterations to the Project it may deem desirable for its business purposes that do not, in the opinion of an Independent Engineer filed with the Trustee and the Bond Insurer, adversely affect the operation or value of the Project; *provided, however,* that the opinion of an Independent Engineer will only be required (i) during the Construction Period, in the case of Additions or Alterations that either delay the Series 2003 Completion Date or increase the "guaranteed maximum price" under the Design/Build Contract and (ii) during all other times, in the case of material Additions or Alterations, as hereinafter defined. Additions or Alterations to the Project so made by the Borrower will be required to be on the Premises, will become a part of the Project, and will become subject to the lien and security interest of the Leasehold Mortgage and the Security Agreement. Such Additions or Alterations that cost in excess of Two Hundred Fifty Thousand Dollars ($250,000) will be required to be made only by contractors who shall furnish performance and labor and material payment bonds in the full amount of such contracts, made by the contractor thereunder as the principal and a surety company or companies acceptable to the Trustee and the Bond Insurer as surety, and such bonds will be required to be in such form as is reasonably acceptable to the Trustee and the Bond Insurer. Such bonds will name the Borrower, the Issuer, the Trustee, and the Bond Insurer as obligees, and all Net Proceeds received under such bonds will be paid over to the Trustee and deposited into the Insurance Fund to be applied to the completion of the Additions or Alterations to the Project. Such money held by the Trustee in the Insurance Fund will be invested from time to time, as provided in the Loan Agreement.

The Borrower will be required to execute a conditional assignment directing the architect who shall have prepared any Plans and Specifications for any "material" Additions or Alterations to make available to the Trustee a complete set of the Plans and Specifications, which assignment will be effective only upon an Event of a Default under the Loan Agreement. Any Construction Contracts executed by the Borrower for construction of any "material" Additions or Alterations will be required to contain a provision that, or by separate agreement such contractors will be required to agree that, upon the occurrence of an the Event of Default under the Loan Agreement, said contracts with the contractors and/or sub-contractors will be deemed assigned to the Trustee should the Trustee so direct. The Borrower will covenant to include such conditional assignments in all material contracts and subcontracts executed for work to be performed on the Premises. For these purposes, the term "***material***" means any Addition or Alteration or contract having a cost of more than Fifty Thousand Dollars ($50,000).

The Borrower will further agree that at all times during the construction of Additions or Alterations that cost in excess of Two Hundred Fifty Thousand Dollars ($250,000) it will maintain or cause to be maintained in full force and effect Builder's Risk-Completed Value Form insurance to the full insurable value of such Additions or Alterations. The Borrower will not be permitted to permit any mechanics' or materialmen's or other statutory liens to be perfected or remain against the Project for labor or materials furnished in connection with any Additions or Alterations so made by it; *provided, however,* that it will not constitute an Event of Default under the Loan Agreement upon such lien being filed, if the Borrower shall promptly notify the Trustee, and the Bond Insurer of any such liens, and the Borrower shall in good faith promptly contest such liens; in such event the Borrower will be permitted to permit the items so contested to

remain undischarged and unsatisfied during the period of such contest and any appeal therefrom *provided, however,* that the Borrower shall furnish the Trustee with a bond or cash deposit equal to at least the amount so contested, which, in the case of cash, will be placed into an account with the Trustee and held and invested for the purposes described under this subheading, or with an opinion of Independent Counsel reasonably acceptable to the Trustee stating that by nonpayment of any such items the lien and security interest of the Leasehold Mortgage and the Security Agreement will not be materially endangered and neither the Project nor any material part thereof will be subject to imminent loss or forfeiture. The proceeds of the bond or cash deposit will be permitted to be used by the Trustee to satisfy the lien if action shall be taken to enforce the lien and such action shall not be stayed. The bond or cash deposit will be required to be returned to the Borrower if the lien shall be successfully contested. If the Borrower shall be unable or shall otherwise fail to obtain such a bond or provide such a cash deposit or such an opinion of Independent Counsel, the Borrower will be required to cause to be satisfied and discharged promptly all such items by payment thereof. If the Borrower shall be unable or shall otherwise fail to obtain such a bond or provide such a cash deposit or such an opinion of Independent Counsel, or to satisfy and discharge the lien, the Issuer or the Trustee will be permitted, but will be under no obligation, to satisfy and discharge the lien by payment thereof or to provide security that causes the claimant to release the lien against the Project, and all amounts so paid by the Issuer or the Trustee will be treated as an advance to the Borrower repayable in accordance with the Loan Agreement.

The Borrower will not be permitted, or to permit others under its control, to do any work in or about the Project or related to any repair, rebuilding, restoration, replacement, alteration of, or addition to the Project, or any part thereof, unless the Borrower shall have first procured and paid for all requisite municipal and other governmental permits and authorizations. All such work will be required to be done in a good and workmanlike manner and in compliance with all applicable building, zoning, and other laws, ordinances, governmental regulations, and requirements and in accordance with the requirements, rules, and regulations of all insurers under the policies required to be carried under the provisions of the Loan Agreement.

Removal of Equipment

If no Event of Default under the Loan Agreement shall have occurred and be continuing, in any instance where the Borrower in its discretion shall determine that any items of Equipment or parts thereof have become inadequate, obsolete, worn out, unsuitable, undesirable, or unnecessary, the Borrower will be permitted to remove such items of Equipment or parts thereof from the Premises and sell, trade-in, exchange, or otherwise dispose of them (as a whole or in part) without any responsibility or accountability to the Issuer therefore; *provided, however,* that the Borrower will be required either:

(1) to substitute and install anywhere in the Building or on the Premises items of replacement equipment or related property having equal or greater value or utility (but not necessarily having the same function) in the operation of the Project for the purpose for which it is intended; *provided, however,* that such removal and substitution shall not impair the nature of the Project, all of which replacement equipment or related property will be required to be free of all liens, security interests, and encumbrances (other than Permitted Encumbrances), will become subject to the lien and security interest of the Leasehold Mortgage and the Security Agreement,

and will be held by the Borrower on the same terms and conditions as the items originally constituting Equipment, **or**

(2) not to make any such substitution and installation, unless in the case of: (A) the sale of any such Equipment, (B) the trade-in of such Equipment for other machinery, furnishings, equipment, or related property not to become part of the Equipment or to become subject to the lien and security interest of the Leasehold Mortgage and the Security Agreement, or (C) any other disposition thereof, the Borrower will be required to pay to the Trustee the proceeds of such sale or disposition or an amount equal to the credit received upon such trade-in for deposit into the Redemption Fund. In the case of the sale, trade-in, or other disposition of any such Equipment to an Affiliate of the Borrower, the Borrower will be required to pay to the Trustee an amount equal to the greater of the amounts and credits received therefor or the fair market value thereof at the time of such sale, trade-in, or other disposition for deposit into the Redemption Fund.

Except to the extent that amounts are deposited into the Redemption Fund, the removal from the Project of any portion of the Equipment pursuant to the provisions of the Loan Agreement will not entitle the Borrower to any postponement, abatement, or diminution of the Basic Loan Payments payable under the Loan Agreement.

In the event that prior to such removal and disposition of items of Equipment from the Building and the Premises, the Borrower shall have acquired and installed machinery, furnishings, equipment, or related property with its own funds that becomes part of the Equipment and subject to the lien and security interest of the Leasehold Mortgage and the Security Agreement and that has equal or greater utility, but not necessarily the same functions, as the Equipment to be removed, the Borrower will be permitted to take credit to the extent of the amount so spent by it against the requirement that it either substitute and install other machinery and equipment having equal or greater value or that it make payment to the Trustee for deposit into the Redemption Fund.

The Borrower will be required to report promptly to the Trustee and the Bond Insurer each such removal, substitution, sale, or other disposition and to pay to the Trustee such amounts as are described above under this subheading and to be paid into the Redemption Fund promptly after the sale, trade-in, or other disposition requiring such payment; provided, that no such report and payment will be required to be made until the amount to be paid into the Redemption Fund on account of all such sales, trade-ins, or other dispositions not previously reported shall equal, in the aggregate, at least Fifty Thousand Dollars ($50,000) in any Lease Year. All amounts deposited into the Redemption Fund as a result of the sale, trade-in, exchange, or other disposition of Equipment will be used to redeem Series 2003 Bonds pursuant to the redemption provisions of the Indenture described in the Official Statement under the caption "**THE SERIES 2003 BONDS -- Redemption -- *Other Redemptions at Par*.**" The Borrower will not be permitted to remove, or to permit the removal of, any of the Equipment from the Building or the Property except as provided in the Loan Agreement.

The Borrower will not be permitted to remove any Equipment or parts thereof from the Premises if the value of such Equipment or parts thereof or related Equipment or parts thereof

shall exceed Fifty Thousand Dollars ($50,000) individually or in the aggregate, unless the Borrower shall have received the prior written consent of the Bond Insurer.

Repairs and Replacements

The Borrower may use the funds in the Repair and Replacement Fund to (i) replace any worn out, obsolete, inadequate, unsuitable or undesirable property, furniture, equipment, fixtures and other property owned by the Borrower and located on the Series 2003 Project and (ii) maintain the Series 2003 Project and to make all alterations, repairs, restorations and replacements to the Series 2003 Project as and when needed to preserve the Series 2003 Project in good working order, condition and repair, each as required in the Loan Agreement.

At least every five (5) years following the Series 2003 Completion Date, the Borrower shall file with the Trustee and the Bond Insurer a certification accompanied by the written report of an Independent Engineer, acceptable to the Bond Insurer, relating to the adequacy of the deposits to the Repair and Replacement Fund and the condition of the Series 2003 Project. The Repair and Replacement Fund deposit shall be subject to adjustment upward if so recommended by the Independent Engineer.

(b) In the event that immediate repairs or replacements are found to be reasonably necessary for the health and safety of the residents or other persons using the Series 2003 Project, the Independent Engineer shall include in its written report a budget for making such immediate repairs or replacements, and the Borrower shall have one hundred twenty (120) days of receipt of the written report to deposit in the Repair and Replacement Fund a sum sufficient to perform such repairs or provide such replacements or, with the written consent of the Bond Insurer, to requisition funds from the Surplus Fund and the Operating Reserve Fund as provided in the Indenture sufficient to perform such repairs or provide such replacements.

Taxes and Utility Charges

The Borrower will be required to pay, as the same become due, (a) all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Project or any machinery, equipment, furnishings, or other property installed by the Borrower thereon that, if not paid, will become a lien on the Project prior to or on a parity with the lien and security interest of the Leasehold Mortgage and the Security Agreement or a charge on the General Revenues prior to or on a parity with the charge and security interest thereon and the pledge or assignment thereof created and made in the Security Agreement and including all *ad valorem* taxes or payments in lieu of such taxes lawfully assessed upon the Project, (b) all utility and other charges incurred in the ownership, operation, maintenance, use, occupancy, and upkeep of the Project, and (c) all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Project; *provided, however,* that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Borrower will be obligated to pay only such installments as are required to be paid during the Agreement Term.

If the Borrower shall first notify the Trustee and the Bond Insurer of its intention so to do, the Borrower will be permitted, at its own expense and in good faith, to contest any such taxes, assessments, or other charges and, in the event of any such contest, to permit the taxes, assessments, or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom; *provided, however,* that the Borrower shall furnish the Trustee with a bond or a cash deposit equal to at least the amount so contested plus any interest or penalties that might be payable as a result of any late payment, which, in the case of cash, will be placed into an account with the Trustee and held for the purposes described under this subheading, or an opinion of Independent Counsel stating that by nonpayment of any such items the lien and security interest of the Leasehold Mortgage and the Security Agreement will not be materially endangered and neither the Project nor any material part thereof will be subject to imminent loss or forfeiture. The proceeds of such bond or cash deposit will be permitted to be used by the Trustee to satisfy the lien if action shall be taken to enforce the lien and such action shall not be stayed. Such bond or cash deposit will be returned to the Borrower if the taxes, assessments, or other charges shall be successfully contested. If the Borrower shall be unable or shall otherwise fail to obtain such a bond or provide such a cash deposit or such an opinion of Independent Counsel, such taxes, assessments, or charges will be required to be promptly satisfied and discharged by payment thereof.

Insurance

Throughout the Agreement Term, the Borrower will be required to keep the Project or cause the same to be kept continuously insured against such risks as are customarily insured against with respect to facilities of like size and type, as recommended by an Insurance Consultant and approved by the Bond Insurer and its consultant, including, but not limited to:

(a) commencing on the date that the Project or any part thereof is placed into service, property damage insurance covering all buildings, structures, boilers, equipment, facilities, fixtures, supplies, and other property constituting the Project or such portion thereof as shall have been placed into service on a "special form basis" including the perils of earthquake, earth movement (meaning natural faulting of land masses, not including landslide, subsidence, rock slide, mudflow, earth rising, earth sinking, earth shifting or settling; unless, as a direct result of such earth movement, and volcanic eruption), fire, flood, windstorm, collapse, boiler and machinery accidents, strikes, riot, civil commotion, and sabotage and insuring the Borrower, the State, the Ground Lessor, the Issuer, the Trustee, and the Bond Insurer, as their interests may appear in an amount of not less than one hundred percent (100%) of the then actual cost of replacement (excluding costs of replacing excavations, and foundations but without deduction for depreciation) of the Project or such portion thereof as shall have been placed into service (with deductible provisions not to exceed Twenty-Five Thousand Dollars ($25,000) per occurrence, except for flood and wind (which deductibles shall be: flood deductible $50,000, and wind deductible 1% of total insured values subject to a $50,000 minimum));

(b) commencing on the date that the Project or any part thereof is placed into service, business interruption insurance (also referred to as "business income" or "loss of rents insurance") covering loss of revenues and other income by the Borrower by reason of total or partial suspension of, or interruption in, the operation of the Project or such portion thereof as shall have been placed into service caused by damage or destruction insured under (a) above of

the Project or such portion thereof as shall have been placed into service in an amount not less than the Maximum Annual Debt Service on the Bonds plus twelve (12) months of budgeted Operating Expenses;

(c) commencing on or prior to the issuance and delivery of the Series 2003 Bonds, commercial general liability insurance on an Occurrence Basis Form for liability of the General Contractor or the Borrower arising out of claims for personal injury (including bodily injury and death) and/or property damage including coverage for (i) explosion, collapse, and underground hazards; (ii) products-completed operations (which coverage shall remain in effect for at least five (5) years following the Series 2003 Completion Date); (iii) blanket contractual liability, including all insurable obligations of the Borrower under the Ground Lease; (iv) broad form property damage; (v) personal injury and advertising liability (with employee exclusions removed); (vi) independent contractors; and (vii) pollution liability arising out of hostile fire and explosion, in each case, in an amount not less than One Million Dollars ($1,000,000) each occurrence;

(d) commencing on the date any vehicle is acquired or hired by the Borrower for use with respect to the Project, commercial automobile liability insurance for the liability of the Borrower arising out of claims for bodily injury and/or property damage covering all owned (if any), leased, hired, and non-owned vehicles used in the performance of the Borrower's obligations under any of the Borrower Documents with a minimum limit of One Million Dollars ($1,000,000) each accident for combined bodily injury and property damage and including personal injury protection and uninsured motorist protection in the minimum statutory limits where required by law (with deductible provisions not to exceed Twenty-Five Thousand Dollars ($25,000) per occurrence);

(e) commencing on the date that the Project or any part thereof is placed into service, flood insurance under the Federal Flood Insurance Program shall be maintained at all times within the minimum requirements and amounts required for federally financed or assisted loans under the Flood Disaster Protection Act of 1973, as amended, if the Project or such portion thereof as shall have been placed is eligible under such program;

(f) commencing on the date the first employee of the Borrower is hired, workers' compensation coverage or other similar coverage covering all of the Borrower's employees on the Premises, as required by the laws of the State, including, with respect to workers' compensation insurance, the policy must include Coverage B-Employer's liability limits of: bodily injury by accident – Five Hundred Thousand Dollars ($500,000) each accident; and bodily injury by disease – Five Hundred Thousand Dollars ($500,000) each employee (and, in this regard, the Borrower shall require all contractors and subcontractors performing work under any of the Borrower Documents to obtain an insurance certificate showing proof of contractors' and subcontractors' workers' compensation insurance and employers liability insurance);

(g) commencing on the date that the Project or any part thereof is placed into service, fidelity bonds or employee dishonesty insurance in the amount of One Hundred Thousand Dollars ($100,000) for all officers, agents, and employees of the Borrower with the responsibility of handling General Revenues; and

(h) excess or umbrella liability insurance on an occurrence basis (on a least a following form basis) in excess of the underlying insurance described in the foregoing subsections (c), (d), and (f), with minimum limits of (i) during construction of the Series 2003 Project, Ten Million Dollars ($10,000,000) combined bodily injury, death, and property damage minimum limit per occurrence and (ii) commencing on the Series 2003 Completion Date, Ten Million Dollars ($10,000,000) combined bodily injury, death, and property damage minimum limit per occurrence;

Advances by the Issuer or the Trustee

If the Borrower shall fail to make any payment or perform any act required of it under the Loan Agreement, the Issuer or the Trustee will be permitted (but will be under no obligation to), after notifying the Borrower of its intention to do so and at the expiration of any applicable cure period, to make such payment or perform such act. All amounts so paid by the Issuer or the Trustee and all costs, fees, and expenses so incurred will be payable as an additional obligation under the Loan Agreement and under the Notes, together with interest thereon from the date of payment at the Prime Rate, payment of which will be secured by the Leasehold Mortgage and the Security Agreement. Any remedy vested in the Issuer or the Trustee for the collection of the Loan Payments will also be available to the Issuer and the Trustee for the collection of all such amounts so advanced. The Trustee will be under no obligation to make any such payment unless it shall be requested to do so by the owners of at least twenty-five percent (25%) in aggregate principal amount of all Bonds then Outstanding and shall be provided with adequate funds paid in cash to the Trustee (from a source or sources approved by the Trustee) for the purpose of such payment.

Destruction and Damage

In the event that the Project shall be destroyed or damaged (in whole or in part) by fire or other casualty, the Borrower will be required to notify the Issuer, the Trustee, and the Bond Insurer promptly and, unless the Bonds shall be paid in full from the Net Proceeds of insurance resulting from such destruction or damage, to continue to make the Loan Payments and will not be entitled to any postponement, abatement, or diminution thereof.

If such Net Proceeds of insurance shall be less than Two Hundred Fifty Thousand Dollars ($250,000), all such insurance proceeds will be paid to the Borrower, and the Borrower will be required to repair, replace, rebuild, restore, and/or re-equip the Project promptly to substantially the same condition thereof as existed prior to the event causing such destruction or damage with such changes, alterations, and modifications (including the substitution and addition of other property) as may be desired by the Borrower and as will not impair the value or the character of the Project. In the event the Net Proceeds shall not be sufficient to pay in full the costs of any such repair, replacement, rebuilding, restoration, and re-equipping, the Borrower will be required nonetheless to complete said work and to pay that portion of the costs thereof in excess of the amount of said Net Proceeds.

If such Net Proceeds of insurance shall be in excess of Two Hundred Fifty Thousand Dollars ($250,000), the Borrower will be required to notify the Issuer, the Bond Insurer and the Trustee, and all such insurance proceeds will be paid to the Trustee and deposited and held in the

Insurance Fund to be applied, as fully as practicable, in one or more of the following ways a shall be directed in writing by the Borrower within sixty (60) days from the date of such deposit:

(a) subject to the requirements of the Loan Agreement described in the third succeeding paragraph, such Net Proceeds may be applied to the restoration of the Project; **or**

(b) subject to the requirements of the Loan Agreement described in the third succeeding paragraph, such Net Proceeds may be applied to the acquisition of other suitable land and the acquisition, by construction or otherwise, to the extent permitted by applicable law, of improvements consisting of a building or buildings, facilities, furnishings, machinery, equipment, or other properties suitable for the Borrower's operations at the Project as conducted prior to such destruction or damage (which improvements will be deemed a part of the Project and available for use and occupancy by the Borrower without the payment of any Loan Payments other than as provided in the Loan Agreement to the same extent as if such improvements were specifically described therein and will be required to be acquired by the Borrower subject to no liens, security interests, or encumbrances prior to or on a parity with the lien and security interest of the Leasehold Mortgage and the Security Agreement, other than Permitted Encumbrances); **or**

(c) such Net Proceeds may be transferred to the Redemption Fund to be applied to the redemption of Bonds; **or**

(d) such Net Proceeds may be applied in some combination permitted by the foregoing clauses (a), (b), and (c).

All Net Proceeds deposited into the Redemption Fund as a result of the destruction of or damage to the Project will be applied to the redemption of all or a portion of the Bonds issued to finance the acquisition of such portion of the Project or, if such Bonds are no longer Outstanding, the redemption of such other Bonds as may be directed by the Borrower in accordance with the provisions of the Indenture.

All Net Proceeds so deposited into the Redemption Fund to be applied to the redemption of the Series 2003 Bonds shall be used to redeem Series 2003 Bonds:

(a) **first**: pursuant to the provisions of the Indenture described in the Official Statement under the caption "**THE SERIES 2003 BONDS -- Redemption -- *Extraordinary Optional Redemption*;**" *provided, however,* that no part of any such Net Proceeds may be applied to a redemption of the Bonds in whole unless the requirements of the Loan Agreement relating to prepayment in full upon destruction or damage described under the caption "**THE LOAN AGREEMENT -- Option and Obligation to Prepay the Loan**" in "**SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS**" in this Appendix "C" shall have been met; and

(b) **second**: pursuant to the provisions described in the Official Statement under the caption "**THE SERIES 2003 BONDS -- Redemption -- *Other Redemptions at Par*.**"

Before the Trustee applies any Net Proceeds pursuant to the provisions of preceding paragraphs (a), (b), (c) or (d), the Authorized Borrower Representative will be required to furnish to the Issuer, the Trustee and the Bond Insurer (a) a certificate of an Independent Engineer (i) to the effect that the Project can reasonably be expected to be restored, within a period of twelve (12) months from the receipt of such Net Proceeds, to substantially the condition thereof immediately preceding such damage or destruction, (ii) setting forth the estimated cost of the proposed repair, rebuilding, restoration, or re-equipping of the Project, including an allowance for contingencies, and the estimated date of completion of such repair, rebuilding, restoration, or re-equipping, and (iii) to the effect that all amounts necessary to accomplish the proposed repair, rebuilding, restoration, and re-equipping are on deposit in the Insurance Fund, (b) the forecasted financial statements of the Project for each Lease Year until such repair, rebuilding, restoration, and re-equipping is expected to be completed and for the Lease Year immediately following the Lease Year in which such repair, rebuilding, restoration, and re-equipping is expected to be completed, which give effect to the repair, rebuilding, restoration, and re-equipping, and which will be required to be accompanied by a certificate of the Authorized Borrower Representative to the effect that (i) the assumptions underlying such forecasted financial statements are reasonable, (ii) such forecasted financial statements have been prepared in accordance with GAAP (insofar as GAAP is applicable to forecasted financial statements), and (iii) (A) the forecasted Fixed Charges Coverage Ratio for the Lease Year immediately following the Lease Year in which such repair, rebuilding, restoration, and re-equipping is expected to be completed is not less than 1.20x and (B) the forecasted Revenue Available for Fixed Charges (including as Revenues any proceeds of business interruption insurance) for each Lease Year until such repair, rebuilding, restoration, and re-equipping is expected to be completed is sufficient to pay the forecasted Fixed Charges for each Lease Year until such repair, rebuilding, restoration, and re-equipping is expected to be completed, and (C) a certificate of the Authorized Borrower Representative to the effect that all permits, licenses, accreditation, and other governmental approvals necessary for operation of the Project are in full force and effect.

Any balance of Net Proceeds of insurance remaining after application pursuant to the provisions of the Loan Agreement described in the fourth and fifth preceding paragraphs or remaining because of the failure of the Authorized Borrower Representative to furnish to the Trustee the items required by the provisions of the Loan Agreement described in the immediately preceding paragraph will be paid into the Redemption Fund and used to redeem Bonds as provided in the provisions of the Loan Agreement described in the third preceding paragraph. If the Bonds shall have been fully paid (or provision for payment thereof shall have been made in accordance with the Indenture) and all amounts owed to the Bond Insurer shall have been fully paid, any such balance of such Net Proceeds remaining after application pursuant to the provisions of the Loan Agreement described in the fourth and fifth preceding paragraphs or remaining because of the failure of the Borrower to furnish to the Trustee the items required by the provisions of the Loan Agreement described in the third preceding paragraph will be paid to the Borrower.

Condemnation

In the event that title to or the temporary use of the Project or any part thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any Person acting under governmental authority, the Borrower will be required to notify the Issuer,

the Trustee and the Bond Insurer promptly and, unless the Bonds shall be paid in full from the award made in such eminent domain proceedings, to continue to make the Loan Payments and not be entitled any postponement, abatement, or diminution thereof.

Except for Net Proceeds received by the Borrower for condemnation of property not included in the Project, the Issuer, the Borrower, and the Trustee will be required to cause the Net Proceeds received by them or any of them from any award made in such eminent domain proceedings to be paid to the Trustee and deposited and held in the Condemnation Fund to be applied, as fully as practicable, in one or more of the following ways as shall be directed in writing by the Borrower within sixty (60) days from the date of such deposit:

(a) subject to the requirements of the Loan Agreement described in the third succeeding paragraph, such Net Proceeds may be applied to the restoration of the Project; **or**

(b) subject to the requirements of the Loan Agreement described in the third succeeding paragraph, such Net Proceeds may be applied to the acquisition of other suitable land and the acquisition, by construction or otherwise, to the extent permitted by applicable law, of improvements consisting of a building or buildings, facilities, furnishings, machinery, equipment, or other properties suitable for the Borrower's operations at the Project as conducted prior to such taking (which improvements shall be deemed a part of the Project and available for use and occupancy by the Borrower without the payment of any Loan Payments other than as provided in the Loan Agreement to the same extent as if such improvements were specifically described in the Loan Agreement and will be required to be acquired by the Borrower subject to no liens, security interests, or encumbrances prior to or on a parity with the lien and security interest of the Leasehold Mortgage and the Security Agreement, other than Permitted Encumbrances); **or**

(c) such Net Proceeds may be transferred to the Redemption Fund to be applied to the redemption of Bonds; **or**

(d) such Net Proceeds may be applied in some combination permitted by the foregoing clauses (a), (b), and (c).

All Net Proceeds deposited into the Redemption Fund as a result of the condemnation of a portion of the Project will be applied to the redemption of all or a portion of the Bonds issued to finance the acquisition of such portion of the Project or, if such Bonds are no longer Outstanding, the redemption of such other Bonds as may be directed by the Borrower in accordance with the provisions of the Indenture.

All Net Proceeds so deposited into the Redemption Fund to be applied to the redemption of the Series 2003 Bonds will be used to redeem Series 2003 Bonds:

(a) **first**: pursuant to the provisions of the Indenture described in the Official Statement under the caption "**THE SERIES 2003 BONDS -- Redemption -- *Extraordinary Optional Redemption*;**" *provided, however,* that no part of any such Net Proceeds may be applied to a redemption of the Bonds in whole unless the requirements

of the Loan Agreement relating to prepayment in full upon destruction or damage described under the caption "**THE LOAN AGREEMENT -- Option and Obligations to Prepay the Loan**" in "**SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS**" in this Appendix "C" shall have been met; and

(ii) **second**: pursuant to the provisions of the Indenture described in the Official Statement under the caption "**THE SERIES 2003 BONDS -- Redemption -- *Other Redemptions at Par***."

Before the Trustee applies any Net Proceeds pursuant to pay the costs of restoring and replacing the Project, the Authorized Borrower Representative will be required to furnish to the Trustee and the Bond Insurer (a) a certificate of an Independent Engineer (i) to the effect that the Project can reasonably be expected to be restored, within a period of twelve (12) months from the receipt of such Net Proceeds, to substantially the condition thereof immediately preceding such condemnation, (ii) setting forth the estimated cost of the proposed restoration or replacement of the Project, including an allowance for contingencies, and the estimated date of completion of such restoration or replacement, and (iii) to the effect that all amounts necessary to accomplish the proposed restoration and replacement are on deposit in the Condemnation Fund, (b) the forecasted financial statements of the Project for each Lease Year until such restoration and replacement is expected to be completed and for the Lease Year immediately following the Lease Year in which such restoration and replacement is expected to be completed, which give effect to the restoration and replacement, and which shall be accompanied by a certificate of the Authorized Borrower Representative to the effect that (i) the assumptions underlying such forecasted financial statements are reasonable, (ii) such forecasted financial statements have been prepared in accordance with GAAP (insofar as GAAP is applicable to forecasted financial statements), and (iii) (A) the forecasted Fixed Charges Coverage Ratio for the Lease Year immediately following the Lease Year in which such restoration and replacement is expected to be completed is not less than 1.20x and (B) the forecasted Revenue Available for Fixed Charges (including as Revenues any proceeds of business interruption insurance) for each Lease Year until such restoration and replacement is expected to be completed is sufficient to pay the forecasted Fixed Charges for each Lease Year until such restoration and replacement is expected to be completed, and (C) a certificate of the Authorized Borrower Representative to the effect that all permits, licenses, accreditation, and other governmental approvals necessary for operation of the Project are in full force and effect.

Any balance of such Net Proceeds remaining after application pursuant to the provisions of the Loan Agreement described in the fourth and fifth preceding paragraphs remaining because of the failure of the Borrower to furnish to the Trustee the items required by the immediately preceding paragraph will be required to be paid into the Redemption Fund and used to redeem Bonds as provided in the Loan Agreement described in the third preceding paragraph. If the Bonds shall have been fully paid (or provision for payment thereof shall have been made in accordance with the Indenture) and all amounts owed to the Bond Insurer shall have been fully paid, any such balance will be paid to the Borrower.

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Option and Obligation to Prepay the Series 2003 Loan

The Borrower will have the option to prepay the Series 2003 Loan by prepaying Basic Loan Payments due under the Loan Agreement in such manner and amounts as will enable the Issuer to redeem the Series 2003 Bonds prior to maturity in whole or in part on any date, as provided in the Indenture. The Basic Loan Payments payable by the Borrower in the event of its exercise of the option granted under the Loan Agreement will be (a), in the case of partial redemption, the amount necessary to pay principal, all interest to accrue to the redemption date, the applicable redemption price, as provided in the Indenture, and any redemption expense, and (b) in the case of a total redemption, the amounts set forth in the Indenture and the applicable redemption price.

To exercise such option, the Borrower will be required to (a) give the Issuer, the Trustee, and the Bond Insurer not less than forty-five (45) days' prior written notice of the exercise of such option and to specify therein the date of tender of such prepayment and the amount thereof, (b) direct the redemption of the corresponding amount of Series 2003 Bonds, and (c) make arrangements satisfactory to the Trustee for the giving of the required notice of redemption.

Financial Statements

The Borrower will be required to provide the Issuer, the Trustee, the Bond Insurer and each Rating Agency annually, within one hundred eighty (180) days after the end of each Lease Year, beginning with the Lease Year ending July 31, 2005, the financial statements of the Borrower related to the Project for such Lease Year, including its balance sheet, statement of revenue, expenses, and changes in fund and account balances (deficit), and statement of cash flow, for the year then ended in comparative form for the preceding Lease Year, which financial statements shall be accompanied by an Audit Report.

Covenants Regarding Maintenance of Borrower's Status

The Borrower will (i) be required to maintain its legal existence as a single member limited liability company organized under the laws of the State whose sole member is the Authority, (ii) not be permitted, except as permitted by the provisions of the Loan Agreement described in the second succeeding paragraph, consolidate with or merge into another entity or permit another entity to consolidate with or merge into it, and (iii) not be permitted to dissolve or otherwise dispose of all or substantially all of its assets. The Borrower will be required to preserve and keep in full force and effect all licenses and permits necessary to the proper conduct of its business.

The Borrower will be required to take such actions as are necessary or appropriate and within its control to take to comply with the provisions of the Code and the regulations promulgated thereunder in order to preserve the exclusion of the interest paid on the Series 2003 Bonds from the gross income of the Owners thereof for federal income tax purposes and will not be permitted to act or fail to act in any other manner that would adversely affect such exclusion. In connection with the foregoing, the Borrower will acknowledge and agree to comply with the provisions of the Tax Compliance Certificate of Borrower.

The Borrower will be permitted, without violating the covenant described in the second preceding paragraph, to consolidate, merge, sell, or otherwise transfer to another Person all or substantially all of its assets as an entirety (and may thereafter dissolve); *provided, however,* that (i) such consolidation, merger, sale, or other transfer shall not otherwise cause an Event of Default under the Loan Agreement, (ii) the Bond Insurer shall have consented to such consolidation, merger, sale, or other transfer, and (iii) the surviving, resulting, or transferee Person (A) shall be authorized to do business in the State, (B) shall be a domestic corporation, partnership, or other entity, or if a natural person, is a resident of the United States of America, (C) shall have the power to assume and shall assume in writing all of the obligations of the Borrower under the Bond Documents and shall deliver to the Trustee any security agreement necessary to ensure that after such consolidation, merger, sale, or other transfer, the Trustee shall have a security interest in all assets that constitute, or would have constituted, Collateral (as defined in the Security Agreement) prior to such consolidation, merger, sale, or transfer, together with an opinion of counsel that all action has been taken to perfect such security interest to the extent perfection can be made by the filing of financing statements, (D) shall obtain all licenses and permits required by law to operate the Project, (E) shall deliver to the Trustee a title insurance policy insuring that the surviving, resulting, or transferee Person has a valid leasehold interest in the Premises and insuring the Leasehold Mortgage as a first lien subject only to the Permitted Encumbrances, (F) shall deliver to the Trustee and the Bond Insurer an opinion of Independent Counsel to the effect that the Loan Agreement, as assumed by the surviving, resulting or transferee Person, and the Notes are valid and enforceable obligations of such Person, subject only to exceptions related to bankruptcy and other customary exceptions, (G) shall deliver to the Trustee, and the Bond Insurer an opinion of Bond Counsel to the effect that such consolidation, merger, sale, or transfer will not bring about an Event of Taxability, (H) shall have a fund balance or net worth, as the case may be, as reflected in the *pro forma* financial statements required to be furnished pursuant to the Loan Agreement, not less than the fund balance or net worth, as the case may be, of the Borrower, as reflected in the most recent audited balance sheet of the Borrower furnished to the Trustee pursuant to the Loan Agreement, and (I) shall have a Fixed Charges Coverage Ratio not less than that of the Borrower for the two (2) consecutive years prior to such consolidation, merger, sale, or transfer, as determined from the surviving, resultant, or transferee Person's financial statements on a *pro forma* basis that gives effect to such consolidation, merger, sale, or transfer, which *pro forma* basis financial statements shall be accompanied by a report of an Accountant with respect to such historical *pro forma* basis financial statements stating the Fixed Charges Coverage Ratio for the periods reported on.

Financial Covenants

Rate Covenant. The Borrower will covenant and agree to operate the Project as a revenue producing student housing facility on a non-discriminatory basis, and to the extent permitted by law and by the Ground Lease, to charge such fees and rates for its facilities and services and to exercise such skill and diligence as will provide Revenue Available for Fixed Charges, together with other available funds, sufficient to pay promptly all expenses of operation, maintenance, and repair of the Project and to provide all payments required to be made by the Borrower under the Loan Agreement and the other Borrower Documents.

Such rates, fees, and charges in each Lease Year beginning with the first full Lease Year will be required to be sufficient to produce a Fixed Charges Coverage Ratio of at least 1.20x. In

the event that it shall be determined, based upon the financial statements of the Borrower required by the Loan Agreement, that for any Lease Year such Fixed Charges Coverage Ratio shall not have been maintained, the Borrower will be required promptly (within thirty (30) days) to engage a Financial Consultant acceptable to the Bond Insurer to submit a report of such firm containing recommendations as to changes in the operating policies of the Borrower designed to maintain such Fixed Charges Coverage Ratio and to commence in good faith to timely implement the recommendations of such Financial Consultant to the extent permitted by law and by the Ground Lease. Such Financial Consultant shall be required to timely prepare and submit to the Borrower, the Trustee and the Bond Insurer (within sixty (60) days of engagement) a written report of its recommendations. No Event of Default under the Loan Agreement will occur as a result of the provisions of the Loan Agreement described in this paragraph if such recommendations are followed notwithstanding that such Fixed Charges Coverage Ratio shall not subsequently be reattained, but the Borrower shall continue to be obligated to employ such a Financial Consultant for such purpose until such Fixed Charges Coverage Ratio shall be reattained.

The Borrower will agree that, notwithstanding anything in the Loan Agreement or in the Bond Documents to the contrary, in no event shall the Fixed Charges Coverage Ratio fall below 1.0x.

The Borrower will also be required, from time to time as often as necessary and to the extent permitted by law and by the Ground Lease, to revise the rates, fees, and charges aforesaid in such manner as may be necessary or proper so that the Revenue Available for Fixed Charges will be sufficient to meet the requirements of the Loan Agreement, and further, to take all action within its power to obtain approvals of any regulatory or supervisory authority to implement any rates, fees, and charges required by the Loan Agreement.

Annual Budget. Not later than July 1, 2004 and at least thirty (30) days prior to the first day of each Lease Year thereafter, the Borrower will be required to prepare the Annual Budget for the immediately succeeding Lease Year (or in the case of July 1, 2004, for the balance of the then current Lease Year) which will be required to include the monthly budgeted Expenses of the Project for such Lease Year and to indicate clearly any projected surplus for such Lease Year. If the Borrower shall fail to prepare the Annual Budget for any Lease Year, the Annual Budget for the immediately preceding Lease Year will continue in effect until the Annual Budget shall be prepared for the remainder of the applicable Lease Year.

To the extent that the Borrower shall deem it necessary at any time during any Lease Year, the Borrower will be required to submit a revised Annual Budget to the Issuer, the Trustee and the Bond Insurer declaring that the revisions are necessary to operate or maintain the Project and setting forth the reasons therefor which revised Annual Budget will, for all purposes of the Loan Agreement, be deemed the Annual Budget for the remainder of the applicable Lease Year.

Promptly following preparation by the Borrower, a copy of each Annual Budget or revised Annual Budget will be furnished to the Issuer, the Trustee and the Bond Insurer.

In the event the Borrower shall fail to provide a certificate to the Trustee that the Annual Budget, revised to reflect such recommendations or variations as may be presented in writing by

the Financial Consultant, is reasonable, a Financial Consultant will be required to be employed by the Borrower to review and/or revise the Annual Budget and to so certify to the Issuer, the Trustee, and the Bond Insurer.

Management Plan: Pursuant to the Sublease Agreement, dated December 19, 2002, between the State of Florida Board of Education, as successor to the Florida Board of Regents, as sublessor, and the Authority, as sublessee, the Borrower shall prepare and review a Management Plan jointly with the Improvement Trust Fund, the Ground Lessor and the Issuer. The first such review shall occur prior to the Lease Year commencing August 1, 2008 and every fifth (5th) Lease Year thereafter. The Borrower shall provide to the Improvement Trust Fund, the Ground Lessor, the Issuer, the Trustee and the Bond Insurer a copy of any revised Management Plan. The Borrower shall not, without the prior written consent of the Improvement Trust Fund, the Ground Lessor and the Issuer, use or alter the Premises except as provided in the current approved Management Plan.

Covenant Regarding Manager

The Borrower will agree that if the initial Manager shall cease to serve as Manager of the Series 2003 Student Housing Facilities, the Borrower will, with the consent of the Bond Insurer, promptly employ and at all times thereafter employ as the Manager a recognized manager of student housing facilities reasonably acceptable to the Trustee, the Issuer and the Bond Insurer. The Borrower will agree that if an Event of Default under the Management Agreement shall have occurred and be continuing, the Manager will be replaced at the Bond Insurer's request. Prior to entering into a contract with any successor Manager, the Borrower will first be required to deliver to the Trustee an opinion of Bond Counsel to the effect that the terms of the proposed Management Agreement will not bring about an Event of Taxability.

Assignment and Subleasing; Restrictions on Encumbrances

The Borrower will be permitted to enter into subleases with residents of the Project without complying with the provisions described below other than subparagraph (g). The rights and obligations of the Borrower under the Loan Agreement will, with the written consent of the Bond Insurer, be permitted to be assigned and delegated, and the Project subleased, as a whole or in part, by the Borrower without the necessity of obtaining the consent of either the Issuer or the Trustee, subject, however, to each of the following conditions:

(a) No assignment (other than in connection with a consolidation, merger, transfer described above under the caption "**THE LOAN AGREEMENT – Covenants Regarding Maintenance of Borrower's Status**" in **SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS** in this Appendix "C") or sublease will relieve the Borrower from primary liability for any of its obligations under the Loan Agreement, and in the event of any such assignment or sublease, the Borrower will continue to remain primarily liable for payment of the Loan Payments and for the payment, performance, and observance of the other obligations and agreements on its provided in the Loan Agreement to be performed and observed by it.

(b) The assignee shall assume in writing the obligations of the Borrower under the Loan Agreement to the extent of the interest assigned.

(c) The Borrower shall furnish or cause to be furnished to the Issuer, the Trustee, and the Bond Insurer assurances reasonably satisfactory to the Issuer, the Trustee, and the Bond Insurer that the Project will continue to be operated as an "Authorized Project," within the meaning of the Act.

(d) No assignment or sublease with any Person shall be entered into by the Borrower without the Borrower's first furnishing to the Trustee and the Bond Insurer an opinion of Bond Counsel or a ruling from the IRS to the effect that such assignment or sublease will not bring about an Event of Taxability.

(e) No such assignment or sublease shall give rise to a novation.

(f) The Borrower shall, within thirty (30) days after the execution thereof, furnish or cause to be furnished to the Issuer, the Trustee, and the Bond Insurer a true and complete copy of each such assignment or sublease, as the case may be. The Issuer and the Trustee shall have the right, at any time and from time to time, to notify any assignee or sublessee of the rights of the Issuer and the Trustee, as provided by this paragraph. From time to time, upon the request of the Issuer, the Trustee, or the Bond Insurer, the Borrower will be required to assign and grant a security interest to the Trustee, as additional security for the Loan Payments, by an amendment to the Security Agreement in writing and in the form approved by the Issuer, the Trustee, and the Bond Insurer, all the right, title, and interest of the Borrower in and to any and all subleases hereafter on or affecting the Premises, together with all security therefor and all moneys payable thereunder, subject to the conditional right of the Borrower to collect the rentals under any such subleases. The Borrower and the Issuer will also be required to execute and deliver to the Trustee any notification, financing statement, or other document reasonably required by the Trustee to perfect the foregoing assignment and security interest created as to any such subleases and other properties.

(g) All subleases shall contain an attornment clause providing in effect that if at any time during the term of the sublease, the Trustee or the designee of the Trustee, or a subsequent purchaser at a foreclosure sale from the Trustee, shall become the owner of the Project, such sublessee agrees, at the election and upon demand of any owner of the Project, to attorn, from time to time, to any such owner upon the terms and conditions set forth in the sublease. Such sublessee will be required to agree, at the request of the party to whom it has attorned, to execute, acknowledge, and deliver, without charge, from time to time, instruments acknowledging such attornment. The attornment clause will be required to provide that upon such attornment, the sublease shall continue in full force and effect as, or as if it were, a direct sublease between the successor and the sublessee, except that the successor landlord shall not (i) have any liability for any previous act or omission of a predecessor landlord under the sublease, (ii) be bound by any previous modification of the sublease, unless such modification or prepayment shall have been expressly approved in writing by the Issuer and the Trustee, or (iii) have any liability for refusal or failure to perform or complete landlord's work or otherwise prepare the demised premises for occupancy in accordance with the provisions of the sublease.

The Issuer will confirm and recognize that the right of possession of sublessees of the Borrower to the Premises and their other rights arising out of the subleases will not be affected or disturbed in any way by the Issuer, the Trustee, or the Bond Insurer or by the exercise of any

rights or remedies by the Issuer, the Trustee, or the Bond Insurer, for any reason other than one that would entitle the Borrower under the subleases to dispossess the sublessees from the Premises or that would constitute an event of default under the subleases. Further, in the event of a foreclosure or such other exercise of the Issuer's, the Bond Insurer's or the Trustee's rights under the Loan Agreement and the Indenture, the Issuer will agree that so long as any sublessee is not in default under the terms of its sublease, it will recognize such sublessee as the sublessee under such sublease.

The Borrower will agree in the Loan Agreement that it will not directly, indirectly, or beneficially sell, convey, or otherwise dispose of any part of its interest in the Project during the Agreement Term, permit any part of the Premises to become subject to any mortgage, lien, claim of title, encumbrance, security interest, conditional sale contract, title retention arrangement, finance lease, or other charge of any kind, except for Permitted Encumbrances or except as otherwise permitted under the Loan Agreement, or assign, transfer, or hypothecate (other than to the Trustee or the Bond Insurer) any rent (or analogous payment) then due or to accrue in the future under any sublease of the Premises, except for Permitted Encumbrances or except as otherwise permitted under the Loan Agreement. See the caption "**THE LOAN AGREEMENT -- Covenants Regarding Maintenance of Borrower's Status**" in "**SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS**" in this Appendix "C."

Events of Default

The Loan Agreement will provide that the occurrence of any one of the following will constitute an "Event of Default:"

(a) The Borrower's failure to pay (i) the Basic Loan Payments required to be paid under the Loan Agreement at the times specified therein; (ii) the Additional Loan Payments required to be paid under the Loan Agreement at the times specified therein, or (iii) the Reserve Loan Payments required to be paid under the Loan Agreement at the times specified therein.

(b) The Borrower's failure to pay the Basic Loan Payments required to be paid under the Loan Agreement with respect to Additional Bonds at the times specified therein and the continuation of such failure for a period set forth in the amendment or amendments to the Loan Agreement executed in connection with the issuance of such Additional Bonds;

(c) Any representation or warranty made by the Borrower under the Loan Agreement, under any of the other Borrower Documents, or in any statement or certificate furnished to the Issuer or the Trustee or the purchaser of any Bonds in connection with the sale of any Bonds or furnished by the Borrower pursuant to the Loan Agreement shall prove inaccurate in any material respect as of the date of the issuance or making thereof and shall not be corrected within thirty (30) days after written notice specifying such inaccuracy is given to the Borrower by the Issuer, the Trustee, or such purchaser. In the case of any such inaccuracy that cannot with due diligence be corrected within such thirty (30) day period, but can be wholly corrected within a period of time not materially detrimental to the rights of the Trustee, it will not constitute an Event of Default if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the inaccuracy is corrected in accordance with and subject to any directions or limitations of time established in writing by the Trustee.

(d) The Borrower's failure to perform or cause to be performed any other covenant, condition, or provision of the Loan Agreement, other than as referred to in (a) through (c) above or any covenant contained in the Loan Agreement relating to continuing disclosure, and to correct such failure within thirty (30) days after written notice specifying such is given to the Borrower by the Issuer or the Trustee. In the case of any such failure that cannot with due diligence be corrected within such thirty (30) day period but can be wholly corrected within a period of time not materially detrimental to the rights of the Trustee, it will not constitute an Event of Default if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the failure is corrected in accordance with and subject to any directions or limitations of time established in writing by the Trustee.

(e) The Borrower shall (i) apply for or consent to the appointment of or the taking of possession by a receiver, custodian, trustee, or liquidator of it or of all or a substantial part of its property or of the Project, (ii) fail to promptly lift or bond (if legally permissible) any execution, garnishment, or attachment of such consequence as will impair the ability of the Borrower to carry on its operations at the Project, (iii) enter into an agreement of composition with its creditors, (iv) admit in writing its inability to pay its debts as such debts become due, (v) make a general assignment for the benefit of its creditors, (vi) commence a voluntary case under the federal bankruptcy law or any similar law in effect in a foreign jurisdiction (as now or hereafter in effect), (vii) file a petition or answer seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, (viii) fail to controvert in a timely or appropriate manner or acquiesce in writing to any petition filed against it in an involuntary case under such federal bankruptcy law or any similar law in effect in a foreign jurisdiction, or (ix) take any action for the purpose of effecting any of the foregoing.

(f) A proceeding or case shall be commenced, without the application of the Borrower, in any court of competent jurisdiction, seeking (i) the liquidation, reorganization, dissolution, winding-up, or composition or adjustment of debts of the Borrower, (ii) the appointment of a trustee, receiver, custodian, liquidator, or the like of the Borrower or of all or any substantial part of the assets of it, or (iii) similar relief in respect of the Borrower under any law relating to bankruptcy, insolvency, reorganization, winding-up, or composition and adjustment of debts, and such proceeding or case shall continue undismissed or an order, judgment, or decree approving or ordering any of the foregoing shall be entered and shall continue unvacated and unstayed and in effect for a period of ninety (90) days, whether consecutive or not.

(g) The occurrence of an event of default under any of the Bond Documents other than the Continuing Disclosure Agreement.

(h) If for any Lease Year, the Fixed Charges Coverage Ratio shall not be at least 1.00x.

Remedies

Upon the occurrence and continuation of an Event of Default, the Issuer or the Trustee, as the assignee of the Issuer, to the extent permitted by law, may, with the prior written consent of the Bond Insurer, and shall, if directed by the Bond Insurer in writing:

(a) at its option to declare all unpaid installments of Basic Loan Payments and other amounts payable under the Loan Agreement for the remainder of the Agreement Term to be immediately due and payable; **or**

(b) in the event any of the Bonds at the time shall be outstanding and unpaid, to have access to and inspect, examine, and make copies of the books and records and any and all accounts, similar data, and income tax and other tax returns of the Borrower; **or**

(c) from time to time to take whatever action at law or in equity or under the terms of the Bond Documents may appear necessary or desirable to collect the Loan Payments and other amounts payable by the Borrower under the Loan Agreement then due and/or thereafter to become due, or to enforce performance and observance of any obligation, agreement, or covenant of the Borrower under the Loan Agreement.

Any amounts collected pursuant to actions described above will be applied in accordance with the provisions of the Indenture or, if the Bonds shall have been fully paid (or provision for payment thereof shall have been made in accordance with the provisions of the Indenture) and the Borrower shall have paid all amounts due under the Loan Agreement, then any amounts remaining will be paid to the Borrower.

Amendments

See the caption "**THE INDENTURE -- Amendment of Other Bond Documents**" in "**SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS**" in this Appendix "C."

THE LEASEHOLD MORTGAGE

Introduction

The Leasehold Mortgage will provide security for the Borrower's obligations under the Loan Agreement and the Series 2003 Note.

Security

To secure its obligations under the Loan Agreement and the Series 2003 Note, the Borrower will execute and deliver the Leasehold Mortgage pursuant to which the Borrower will convey to the Trustee, a first mortgage lien on the Borrower's leasehold interest in the Project and the Project and all leases of all or part of the Project and will grant to the Trustee a security interest in all of its right, title, and interest in and to all rents, issues, profits, revenues, income, receipts, moneys, royalties, rights and benefits of and from the Project and from and in connection with the Borrower's tenancy, occupancy, use, or enjoyment of the Project, subject to Permitted Encumbrances.

Remedies

Upon the occurrence and continuation of an Event of Default under the Leasehold Mortgage, the Trustee will be entitled to (i) declare the outstanding principal amount of the Series 2003 Bonds, the interest accrued thereon, and all other amounts payable with respect thereto to be due and payable immediately, and upon such declaration, such amounts will immediately become and be due and payable, (ii) by itself, or by such officers or agents as it may appoint, enter and take possession of the Project and exclude the Borrower and its agents and employees wholly therefrom, (iii) demand, collect, and sue for, in its own name, or in the name of the Borrower, all of the rents, issues, profits, revenues, royalties, earnings, income, and benefits derived from the Project as they become due and payable, including those past due and unpaid and to apply such rents, issues, profits, revenues, royalties, earnings, income, and benefits to the payment of the Series 2003 Bonds, and (iv) with or without entry or taking possession, to proceed by suit or suits at law or in equity or by any other appropriate proceeding or remedy (a) to enforce payment of the Series 2003 Bonds or the performance of any term of the Loan Agreement, the Leasehold Mortgage, or any of the other Bond Documents or any other right; (b) to foreclose the Leasehold Mortgage and to sell, as an entirety or in separate lots or parcels, the Project, under the judgment or decree of a court or courts of competent jurisdiction; and (c) to pursue any other remedy available to it. All proceeds from the exercise of the remedies provided by the Leasehold Mortgage will be applied as provided in the Indenture.

THE SECURITY AGREEMENT

Introduction

The Security Agreement will provide security for the Borrower's obligations under the Loan Agreement and the Series 2003 Note.

Security

To secure its obligations under the Loan Agreement, the Borrower will execute and deliver to the Issuer the Security Agreement pursuant to which the Borrower will grant to the Issuer a first priority security interest in the following (the "***Collateral***"): (a) the General Revenues, (b) all of the accounts, payment intangibles, documents, chattel paper, electronic chattel paper, letter of credit rights, instruments, general intangibles, supporting obligations, investment property, and deposit accounts arising in any manner from the Borrower's ownership and/or operation of the Project, (c) the Equipment, (d) the Inventory, (e) all accounts, books, records, and other property relating or referring to any of the foregoing, and (f) all proceeds of any of the foregoing.

Remedies

Upon the occurrence and continuation of an Event of Default under the Security Agreement, the Trustee will be permitted to exercise in respect of the Collateral, in addition to other rights and remedies provided for in the Security Agreement or otherwise available to it, all rights and remedies permitted under the Loan Agreement or otherwise permitted in law or in equity, to protect and dispose of the Collateral and to protect its rights and the rights of the

Bondholders and the Bond Insurer to payment under the Loan Agreement and the Series 2003 Note, and all the rights and remedies of a secured party on default under the Florida Uniform Commercial Code (the "***UCC***") (whether or not the UCC applies to the affected Collateral) and also may (i) require the Borrower to, and the Borrower will agree that it will at its own expense, gather or assemble all or part of the Collateral not in the possession of the Trustee as directed by the Trustee and make it available to the Trustee at a place to be designated by the Trustee that is reasonably convenient to both parties, and (ii) without notice, except as specified below, sell the Collateral, or any part thereof, in one or more parcels at public or private sale, at any of the Trustee's offices or elsewhere, for cash, or credit, or for future delivery, and at such price or prices and upon such other terms as the Trustee may deem commercially reasonable. Any cash held by the Trustee as collateral and all cash proceeds received by the Trustee in respect of any sale of, collection from, or other realization upon all or any part of the collateral subject to the Security Agreement will be applied as provided in the Indenture.

THE INDENTURE

Introduction

The Indenture will be a contract for the benefit of the Owners that will specify the terms and details of the Series 2003 Bonds and which will define the security therefor.

Establishment of Funds

The following trust funds will be established with the Trustee under the Indenture:

Revenue Fund
Bond Fund
Redemption Fund
Issuance Cost Fund
Construction Fund
Debt Service Reserve Fund
Repair and Replacement Fund
Insurance and Condemnation Funds
Surplus Fund
Operating Reserve Fund

Revenue Fund

In the Loan Agreement, the Borrower will agree, as security for its obligation to make Loan Payments thereunder, to deliver, or cause to be delivered, on a weekly basis to the Trustee, for deposit into the Revenue Fund, the General Revenues received by it; *provided, however,* that if an Event of Default shall have occurred and be continuing, the Borrower will be required to deliver all General Revenues daily.

The amounts deposited in the Revenue Fund will be disbursed by the Trustee on the twentieth (20th) day of each month (or the immediately succeeding Business Day if the twentieth (20th) day of a month is not a Business Day) in the following order:

(a) there will be paid to the Borrower for deposit to the Operating Account an amount equal to lesser of (i) the greater of (A) the amount budgeted in the Annual Budget for operating expenses of the Project for the immediately succeeding month and (B) any amount necessary to meet the minimum balance requirement, which for purposes of the Indenture shall be an amount equal to ten percent (10%) of the operating expenses of the Project shown in the then current Annual Budget or (ii) the excess, if any, of (A) the amount budgeted in the Annual Budget for Expenses for the then current Lease Year through the last day of the applicable month over (B) the amount theretofore deposited into the Operating Account pursuant to this subsection (a) for the then current Lease Year; provided, however, if, during any Lease Year, it shall be determined that an Operating Account Surplus shall have been created with respect to the immediately preceding Lease Year, such payment to the Borrower shall be reduced by the amount of such Operating Account Surplus, if any, and the amount of the Operating Account Surplus, if any, shall then be adjusted by the amount of such reduction;

(b) there will be transferred to the Bond Fund the amount the Borrower is obligated to pay as the Basic Loan Payments pursuant to the provisions of the Loan Agreement described under the caption "**THE LOAN AGREEMENT -- Loan Payments and Other Amounts Payable -- *Basic Loan Payments***" in "**SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS**" in this Appendix "C;"

(c) there will be paid to the Issuer and the Trustee any amounts owed as Additional Loan Payments pursuant to the provisions of the Loan Agreement described under item (1)(A) under the caption "**THE LOAN AGREEMENT -- Loan Payments and Other Amounts Payable -- *Additional Loan Payments***" in "**SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS**" in this Appendix "C;"

(d) there will be paid to the Bond Insurer, the Independent Engineer, the Financial Consultant and the Insurance Consultant any amounts owed as Additional Loan Payments pursuant to the provisions of the Loan Agreement described under item (1)(B) under the caption "**THE LOAN AGREEMENT -- Loan Payments and Other Amounts Payable -- *Additional Loan Payments***" in "**SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS**" in this Appendix "C;"

(e) there will be transferred to the appropriate fund or funds any amounts owed as an Additional Loan Payment pursuant to the provisions of the Loan Agreement described under item (1)(C) under the caption "**THE LOAN AGREEMENT -- Loan Payments and Other Amounts Payable -- *Additional Loan Payments***" in "**SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS**" in this Appendix "C;"

(f) there will be transferred to the Debt Service Reserve Fund any Reserve Loan Payments required to be made by the Borrower pursuant to the provisions of the Loan Agreement described under the caption "**THE LOAN AGREEMENT -- Loan Payments and Other Amounts Payable -- *Reserve Loan Payments***" in

"**SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS**" in this Appendix "C;"

(g) commencing on August 20, 2004, there shall be transferred to the Repair and Replacement Fund one-twelfth ($^1/_{12}^{th}$) of the Repair and Replacement Fund Requirement for the current Lease Year that the Borrower is obligated to deposit as an Additional Loan Payment pursuant to the provisions of the Loan Agreement described under item (1)(D) under the caption "**THE LOAN AGREEMENT - Loan Payments and Other Amounts Payable -- *Additional Loan Payments***" in "**SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS**" in this Appendix "C;"

(h) commencing on June 20, 2004 and on each June 20th thereafter, there shall be paid to the Improvement Trust Fund and to the Ground Lessor the respective Ground Lease Payments required to be made pursuant to pursuant to the provisions of the Loan Agreement described under item (1)(E) under the caption "**THE LOAN AGREEMENT - Loan Payments and Other Amounts Payable -- *Additional Loan Payments***" in "**SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS**" in this Appendix "C;"

(i) commencing on August 20, 2004, (x) until such time as the amount deposited in the Operating Reserve Fund pursuant to this subsection (i) satisfies the Operating Reserve Fund Requirement, one twenty-fourth (1/24th) of the amount of the Operating Reserve Fund Requirement, plus the cumulative shortfall (if any) in prior months' deposits to the Operating Reserve Fund under this clause (x) of this subsection, and (y) after the amount deposited in the Operating Reserve Fund pursuant to this subsection (i) has satisfied the Operating Reserve Fund Requirement, any deficiency in the Operating Reserve Fund;

(j) to the extent available, there shall be paid to the Issuer any [Issuer Fee and] expenses owed as Additional Loan Payments, and to the Manager (as evidenced by a written invoice approved by the Borrower) any management fees owed as Additional Loan Payments pursuant to the provisions of the Loan Agreement described under item (1)(H) under the caption "**THE LOAN AGREEMENT - Loan Payments and Other Amounts Payable -- *Additional Loan Payments***" in "**SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS**" in this Appendix "C;" (pro rata, in the event that the Trustee has insufficient funds to pay such amounts to the Issuer and the Manager in full); and

(k) any amounts remaining in the Revenue Fund after the foregoing transfers have been made shall be transferred to the Surplus Fund and used as described below under the caption "**Surplus Fund**".

Bond Fund

The Bond Fund, the fund into which the monthly payments derived from the Loan Agreement and certain other amounts specified in the Indenture will be deposited, will be

maintained with the Trustee. Moneys on deposit in the Bond Fund will be required to be used solely to pay the Debt Service Payments.

Within the Bond Fund, there will be created an account to be designated the "Capitalized Interest Account" and an account to be designated the "Defeasance Account." Within the Capitalized Interest Account, there will be created a separate subaccount designated as the "2003 Subaccount" into which will be deposited a portion of the proceeds of the Series 2003 Bonds. See the caption "**ESTIMATED SOURCES AND USES OF FUNDS**" in the Official Statement.

On each Interest Payment Date, while there are funds on deposit in the Capitalized Interest Account of the Bond Fund, the Trustee will be required to transfer from the 2003 Subaccount of the Capitalized Interest Account to the Bond Fund the lesser of (A) an amount equal to the interest payable on the Series 2003 Bonds on that Interest Payment Date or (B) the amount remaining in the 2003 Subaccount.

Upon the written request of the Borrower, all of the proceeds of the Series 2003 Bonds, or any portion thereof designated in writing by the Borrower remaining in the 2003 Subaccount of the Capitalized Interest Account of the Bond Fund on the Series 2003 Startup Date shall be transferred to the corresponding accounts of the Construction Fund and used for the payment of the Costs of the Project. After any transfer(s) to the Construction Fund made as described in the preceding sentence, all proceeds of the Series 2003 Bonds remaining in the 2003 Subaccount of the Capitalized Interest Account of the Bond Fund on the Series 2003 Startup Date shall be transferred (i) to the Bond Fund and used for the payment of principal of the Series 2003 Bonds provided the Borrower delivers to the Trustee a Favorable Opinion of Bond Counsel, or (ii) if the Borrower shall fail to deliver such an opinion, to the Redemption Fund and used to redeem Series 2003 Bonds as described in the Official Statement under clause (vii) of the caption "**THE SERIES 2003 BONDS – Redemption – *Other Redemptions at Par*,**" or (iii) at the direction of the Borrower with the written consent of the Bond Insurer, any amounts remaining in the 2003 Subaccount of the Capitalized Interest Account of the Bond Fund after the transfers made as described in the first sentence of this paragraph shall be used to pay interest payable on the Series 2003 Bonds through the Interest Payment Date occurring on or immediately preceding the third anniversary of the Closing Date and amounts remaining in the Capitalized Interest Account (if any) shall be used to pay principal of the Series 2003 Bonds or transferred to the Redemption Fund as described under this caption.

If on any Bond Payment Date there shall be insufficient funds in the Bond Fund and the Redemption Fund available therefor to pay Debt Service Payments then due, the Trustee will be required to transfer to the Bond Fund an amount equal to such insufficiency from the following funds in the following order of priority: first, the Surplus Fund, second, the Redemption Fund, third, the Operating Reserve Fund, fourth, the Repair and Replacement Fund, and fifth, the Debt Service Reserve Fund.

Redemption Fund

The Redemption Fund will be a trust fund into which moneys will be required to be deposited prior to being used to redeem or purchase Bonds in accordance with the provisions of the Indenture. Moneys in the Redemption Fund will be used only to pay the principal of Bonds

in the manner described in the Official Statement under the caption "**THE SERIES 2003 BONDS -- Redemption of Series 2003 Bonds -- *Other Redemptions at Par*.**"

The Trustee will establish a separate Account within the Redemption Fund with respect to each series of Bonds or, if more than one series of Bonds shall be issued on the same date, with respect to each such multiple series of Bonds. Any amounts required to be deposited in the Redemption Fund for the redemption of a particular series or multiple series of Bonds in accordance with any of the Bond Documents will be deposited in the applicable Account or Accounts thereof, and, prior to the occurrence of an Event of Default, any amounts in an Account of the Redemption Fund may be used only to make payments on the series of Bonds in respect of which such Account was established.

Issuance Cost Fund

The Issuance Cost Fund will be a trust fund used to pay Issuance Costs and will be funded with proceeds of the sale of the Series 2003 Bonds. See the caption "**ESTIMATED SOURCES AND USES OF FUNDS**" in the Official Statement. The amounts held in the Issuance Cost Fund will be disbursed by the Trustee to pay Issuance Costs when and as requested in writing by the Issuer's Executive Director setting forth the nature of the Issuance Costs to be paid and the name of the payee and certifying that the amounts being paid are properly includable within the definition of Issuance Costs. Any moneys remaining in the Issuance Cost Fund on the earlier of the receipt by the Trustee of a certificate of the Issuer stating that all Issuance Costs have been paid or one year from the date of issuance and delivery of the Series 2003 Bonds will be transferred to the Construction Fund.

Construction Fund

A portion of the proceeds of the Series 2003 Bonds will be deposited in the Construction Fund. In addition, certain unspent proceeds of the Series 2003 Bonds initially deposited in other Funds or Accounts will be deposited in the Construction Fund. See the caption "**ESTIMATED SOURCES AND USES OF FUNDS**" in the Official Statement. Money in the Construction Fund will be applied to payment of the Costs of the Project, including reimbursement to the Issuer and the Borrower for Costs of the Project previously incurred by the Issuer or the Borrower. Any money remaining in the Construction Fund on the Series 2003 Completion Date will be transferred into the Redemption Fund and will be used to redeem Series 2003A Bonds in accordance with the provisions of the Indenture described in the Official Statement under the caption "**THE SERIES 2003 BONDS -- Redemption -- *Other Redemptions at Par***" or to pay principal of the Series 2003 Bonds, and until so used, will be invested at a yield not greater than the yield on the Series 2003 Bonds, unless otherwise permitted by changes in the federal income tax law.

Moneys in the Construction Fund will be permitted to be disbursed by the Trustee only upon receipt of a requisition signed by the Borrower and the Developer and, in the case of Construction Costs, approved by the Independent Engineer.

Debt Service Reserve Fund

Under the Indenture, a Debt Service Reserve Fund will be created and will be funded initially from proceeds of the Series 2003 Bonds in an amount equal to the Debt Service Reserve Requirement for the Series 2003 Bonds on and as of the date of issuance and delivery thereof. Under the Indenture, the Trustee will be authorized to transfer to the Bond Fund amounts held in the Debt Service Reserve Fund to pay Debt Service Payments on the Series 2003 Bonds and on any Additional Bonds for which there shall be a Debt Service Reserve Requirement and to any Additional Bonds for which there shall be a Debt Service Reserve Requirement in the event there should be insufficient funds for said purposes in the Bond Fund, the Redemption Fund, and the Surplus Fund on the date such Debt Service Payments are due. Any withdrawals for this purpose from the Debt Service Reserve Fund will be required to be restored by payments of Reserve Loan Payments by the Borrower. See the caption "**THE LOAN AGREEMENT -- Loan Payments and Other Amounts Payable -- Reserve Loan Payments**" in "**SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS**" in this Appendix "C." If Additional Bonds are issued, the Debt Service Reserve Fund will be required to be increased by an amount equal to the Debt Service Reserve Requirement, if any, for such Additional Bonds.

A surety bond or insurance policy meeting the requirements described in the immediately succeeding paragraph (a "***Reserve Fund Obligation***") may, with the consent of the Bond Insurer, be substituted for monies and investments in the Debt Service Reserve Fund if the substitution of the Reserve Fund Obligation will not, in and of itself, cause any ratings then assigned to the Series 2003 Bonds by Moody's or S&P to be lowered and the resolution authorizing the substitution of the Reserve Fund Obligation for all or part of the Debt Service Reserve Requirement shall contain a finding that such substitution is cost effective. Any funds released as a result of the substitution of the Reserve Fund Obligation for all or part of the Debt Service Reserve Requirement will, with the consent of the Bond Insurer, be required either to be transferred (i) to the Redemption Fund to be used to redeem Series 2003 Bonds in accordance with the provisions of the Indenture described in the Official Statement under the caption "**THE SERIES 2003 BONDS -- Redemption -- *Other Redemptions at Par*,**" or (ii) if the Borrower shall obtain and provide to the Trustee a Favorable Opinion of Bond Counsel, to the Series 2003 Account of the Construction Fund to be used to pay the Costs of the Project.

A Reserve Fund Obligation will be required to be in the form of a surety bond or insurance policy meeting the requirements described below and will be subject to the reasonable approval of the Bond Insurer:

(a) (i) A surety bond or insurance policy issued to the Trustee, as agent of the Bondholders, by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on the Series 2003 Bonds (a "***municipal bond insurer***") if the claims paying ability of the issuer thereof shall be rated "AAA" or "Aaa," respectively, by S&P and Moody's at the time of issuance of the surety bond or insurance policy, or (ii) a surety bond or insurance policy issued to the Trustee, as agent of the Bondholders, by an entity other than a municipal bond insurer, if the form and substance of such instrument and the issuer thereof shall be approved in writing by the Bond Insurer.

(b) The obligation to reimburse the issuer of a Reserve Fund Obligation for any claims or draws upon such Reserve Fund Obligation in accordance with its terms, including expenses incurred in connection with such claims or draws, to the extent permitted by law, will be required to be made from the deposits made to the Debt Service Reserve Fund as provided in the Indenture. The Reserve Fund Obligation will be required to provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature shall be suspended or terminated for any reason, the right of the issuer of the Reserve Fund Obligation to reimbursement will be required to be subordinated to the cash replenishment of the Debt Service Reserve Fund to an amount equal to the difference between the full original amount available under the Reserve Fund Obligation and the amount then available for further draws or claims. In the event (i) the issuer of a Reserve Fund Obligation shall become insolvent, or (ii) the issuer of a Reserve Fund Obligation shall default in its payment obligations thereunder, or (iii) the claims paying ability of the issuer of the insurance policy or surety bond shall fall below "AAA" or "Aaa," by S&P and Moody's, respectively, the obligation to reimburse the issuer of the Reserve Fund Obligation will be required to be subordinated to the cash replenishment of the Debt Service Reserve Fund.

(c) In the event (i) the revolving reinstatement feature described in the preceding subparagraph shall be suspended or terminated, or (ii) the rating of the claims paying ability of the issuer of the surety bond or insurance policy shall fall below "AAA" or "Aaa," by S&P and Moody's, respectively, the Borrower will be required either to (A) deposit into the Debt Service Reserve Fund, in accordance with the flow of funds described under the caption "**THE TRUST INDENTURE -- Revenue Fund**" in "**SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS**" in this Appendix "C" an amount sufficient to cause the cash or investments credited to the Debt Service Reserve Fund to accumulate to the Debt Service Reserve Requirement, or (B) replace such instrument with a surety bond or insurance policy meeting the requirements of (a) and (b) above, within six (6) months of such occurrence.

(d) The Trustee will be required to ascertain the necessity for a claim or draw upon any Reserve Fund Obligation and to provide notice to the issuer of the Reserve Fund Obligation in accordance with its terms not later than three (3) days (or such appropriate time period as will, when combined with the timing of required payment under the Reserve Fund Obligation, ensure payment under the Reserve Fund Obligation on or before the applicable Interest Payment Date) prior to each date upon which the principal of or interest on the Series 2003 Bonds will be due.

Repair and Replacement Fund

The Repair and Replacement Fund will be a trust fund into which the Borrower will be required to make monthly deposits. See items (1)(D) and 1(G) under the caption "**THE LOAN AGREEMENT -- Loan Payments and Other Amounts Payable** – ***Additional Loan Payments***" in "**SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS**" in this Appendix "C." The moneys in the Repair and Replacement Fund will be disbursed by the Trustee for the costs of the repair or replacement related to the Project or transferred to the Bond

Fund to pay the principal and redemption price of, and interest on the Bonds on any Interest Payment Date to the extent there are insufficient moneys in the Bond Fund, the Surplus Fund, the Redemption Fund and the Operating Reserve Fund therefor on such date.

Insurance and Condemnation Funds

The Insurance Fund and the Condemnation Fund will be trust funds into which, under certain circumstances, Net Proceeds of insurance or condemnation awards, respectively, will be deposited and used to prepay Basic Loan Payments or to repair, rebuild, restore, or replace the Project. Moneys in the Insurance Fund or the Condemnation Fund that are used to repair, rebuild, restore, or replace the Project will be disbursed substantially in accordance with the procedures for making disbursements under the Construction Fund. See captions "**THE LOAN AGREEMENT – Damage and Destruction**" and "-- **Condemnation**" in "**SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS**" in this Appendix "C."

The Trustee will establish a separate Account within the Insurance Fund and within the Condemnation Fund with respect to each series of Bonds issued under the Indenture or, if more than one series of Bonds is issued on the same date, with respect to each such multiple series of Bonds. Any amounts required to be deposited in the Insurance Fund or in the Condemnation Fund in accordance with the Loan Agreement will be deposited in the applicable Account thereof, and, prior to the occurrence of an Event of Default, any amounts in an Account of the Insurance Fund or the Condemnation Fund may be used only to restore that portion of the Project in respect of which such Account was established, to acquire land and/or improvements in substitution for that portion of the Project in respect of which such Account was established, or to make payments on the series of Bonds in respect of which such Account was established.

Operating Reserve Fund

The Operating Reserve Fund will be a trust fund into which the Trustee will deposit moneys described in item (i) under the caption "**THE TRUST INDENTURE -- Revenue Fund**" in "**SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS**" in this Appendix "C." In the event that on or subsequent to July 31, 2006, the amount on deposit in the Operating Reserve Fund does not equal or exceed the Operating Reserve Requirement, the Borrower shall, at its sole expense, promptly engage a Financial Consultant acceptable to the Bond Insurer as described under the caption "**THE LOAN AGREEMENT – Loan Payments and Other Amounts Payable – *Operating Reserve Fund Payments***" in this Appendix "C." Moneys on deposit in the Operating Reserve Fund shall be disbursed, with the prior written consent of the Bond Insurer, to pay operating expenses of the Series 2003 Project. The Issuer has authorized and directed the Trustee to withdraw funds from the Operating Reserve Fund to pay the principal of, and interest and premium, if any, on the Series 2003 Bonds and on any Additional Bonds with respect for which there shall be a Debt Service Reserve Requirement to the extent that there are insufficient funds in the Bond Fund and the Surplus Fund therefor on the date such interest, principal, and premium is due.

Surplus Fund

The Surplus Fund will be a trust fund into which moneys remaining in the Revenue Fund after the disbursements described in items (a) through (j) under the caption "**THE TRUST INDENTURE – Revenue Fund**" in "**SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS**" in this Appendix "C" have been made will be transferred in accordance with the provisions of the Indenture described in item (k) under such caption. Amounts held in the Surplus Fund will be available to the extent necessary for the Trustee to remedy deficiencies under any Funds and Accounts under the Indenture or for payment of amounts due the Borrower. The release of any funds from the Surplus Fund to the Borrower is subject to the Trustee's receipt of (i) on an annual basis, audited financial statements verifying that (a) the Fixed Charges Coverage Ratio of at least 1.20x was met for the most recent Lease Year, and (b) the balance in the Operating Reserve Fund is at least $500,000, and (ii) the then current budget provides for a 1.20x Fixed Charges Coverage Ratio; otherwise, no transfer from the Surplus Fund shall be permitted. With respect to each Lease Year in which the foregoing release test is not achieved, such amounts shall be placed in a separate, segregated fund held by the Trustee for the sole benefit of the Owners and the Bond Insurer and shall be used only for the payment of Debt Service on the Bonds unless otherwise approved in writing by the Bond Insurer; *provided, however,* that said amounts shall be released to the Borrower and such segregated fund closed when such release tests are again achieved. Additionally, with the written consent of the Bond Insurer, moneys held in the Surplus Fund may be used to pay for immediate repairs or replacements determined by an Independent Engineer to be reasonably necessary for the health and safety of the residents or other persons using the Series 2003 Project as provided in the Loan Agreement.

Investments

Moneys held as part of the Revenue Fund, the Bond Fund (except moneys in the Defeasance Account), the Redemption Fund, the Issuance Cost Fund, the Construction Fund, the Debt Service Reserve Fund, the Repair and Replacement Fund, the Insurance Fund, the Condemnation Fund, the Surplus Fund, reserves in connection with contested liens, the Operating Reserve Fund, or other special trust funds created under the Indenture, or other accounts or funds held by the Trustee, to the extent permitted by law shall be invested and reinvested by the Trustee, at the written direction of and as specified by the Authorized Borrower Representative or, upon the occurrence and continuation of an Event of Default, the Bond Insurer, in Permitted Investments, subject to the restrictions set forth in the Indenture.

The Trustee may make any and all such investments through its own bond department. Moneys in the Revenue Fund, the Redemption Fund, the Issuance Cost Fund, the Construction Fund, the Debt Service Reserve Fund, the Repair and Replacement Fund, the Insurance Fund, the Condemnation Fund, the Surplus Fund, reserves in connection with contested liens, the Operating Reserve Fund, or other accounts and funds will be invested only in Permitted Investments maturing or redeemable at the option of the holder in such amounts and on such dates as may be necessary to provide moneys to meet the payments from each such respective fund as may be specified by the Authorized Borrower Representative; moneys in the Bond Fund will be invested only in Permitted Investments maturing or redeemable at the option of the holder not later than the immediately succeeding principal, mandatory sinking fund redemption,

or Interest Payment Date of the Bonds; moneys in the Redemption Fund will be invested only in Permitted Investments maturing or redeemable at the option of the holder not later than the immediately succeeding principal, mandatory sinking fund redemption, or Interest Payment Date of the Bonds and at a yield that is not greater than the yield on the Tax-Exempt Bonds for the redemption of which such moneys have been deposited therein; to the extent required to maintain the exclusion of the interest on the Tax-Exempt Bonds from the income of the Owners thereof, moneys in the Revenue Fund will be invested only in Permitted Investments and at a yield that is not greater than the yield on the Tax-Exempt Bonds; and moneys in the Debt Service Reserve Fund will be invested only in Permitted Investments with a weighted average maturity at any time not exceeding ten (10) years.

Financial Statements

Upon the written request of any Owner that owns at least One Million Dollars ($1,000,000) in aggregate principal amount of Bonds then Outstanding, the Trustee, at the expense of such Owner, will be required under the terms of the Indenture to deliver to such Owner a copy of any of the financial statements of the Borrower that are described herein under the caption "**THE LOAN AGREEMENT -- Financial Statements**" in "**SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS**" in this Appendix "C."

Additional Bonds

So long as no Event of Default under the Indenture shall then be existing, Additional Bonds may, with the consent of the Bond Insurer, be issued by the Issuer upon the request of the Borrower, to provide funds to pay any one or more of the following: (a) the cost of completing or expanding the Project, (b) the costs of refunding any Bonds, and (c) in each such case, the costs of the issuance and sale of the Additional Bonds and capitalized or funded interest for such period and such other costs reasonably related to the financing as shall be agreed upon by the Borrower and the Issuer. Each such series of Additional Bonds will be issued pursuant to a supplement to the Indenture and will be equally and ratably secured under the Indenture with the Series 2003 Bonds and any other series of Additional Bonds, without preference, priority or distinction of any Bonds over any other Bonds. See caption "**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2003 BONDS -- Additional Bonds**" in the Official Statement. Neither the Issuer nor the Borrower will be permitted to incur any additional debt related to the Project and secured by the General Revenues without the prior written consent of the Bond Insurer.

Events of Default

Each of the following will be an Event of Default within the meaning of the Indenture:

(a) payment of any installment of interest on any Bond shall not be made by or on behalf of the Issuer when the same shall become due and payable; **or**

(b) payment of the principal or redemption price of any Bond shall not be made by or on behalf of the Issuer when the same shall become due and payable, whether at maturity or by proceedings for redemption or pursuant to a Sinking Fund Requirement or otherwise; **or**

(c) the failure to perform in a punctual manner any other of the covenants, conditions, agreements, or provisions contained in the Indenture or any agreement supplemental to the Indenture and the continuation of such failure for thirty (30) days after receipt by the Issuer of a written notice from the Trustee specifying such default and requiring the same to be remedied; *provided, however,* that if such performance requires work to be done, action to be taken, or conditions to be remedied, that by their nature cannot reasonably be done, taken, or remedied, as the case may be, within such thirty (30) day period or other period, no Event of Default will be deemed to have occurred or to exist if, and so long as, the Issuer shall begin such performance within such period and shall diligently and continuously prosecute the same to completion; **or**

(d) an "***Event of Default***" shall have occurred under any other Bond Document; **or**

(e) if for any Lease Year the Fixed Charges Coverage Ration shall not be at least 1.00x.

Acceleration of Maturities

On the happening and continuance of any Event of Default, the Trustee may, with the consent of the Bond Insurer, and at the direction of the Bond Insurer or on the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding with the consent of the Bond Insurer will be required, by notice in writing to the Issuer and the Borrower, declare the principal of all Bonds then Outstanding (if not then due and payable) to be due and payable immediately, and on such declaration the same will become and be immediately due and payable. Upon such declaration, interest on the Bonds will cease to accrue, and the Trustee will be required to notify the Owners of the Bonds promptly of such declaration and that interest on the Bonds shall have ceased to accrue on and as of the date of such declaration. If at any time after the principal of Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action, or proceeding instituted on account of such Event of Default, or before the completion of the enforcement of any other remedy under the Indenture, money shall have accumulated in the Bond Fund sufficient to pay the principal of all matured Bonds and all arrears of interest, if any, on all Bonds then Outstanding (except the principal of any Bonds not then due and payable by their terms and the interest accrued on such Bonds since the last interest payment date), and liabilities of the Trustee and all other amounts then payable by the Issuer under the Indenture shall have been paid or a sum sufficient to pay the same has been deposited with the Trustee, and every other failure known to the Trustee in the observance or performance of any covenant, condition, or agreement contained in the Bonds or in the Indenture (other than a failure to pay the principal of such Bonds then due only because of a declaration described in this paragraph) shall have been remedied to the satisfaction of the Trustee, then and in every such case the Trustee may, with the consent of the Bond Insurer, and on the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds not then due and payable by their terms (Bonds then due and payable only because of a declaration described in this paragraph will not be deemed to be due and payable by their terms) with the consent of the Bond Insurer will be required, by written notice to the Issuer, the Borrower, and the Owners of the Bonds, to rescind and annul such declaration and its consequences, but no such rescission or annulment will extend

to or affect any subsequent Event of Default or impair any right consequent thereon. Upon any declaration of acceleration under the Indenture, the Trustee will be required to proceed immediately to exercise such rights as it may have under the Loan Agreement to declare all payments thereunder to be immediately due and payable, without seeking indemnity.

Remedies Upon the Occurrence of an Event of Default

Whenever any Event of Default shall have occurred and be continuing, the Trustee, with the written consent of the Bond Insurer, may, and at the written direction of the Bond Insurer or on the written request of the Owners of not less than twenty-five percent (25%) in principal amount of Bonds then Outstanding, with the written consent of the Bond Insurer, will be required to, proceed to protect and enforce its rights and the rights of the Owners under the laws of the State or under the Indenture by such suits, actions, or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained in the Indenture or in aid or execution of any power granted in the Indenture or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel chosen by the Trustee, shall deem most effectual to protect and enforce such rights.

Pro Rata Application of Funds

All money received by the Trustee pursuant to any right given or action taken under the Indenture will, after payment of the costs and expenses of the proceedings resulting in the collection of such money and the fees and expenses of the Trustee, be deposited in the Bond Fund and applied to the payment of the Debt Service Payments then due and unpaid in accordance with the provisions of the Indenture. Anything in the Indenture to the contrary notwithstanding, if at any time the money in the Bond Fund is not sufficient to pay the interest on or the principal of Bonds as the same shall become due and payable (either by their terms or by acceleration of maturities), such money, together with any money then available or thereafter becoming available for such purpose, whether through the exercise of the remedies described under this heading or otherwise, shall be applied as follows:

(a) if the principal of all Bonds shall not have become or shall not have been declared due and payable, all such money will be applied as follows:

first: to the payment to the persons entitled thereto of all installments of interest on Bonds then due and payable, in the order in which such installments became due and payable and, if the amount available is not sufficient to pay in full any particular installment, then to the payment, ratably according to the amounts due on such installment to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds;

second: to the payment to the persons entitled thereto of the unpaid principal of any Bonds that shall have become due and payable (other than Bonds deemed to have been paid under the Indenture), in the order of their due dates, and, if the amount available is not sufficient to pay in full the principal of Bonds due and payable on any particular date, then to the payment ratably according to the amount of such principal

due on such date, to the persons entitled thereto without any discrimination or preference; and

third: to the payment of the interest on and the principal of Bonds and to the redemption of Bonds, all in accordance with the Indenture.

(b) If the principal of all Bonds shall have become or shall have been declared due and payable, all such money will be applied to the Debt Service Payments then due, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege; and

(c) If the principal of all Bonds shall have been declared due and payable and if such declaration thereafter shall have been rescinded and annulled, then, if the principal of all Bonds shall later become due and payable or shall be declared due and payable, the money then remaining in and thereafter accruing to the Bond Fund will be applied in accordance with the provisions of the Indenture described in subsection (a) of this section.

Discontinuance of Proceedings

If any proceeding taken by the Trustee or Owners on account of any Event of Default has been discontinued or abandoned for any reason, then, and in every such case, the Issuer, the Trustee, and the Owners will be restored to their former positions and rights under the Indenture, respectively, and all rights, remedies, powers, and duties of the Trustee will continue as though no proceeding had been taken.

Control of Proceedings

Subject to the provisions of the Indenture described in the immediately succeeding paragraph, but anything else in the Indenture to the contrary notwithstanding, a Majority of the Bondholders will have the right, subject to indemnifying the Trustee, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Indenture, if such direction is in accordance with law and the Indenture.

Subject to the limitations described below under the caption "**Limitation on Rights of the Bond Insurer**," but anything else in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default under the Indenture or under any other Bond Document, the Bond Insurer will be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Trustee for the benefit of the Bondholders the Indenture or under such Bond Document, including, without limitation: (i) the right to accelerate the principal of the Bonds, and (ii) the right to annul any declaration of acceleration. The Bond Insurer will also be entitled to approve all waivers of Events of Default.

Limitation on Rights of the Bond Insurer

Notwithstanding anything contained in the Indenture to the contrary, all rights of the Bond Insurer under the Indenture to receive notices, to give approvals, to make requests, or to consent or give instruction or direction with respect to declarations, extensions, remedies, waivers, rescissions, actions, amendments to the Indenture, supplemental indentures, or the other Bond Documents will be suspended for so long as the Bond Insurer shall be in default under any of its obligations under the Bond Insurance Policy.

Discharge of Lien

When (i) if the Bonds or a series of Bonds shall have become due and payable in accordance with the terms thereof or otherwise as provided in the Indenture, the whole amount of the Debt Service Payments so due and payable on all such Bonds shall be paid, and (ii) if the Bonds or a series of Bonds shall not have become due and payable in accordance with the terms thereof but provision shall have been made for the payment of the same in accordance with the terms of the Indenture, and (iii) sufficient funds shall also have been provided or provision shall have been made for paying all other obligations payable under the Indenture with respect thereto by the Issuer, then and in that case, the right, title, and interest of the Trustee in the Funds and Accounts, if any, established with respect to such Bonds or series of Bonds due or to become due with respect to the Bonds or such series of Bonds will then cease, determine, and become void and, on demand of the Issuer and on being furnished with an opinion, in form and substance satisfactory to the Trustee, of counsel approved by the Trustee, to the effect that all conditions precedent to the release of the Indenture or that portion of the Trust Estate relating to such series of Bonds have been satisfied, the Trustee will release the Indenture or that portion of the Trust Estate relating to such series of Bonds and will execute such documents to evidence such release as may be reasonably required by the Issuer and will transfer to the Borrower any surplus in, and all balances remaining in, all such Funds and Accounts.

Amendments to the Indenture

The Issuer and the Trustee may, without the consent of or notice to any of the Bondholders, but with the consent of the Bond Insurer, enter into an amendment to the Indenture or an indenture supplemental to the Indenture for any one or more of the following purposes:

(a) to cure any error, ambiguity, or formal defect or omission in, or to correct or supplement any defective provision of, the Indenture,

(b) to add to the covenants and agreements of, and limitations and restrictions upon, the Issuer in the Indenture other covenants, agreements, limitations, and restrictions to be observed by the Issuer for the protection of the Bondholders,

(c) to evidence the appointment of a separate trustee or a co-trustee or the succession of a new trustee or the appointment of a new or additional paying agent or bond registrar,

(d) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, benefits, security, liabilities, duties, or authority that

may lawfully be granted to or conferred or imposed upon the Bondholders or the Trustee or either of them,

(e) to subject to the lien and security interest of the Indenture additional revenues, properties, or collateral,

(f) to modify, amend, or supplement the Indenture or any indenture supplemental to the Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any state, and, if they so determine, to add to the Indenture or any indenture supplemental to the Indenture such other terms, conditions, and provisions as may be permitted by the Trust Indenture Act of 1939, as amended, or any similar federal statute,

(g) to modify, amend, or supplement the Indenture in such manner as to assure the continued exclusion of the interest on any Tax-Exempt Bonds from the gross income of the Owners thereof for federal income tax purposes,

(h) to comply with any provisions of the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or any rules or regulations promulgated thereunder,

(i) to reflect a change in applicable law, provided that the Trustee shall determine that such amendment or supplemental indenture does not prejudice the rights of Bondholders,

(j) to make any other change in the Indenture that, in the judgment of the Trustee, does not prejudice or adversely affect the Bondholders or impair the Security, it being understood and agreed that in determining whether the rights of the Bondholders will be adversely affected, the Trustee will be required to consider the effect on the Bondholders as if there were no Bond Insurance Policy, or

(k) provided the Bond Insurer is not in default in respect of any of its obligations in respect of the Bond Insurance Policy, to make any other change herein other than as described in items (a) through (g) of the second succeeding paragraph.

The Issuer and the Trustee will be required, without the consent of or notice to any of the Bondholders, but with the prior consent of the Bond Insurer, to enter into an amendment to the Indenture or an indenture supplemental to the Indenture (a) in connection with the issuance of any Additional Bonds in accordance with the Indenture and the inclusion of additional Security in connection therewith, (b) to the extent necessary with respect to the land and interests in land, buildings, furnishings, machinery, equipment, and all other real and personal property that may form a part of the Project, so as to identify the same more precisely or to substitute or add additional land or interests in land, buildings, furnishings, machinery, equipment, or real or personal property as Security, or (c) with respect to any changes required to be made in the description of the Security in order to conform with similar changes made in the Loan Agreement.

Exclusive of indentures supplemental to the Indenture described above under this caption "**Amendment of the Indenture**," the Bond Insurer and the Owners of not less than two-thirds in aggregate principal amount of the Bonds then Outstanding will have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the Issuer and the Trustee of an amendment to the Indenture or such indenture supplemental thereto as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in the Indenture, in any amendment to the Indenture, or in any supplemental indenture; *provided, however,* that nothing contained in the Indenture will permit, or be construed as permitting: (a) an extension of the stated maturity or reduction in the principal amount of, or a reduction in the rate (other than a change in a variable rate as provided in the Indenture) or an extension of the time of payment of interest on, or a reduction of any premium payable on the redemption of, any Bonds, without the consent of every Owner of such Bonds, (b) the creation of any lien or security interest (other than any Permitted Encumbrances) prior to or on a parity with the lien and security interest of the Indenture without the consent of the Owners of all the Bonds at the time Outstanding that would be affected by the action to be taken, (c) a reduction in the amount, or an extension of the time of any payment, required by the mandatory sinking fund redemption provisions of the Indenture, without the consent of the Owners of all the Bonds at the time Outstanding that would be affected by the action to be taken, (d) a reduction in the aforesaid aggregate principal amount of Bonds the Owners of which are required to consent to any such amendment or supplemental indenture, without the consent of the Owners of all the Bonds at the time Outstanding that would be affected by the action to be taken, (e) the modification of the trusts, powers, obligations, remedies, privileges, rights, duties, or immunities of the Trustee, without the written consent of the Trustee, (f) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (g) the release of or requirements for the release of the Indenture, without the consent of the Owners of all of the Bonds at the time Outstanding that would be affected by the action to be taken.

The Trustee will give written notice of any amendment to the Indenture or to any indenture supplemental to the Indenture to each Rating Agency.

Amendments to Other Bond Documents

The Issuer and the Trustee will be required, without the consent of or notice to the Bondholders, but with the consent of the Bond Insurer, to consent to any amendment, change, or modification of the Bond Documents other than the Indenture as may be required (a) by the provisions of the Loan Agreement and the Indenture, (b) in connection with the issuance of Additional Bonds, (c) for the purpose of curing any error, ambiguity, or formal defect or omission therein, or to correct or supplement any defective provision thereof, (d) in connection with the land and interests in land, buildings, machinery, equipment, and other real or personal property described in the Loan Agreement and the Leasehold Mortgage so as to identify more precisely the same or to substitute or add additional land or interests in land, buildings, machinery, equipment, or other real or personal property, (e) so as to add additional rights acquired in accordance with the provisions of the Bond Documents, (f) to substitute a new borrower under the Loan Agreement as provided therein, (g) to comply with any provisions of the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or any rules or regulations promulgated thereunder, (h) to make any other change therein that, in the

judgment of the Trustee, does not prejudice the Trustee or materially adversely affect the Owners, it being understood and agreed that in determining whether the rights of the Owners of the Bonds will be adversely affected, the Trustee will be required to consider the effect on the Bondholders as if there were no Bond Insurance Policy, or (i) provided the Bond Insurer is not in default in respect of any of its obligations in respect of the Bond Insurance Policy, in connection with any other change therein other than as described in items (a) and (b) of the immediately succeeding paragraph.

Except for the amendments, changes, or modifications described in the preceding paragraph, neither the Issuer nor the Trustee may consent to any other amendment, change, or modification of the Bond Documents other than the Indenture without giving notice to and obtaining the written approval or consent of the Bond Insurer and the Owners of not less than two-thirds in aggregate principal amount of the Bonds then Outstanding; *provided, however,* that nothing in the Indenture will permit or be construed as permitting (a) an extension of the time for payment of any amounts payable under the Loan Agreement or a reduction in the amount of any payment or in the total amount due under the Loan Agreement, without the consent of every Owner of Bonds affected thereby, or (b) a reduction in the aforesaid aggregate principal amount of Bonds the Owners of which are required to consent to any such amendment, change, or modification of such other Bond Documents, without the consent of the Owners of all the Bonds at the time Outstanding that would be affected by the action to be taken.

The Trustee will give written notice of any amendment, change, or modification of the Bond Documents other than the Indenture to each Rating Agency.

Trustee's Fees and Expenses

Under the Indenture, upon the occurrence of an Event of Default, the Trustee may apply moneys received by it pursuant to any action taken by it in accordance with the Indenture in connection with such Event of Default to the payment of the costs and expenses of the proceedings resulting on the collection of such moneys and to the payment of the expenses, liabilities, and advances incurred or made by the Trustee prior to its applying such moneys to the payment of principal and redemption price of, and interest on, the Bonds.

The Trustee

Duties of the Trustee. The Trustee, prior to the occurrence of an Event of Default and after the waiving or curing of all Events of Default that may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. In case an Event of Default shall have occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

Right of Trustee to Perform Duties through Others. The Trustee may execute any of the trusts or powers under the Indenture and perform any of its duties by or through attorneys, accountants, agents, receivers, or employees, and shall not be responsible for the acts of any attorneys, accountants, agents, or receivers appointed by it in good faith and without negligence,

and will be entitled to advice of counsel concerning all matters of trusts of the Indenture and the duties thereunder and may in all cases pay such reasonable compensation to all such attorneys, accountants, agents, receivers, and employees as may be reasonably employed in connection with the trusts of the Indenture. The Trustee may act upon the opinion or advice of any attorneys (who may be the attorney or attorneys for the Issuer or the Borrower) approved by the Trustee in the exercise of reasonable care. The Trustee will not be responsible for any loss or damage resulting from any action or non-action taken in good faith in reliance upon such opinion or advice.

Reliance on Notices, Requests, etc. The Trustee will be protected in acting in good faith upon any notice, request, resolution, consent, certificate, order, affidavit, letter, telegram, or other paper or document, or oral communication or direction, reasonably believed to be genuine and correct and to have been signed or sent or given by the proper person or persons. As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper, or proceedings, the Trustee will be entitled to rely upon a certificate signed on behalf of the Issuer by the Authorized Issuer Representative or by the Chairman and attested by the Secretary of the Issuer and upon a certificate signed on behalf of the Borrower by the Authorized Borrower Representative or by its President and attested by its Secretary as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default of which the Trustee shall have been notified or of which it shall be deemed to have notice as provided in the Indenture, will also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction, or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but will in no case be bound to secure the same.

Notice of Default. The Trustee will not be required to take notice or be deemed to have notice of any failure on the part of the Issuer under the Indenture or the Borrower under the Loan Agreement except (a) failure by the Issuer to cause to be made any of the payments to the Trustee required to be made by the provisions of the Indenture described herein under the subheadings "**THE INDENTURE -- Revenue Fund**," "**-- Bond Fund**," "**-- Redemption Fund**," "**-- Issuance Cost Fund**,' "**-- Construction Fund**," "**-- Debt Service Reserve Fund**,' "**-- Repair and Replacement Fund**," "**-- Insurance and Condemnation Funds**," "**-- Operating Reserve Fund**" and "**-- Surplus Fund**" and (b) failure by the Borrower to make any of the Loan Payments to the Trustee, unless the Trustee shall be specifically notified in writing of such default by the Issuer or by the Owners of at least twenty-five percent (25%) in aggregate principal amount of all Bonds then Outstanding, or by the Bond Insurer.

Notice to Bondowners if Default Occurs. If a failure to comply occurs of which the Trustee has actual knowledge or is required to take notice or if notice of a failure to comply is given to the Trustee as provided in the provisions of Indenture described in the preceding paragraph, the Trustee will be required to give written notice thereof to the Borrower, the Bond Insurer, and the Issuer as is specified in the Indenture and will be required to give written notice thereof by first-class mail, within fifteen (15) days (unless such failure shall be cured or waived), to the Owners of all Bonds then Outstanding shown by the Bond Register; provided that, except in the case of a failure to make due and punctual payment of the principal or redemption price of, or interest on any Bond, the Trustee may withhold such notice to the Bondholders if and so long as the board of directors, the executive committee, or a trust committee of directors or

responsible officers of the Trustee in good faith determine that the withholding of such notice is in the interests of the Bondholders.

Resignation by the Trustee. The Trustee and any successor trustee may at any time resign from the trusts created by the Indenture by giving thirty (30) days' written notice to the Issuer, to the Bond Insurer, to the Borrower, to each Rating Agency, and, by first-class (postage prepaid) mail, to each Bondholder shown on the Bond Register, and such resignation will take effect at the appointment of a successor trustee pursuant to the provisions of the Indenture and acceptance by the successor trustee of such trusts. If no successor trustee shall have been so appointed by the Bondholders pursuant to the Indenture within thirty (30) days after delivery of such notices, a temporary trustee may be appointed by the Issuer pursuant to the Indenture. In the event that no successor trustee shall have been appointed and shall have accepted appointment within thirty (30) days of the giving of written notice by the resigning trustee as aforesaid the resigning trustee may petition any court of competent jurisdiction for the appointment of a successor trustee.

Removal of the Trustee.

The Trustee may be removed at any time (a) by the Issuer with the consent of the Bond Insurer for any breach of the trusts set forth herein or for failure or refusal to act as trustee, (b) by an instrument or concurrent instruments in writing delivered to the Trustee and to the Issuer and signed by a Majority of the Bondholders, (c) by an instrument in writing delivered to the Trustee and to the Issuer signed by the Borrower; *provided, however,* that no Event of Default under the Indenture or the Loan Agreement shall have occurred and be continuing, or (d) by an instrument in writing delivered to the Trustee and to the Issuer signed by the Bond Insurer. Removal of the Trustee will not be effective until the Trustee shall have been paid for all Ordinary Services and Extraordinary Services of the Trustee rendered under the Indenture and for all Ordinary Expenses and Extraordinary Expenses of the Trustee incurred under the Indenture. The Issuer, or the Borrower on behalf of the Issuer, will be required to give written notice of removal of the Trustee in accordance with the provisions of the Indenture described in this paragraph to the Bond Insurer and each Rating Agency.

Appointment of Successor Trustee; Temporary Trustee. In case the Trustee shall (a) resign or be removed or (b) be dissolved or shall be in the course of dissolution or liquidation, or in case it shall be taken under the control of any public officer or officers or of a receiver appointed by a court or otherwise become incapable of acting under the Indenture, a successor may be appointed with the consent of the Bond Insurer by an instrument executed and signed by the Chairman and attested by the Secretary under its seal and executed by the Authorized Borrower Representative; provided, that if a successor trustee shall not be so appointed within ten (10) days after notice of resignation shall have been mailed or an instrument of removal shall have been delivered as provided by the provisions of the Indenture described in the preceding paragraph or within ten (10) days of the Issuer's knowledge of any of the events described in (b) hereinabove, then a Majority of the Bondholders, by an instrument or concurrent instruments in writing signed by or on behalf of such Owners, delivered personally or sent by certified or registered mail to the Issuer, the Bond Insurer, and the Borrower, may with the consent of the Bond Insurer designate a successor trustee. Until a successor trustee shall be appointed by the Bondowners in the manner described above, the Issuer, by resolution and upon written notice to

the Borrower, will be required to appoint a temporary trustee to fill such vacancy, and any such temporary trustee so appointed by the Issuer will immediately and without further act be superseded by the successor trustee so appointed by the Bondowners. Notice of the appointment of a successor trustee will be given in the same manner as with respect to the resignation of the Trustee. Every such successor trustee will be required to be a trust company or bank organized under the laws of the United States of America or any state thereof that is in good standing within or outside the State, be eligible to serve as trustee, bond registrar, and paying agent under applicable law, be duly authorized to exercise trust powers and subject to examination by federal or state authority, have a reported combined capital, surplus, and undivided profits of not less than Seventy-Five Million Dollars ($75,000,000), be approved by the Bond Insurer, and be an institution willing, qualified, and able to accept the trusteeship upon the terms and conditions of the Indenture.

In case at any time the Trustee shall resign and no appointment of a successor trustee shall be made pursuant to the foregoing provisions of the Indenture prior to the date specified in the notice of resignation as the date when such resignation shall take effect, the Bond Insurer, the Owner of any Bond, or the resigning Trustee may apply to any court of competent jurisdiction to appoint a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper, appoint a successor Trustee.

Consent of the Bond Insurer in Addition to or in Lieu of Bondholder Consent

So long as there is no uncured default by Bond Insurer under the Bond Insurance Policy, and notwithstanding anything in the Indenture to the contrary:

(a) the Bond Insurer's consent or direction shall be effective in lieu of Bondholder consent, when required, for the following purposes: (i) execution and delivery of any supplemental Indenture or any amendment, supplement, or change to or modification of the Bond Documents, other than those requiring the consent of the Owners of one hundred percent (100%) of the Bonds Outstanding; (ii) removal of the Trustee and selection and appointment of any successor Trustee; (iii) initiation or approval of any action not described in (i) or (ii) above or under the described above under the caption "**THE INDENTURE -- Control of Proceedings**" in SUMMARIES OF PRINCIPAL FINANCING DOCUMENTS in this Appendix "C" that requires the consent of the Owners, and (iv) any material amendment to, assignment of, termination of or replacement of any Construction Contract or any replacement of any party thereunder with another party; and

(b) In the case of a consent required of one hundred percent (100%) of the Owners of the Bonds Outstanding, the Bond Insurer's consent will also be required.

Appendix "D"

FORM OF OPINION OF BOND COUNSEL

On the date of delivery of the Bonds, Squire, Sanders & Dempsey L.L.P., bond counsel, proposes to issue its approving opinion in substantially the following form:

December 16, 2003

Leon County Educational Facilities Authority
Tallahassee, Florida

Re: $23,315,000 Leon County Educational Facilities Authority Student Housing Revenue Bonds (Heritage Grove Project at Florida State University), Series 2003

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by the Leon County Educational Facilities Authority (the "Authority") of its $23,315,000 aggregate principal amount of Student Housing Revenue Bonds (Heritage Grove Project at Florida State University), Series 2003 (the "Bonds"). The Bonds are being issued and delivered on this date pursuant to the Constitution and Laws of the State of Florida, particularly the Higher Educational Facilities Authorities Law, as amended, Chapter 243, Part I, Florida Statutes, and other applicable provisions of law, including a Resolution adopted on July 17, 1990 by the Board of County Commissioners of Leon County, Florida (the "County") establishing the Authority (collectively, the "Act"), and resolutions adopted by the Authority on April 17, 2002, April 16, 2003 and December 2, 2003 (collectively, the "Resolution"). The Bonds are being further issued and are secured pursuant to a Trust Indenture, dated as of December 1, 2003 (the "Indenture"), by and between the Authority and Wachovia Bank, National Association, as trustee (the "Trustee"). Certain capitalized terms used herein without definition have the meanings ascribed thereto in the Indenture.

The Bonds are being issued by the Authority for the purpose of, together with other available moneys: (i) financing the cost of developing, designing, acquiring, constructing and equipping a 384-bed student housing facility, including the buildings, furniture, fixtures, and equipment therefor and related facilities (collectively, the "Project"), to be located near the campus of Florida State University (the "University") in the City of Tallahassee, Leon County, Florida, (ii) funding the Debt Service Reserve Fund, (iii) funding capitalized interest on the Bonds during construction of the Project and for a period of time thereafter (not to exceed three years from the date of issuance of the Bonds), and (iv) paying the costs of issuance of the Bonds. The proceeds of the sale of the Bonds are to be loaned to LCEFA Ocala Road, LLC, a Florida limited liability company (the "Borrower") whose sole member is the Authority, pursuant to a Loan Agreement, dated as of December 1, 2003 (the "Loan Agreement"), between the Authority and the Borrower.

The Bonds mature at the times and bear interest payable at the times and at the rates determined in the manner provided in the Indenture. The Bonds are redeemable upon the terms and conditions and in the manner stated in the Indenture. The principal of and interest on the Bonds are payable from and are secured by a lien upon and pledge of the Trust Estate, as defined in the Indenture. Regularly scheduled payments of principal of and interest on the Bonds when due will be insured under a bond insurance policy (the "Bond Insurance Policy") to be issued by ACA Financial Guaranty Corporation (the "Bond Insurer") simultaneously with the delivery of the Bonds.

In our capacity as bond counsel, we have examined the transcript of the proceedings of the Authority relating to the issuance of the Bonds (the "Transcript"). The documents in the Transcript examined include, among other items, an executed counterpart of each of the following: the Indenture, the Loan Agreement, a Promissory Note, dated December 16, 2003 (the "Note"), executed by the Borrower in favor of and payable to the Authority and assigned to the Trustee, and the Bond Insurance Policy. We have also examined such other agreements, documents and opinions as we have deemed necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the Authority and the Borrower furnished to us, without undertaking to verify such representations by independent investigation.

We have also examined copies of the Bonds as executed and authenticated.

Based on the foregoing, we are of the opinion that:

1. The Authority is duly created and validly existing as a public body corporate and politic, created in accordance with the Act, with the power to adopt the Resolution, to execute the Indenture and the Loan Agreement, to perform its obligations thereunder and to issue the Bonds.

2. The issuance and sale of the Bonds have been duly authorized by the Authority and, assuming the due authentication thereof, the Bonds constitute legal, valid and binding special, limited obligations of the Authority secured by the Indenture and payable as to principal, interest and redemption premium, if any, from a lien upon and pledge of the Trust Estate, all in the manner provided in the Indenture.

3. The Indenture and the Loan Agreement have been duly authorized and properly executed and delivered by the Authority and, assuming proper authorization, execution and delivery by the other respective parties thereto, constitute legal, valid and binding agreements of the Authority enforceable in accordance with their respective terms.

4. The interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The Bonds and the income thereon are exempt from taxation under the laws of the State of Florida, except estate taxes imposed by Chapter 198, Florida Statutes, as amended, and net income and franchise taxes imposed by Chapter 220, Florida Statutes, as amended. We express no opinion as to any other tax consequences regarding the Bonds.

A portion of the interest on the Bonds earned by certain corporations may be subject to a federal corporate alternative minimum tax, and interest on the Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States of America and to a federal tax imposed on excess net passive income of certain S corporations.

In giving the opinion set forth in numbered paragraph 4 hereof, we have relied upon and assumed continuing compliance with the Authority's and the Borrower's covenants and the accuracy, which we have not independently verified, of the representations and certifications of the Authority and the Borrower contained in the Transcript. The accuracy of those representations and certifications and continuing compliance by the Authority and the Borrower with those covenants may be necessary for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes. Failure to comply with certain requirements subsequent to the issuance of the Bonds may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

We wish to call to your attention that the Bonds do not constitute debt or liability of the Authority, the State of Florida, the County or the University, or of any political subdivision thereof, but are special, limited obligations of the Authority payable solely out of the Trust Estate pledged therefor under the Indenture. Neither the faith and credit of the Authority or the faith and credit or the taxing power of the State of Florida or the County, or of any political subdivision thereof, is pledged to the payment of the principal of or interest on the Bonds. The Authority has no taxing power.

In rendering the opinions set forth herein, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings. As to questions of fact material to our opinion, we have relied on representations of the Authority furnished to us, without undertaking to verify such representations by independent investigation.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Indenture and the Bonds may be subject to judicial discretion and valid bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally, and subject to general principles of equity (regardless of whether considered in a proceeding in equity or at law).

We express no opinion herein as to the adequacy or accuracy of any Official Statement pertaining to the offering of the Bonds. We further express no opinion as to the statement of insurance printed on the Bonds referring to the municipal bond insurance policy issued by the Bond Insurer, or as to that insurance referenced in the statement of insurance.

Respectfully submitted,

Appendix "E"

SPECIMEN BOND INSURANCE POLICY

ACA Financial Guaranty Corporation
140 Broadway, 47th Floor
New York, NY 10005
For information, contact:
(212) 375-2000
(888) 427-2833

BOND INSURANCE POLICY

Policy Number:

Effective Date:

Issuer:

Bonds:

ACA FINANCIAL GUARANTY CORPORATION ("ACA"), a Maryland stock insurance company, in consideration of the payment of the premium and subject to the terms and conditions contained in this Policy (which includes each endorsement hereto) hereby unconditionally and irrevocably agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as designated in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of any Owner, or, at the election of ACA, directly to such Owner, that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

ACA will make such payments to or for the benefit of each Owner on the later of the day on which such principal or interest becomes Due for Payment or the Business Day next following the Business Day on which ACA shall have received Notice of Nonpayment. ACA will disburse to or for the benefit of the Owner the face amount of principal of and interest on the Bond which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by ACA, in form reasonably satisfactory to it, of (i) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Owner's rights to payment of such principal or interest then Due for Payment shall thereupon vest in ACA. Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. Eastern prevailing time on such Business Day; otherwise, it will be deemed received on the next Business Day. Upon disbursement in respect of a Bond, ACA shall become the owner of the Bond, appurtenant coupon, if any, or right to payment of principal of or interest on such Bond and shall be fully subrogated to all of the Owner's rights thereunder, including the Owner's right to payment thereof to the extent of any payment by ACA hereunder. Payment by ACA to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of ACA under this Policy.

This Policy is non-cancelable for any reason and the premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity.

The following terms shall have the meanings specified for all purposes of this Policy. The term "Owner" means, as to a particular Bond, the person other than the Issuer or any party whose direct or indirect obligation constitutes the underlying security for the Bonds, who at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means (a) when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless ACA shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, the stated date for payment of interest. "Nonpayment" with respect to a Bond means the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Bond. "Nonpayment" shall also include any payment of principal or interest made to an Owner by or on behalf of the Issuer of such Bond which has been recovered from such Owner pursuant to a final, non-appealable order of a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law. "Notice" means telephonic or electronic notice, subsequently confirmed in writing or by written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to ACA, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Business Day" means any day other than a Saturday, Sunday or a day on which banking institutions in the State of Maryland or the Insurer's Fiscal Agent are authorized or required by law to remain closed.

ACA may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent (a) copies of all notices required to be delivered to ACA pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to ACA and shall not be deemed received until received by both and (b) all payments required to be made by ACA under this Policy may be made directly by ACA or by the Insurer's Fiscal Agent on behalf of ACA. The Insurer's Fiscal Agent is the agent of ACA only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of ACA to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

There shall be no acceleration payment due under this Policy except at the sole option of ACA.

IN WITNESS WHEREOF, ACA has caused this Policy to be affixed with its corporate seal and to be executed on its behalf by its duly authorized representative.

ACA FINANCIAL GUARANTY CORPORATION

[SEAL]

Authorized Representative

Countersigned

ACA Financial Guaranty Corporation
140 Broadway, 47th Floor
New York, NY 10005
For information, contact:
(212) 375-2000
(888) 427-2833

SPECIMEN

ENDORSEMENT No. __

Attached to and forming part of Policy No.

Effective Date:

Notwithstanding the terms and provisions contained in this Policy, it is further understood that the insurance provided by this policy is not covered by the Florida Insurance Guaranty Association created under part II of Chapter 631, Florida Statutes.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the aforementioned Policy other than as stated above.

In Witness Whereof, ACA Financial Guaranty Corporation has caused this Endorsement to be affixed with its corporate seal and to be executed on its behalf by its duly authorized representative.

ACA FINANCIAL GUARANTY CORPORATION

[SEAL]

_____
Authorized Representative

Countersigned By:

_____

Attachment #17

EDUCATIONAL FACILITIES AUTHORITY

ADMINISTRATIVE BUDGET

FISCAL YEAR OCTOBER 1, 2007 – SEPTEMBER 30, 2008 DRAFT

Revenue: (2)	Proposed FY '08	Actual FY '07	Budgeted FY '07
Southgate Monthly Fee	$58,830	50,835	$48,312
Southgate Issuer Fee	35,500	37,515	40,150
University Courtyard Fee	0	0	4,742
Heritage Grove Issuer Fee	56,750	57,412	43,100
Interest Earned (2)	4,250	6,465	350
Donations and Credits	0	300	0
New Projects		10,000	
Trans IN [from reserve]	0	0	2,746
TOTALS	$155,330	162,567	139,400

Expenses:			
Authority Meeting Expenses	$630	492	700
Executive Director	48,000	48,000	48,000
General Counsel	19,000	21,473	13,500
Auditing	15,000	15,725	13,500
Administrative Expenses (1)	2,700	1,510	3,700
Scholarships	70,000	65,232	60,000
Sub Total	$155,330	$152,432	$139,400
Transfer Out		10,095	
Total	$155,330	$162,567	$139,400

(1) Committee Meetings, Legal Ads, Postage, Quick Books, Annual LLC Fee, Fax Line, ½ Cost Cell Phone, Wire Transfer Fee, Telephone, Warehouse Storage Rental, Florida DCA Fee, Office Supp
(2) Does not include interest earned on Certificates of Dep
(3) Unaudited

Approval/Date _____

EDUCATIONAL FACILITIES AUTHORITY

ADMINISTRATIVE BUDGET

FISCAL YEAR OCTOBER 1, 2006 – SEPTEMBER 30, 2007

Revenue: (2)	Budget FY '07	Budgeted FY '06	Actual(7) FY '05	Budgeted FY '05
Southgate Monthly Fee	$48,312	$48,750	$46,764	$46,764
Southgate Issuer Fee	40,150	40,700	37,481	45,704
University Courtyard Fee	4742	9,850	9,850	9,850
Heritage Grove Issuer Fee	43,100	42,800	58,288	35,800
Interest Earned (2)	350	400	164	1,590
Donations and Credits	0	100	147	0
Trans IN [from reserve]	2746	0	0	0
Total	$139,400	$142,600	$152,694	$ 139,708

Expenses:				
Authority Meeting Expenses	$700	$ 700	$ 653	$ 450
Executive Director	48,000	48,000	48,000	48,000
General Counsel	13,500	13,500	13,292	10,000
Auditing	13,500	13,700	13,000	13,750
Administrative Expenses (1)	3,700	3,700	2,537	3,475
Scholarships	60,000	63,000	60,000	36,000
Sub Total	$139,400	$142,600	$137,482	$141,675
Transfer out	0	0	$15,211	$28,033
Total	$139,400	$142,600	$152,694	$139,708

(1) Committee Meetings, Legal Ads, Postage, Quick Books, Annual LLC Fee, Fax Line, ½ Cost Cell Phone, Wire Transfer Fee, Telephone, Warehouse Storage Rental, Florida DCA Fee, Office Supp
(2) Does not include interest earned on Certificates of Dep
(3) Unaudited

Approval/Date 11/27/06 Ex. Cmte

EDUCATIONAL FACILITIES AUTHORITY

ADMINISTRATIVE BUDGET

FISCAL YEAR OCTOBER 1, 2005 – SEPTEMBER 30, 2006

Projected Revenue: (1) (4)	Budgeted FY '06	Actual(7) FY '05	Budgeted FY '05
Southgate Monthly Fee	$48,750	$46,764	$46,764
Southgate Bond Issue Fee	40,700	37,481	45,704
University Courtyard Fee	9,850	9,850	9,850
Heritage Grove Fee	42,800	58,288	35,800
Interest Earned (5)	400	164	1,590
Donations and Credits	100	147	0
Total	$142,600	$152,694	$ 139,708

Expenses:			
Authority Meeting Expenses	$ 700	$ 653	$ 450
Executive Director	48,000	48,000	48,000
General Counsel (3) (3a)	13,500	13,292	10,000
Auditing (6)	13,700	13,000	13,750
Administrative Expenses (2)	3,700	2,537	3,475
Scholarships	63,000	60,000	36,000
Sub Total	142,600	$137,482	$141,675
Transfer Out (To Reserve)	0	$15,211	$28,033
Total	$142,600	$152,694	$139,708

(1) Does not include TownHouse sale of $50,000
(2) Committee Meetings, Legal Ads, Postage, Quick Books, Annual LLC Fee, Fax Line, ½ Cost Cell Phone, Wire Transfer Fee, Telephone, Warehouse Storage Rental, Florida DCA Fee, Office Supplies
(3) Does not include $21,945 charged to Heritage Grove Development costs
(3a) Does not include $2,220 charged to TownHouse transaction
(4) Does not include new project application fee
(5) Does not include interest earned on Certificates of Deposits
(6) Does not include $5,500 charged to Heritage Grove Development
(7) Unaudited

Approval/Date _____

Attachment #18

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY

FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
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SEPTEMBER 30, 2008

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JAMES MOORE & CO., P.L.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Authority Members,
Leon County Educational Facilities Authority:

We have audited the accompanying financial statements of the business-type activities of Leon County Educational Facilities Authority, as of and for the year ended September 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Leon County Educational Facilities Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Leon County Educational Facilities Authority, as of September 30, 2008 and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with ***Government Auditing Standards***, we have also issued our report dated November 20, 2008, on our consideration of Leon County Educational Facilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** and important for assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 – 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

James Moore & Co., P.L.

Tallahassee, Florida
November 20, 2008

Management's Discussion and Analysis

As management of the Leon County Educational Facilities Authority, we offer readers of the Leon County Educational Facilities Authority's financial statements this narrative overview and analysis of the financial activities of the Leon County Educational Facilities Authority for the fiscal year ended September 30, 2008.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Leon County Educational Facilities Authority's basic financial statements. The Leon County Educational Facilities Authority's basic financial statements are comprised of two components: 1) fund financial statements and 2) notes to the financial statements.

Fund financial statements. *A fund is a* grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Leon County Educational Facilities Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Leon County Educational Facilities Authority has three proprietary funds.

Proprietary funds. The Leon County Educational Facilities Authority maintains three proprietary funds. The Leon County Educational Facilities Authority uses the proprietary funds to account for its student housing operations. The proprietary fund financial statements provide separate information for the Southgate, Heritage Grove and Administrative funds.

The basic proprietary fund financial statements can be found on pages 6 – 8 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 9 – 17 of this report.

Fund Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of Leon County Educational Facilities Authority, liabilities exceeded assets by $23,593,666 at the close of the most recent fiscal year.

A portion of the Leon County Educational Facilities Authority's net assets reflects a deficit in investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Leon County Educational Facilities Authority utilizes its capital assets to provide housing services to students; consequently, these assets are not available for future spending. Although the Leon County Educational Facilities Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Leon County Educational Facilities Authority's Net Assets

	2008	2007
Current and other assets	$ 7,287,879	$ 8,292,850
Capital assets	34,640,110	36,004,229
Total assets	41,927,989	44,297,079
Long-term liabilities outstanding	48,800,576	49,231,299
Other liabilities	16,721,079	15,575,440
Total liabilities	65,521,655	64,806,739
Net assets:		
Invested in capital assets, net of related debt	(14,160,466)	(13,227,070)
Restricted	2,704,813	3,352,010
Unrestricted	(12,138,013)	(10,634,600)
Total net assets	$ (23,593,666)	$ (20,509,660)

An additional portion of the Leon County Educational Facilities Authority's net assets represents resources that are subject to external restrictions on how they may be used.

Leon County Educational Facilities Authority's Changes in Net Assets

	2008	2007
Revenues:		
Program revenues:		
Charges for services	$ 6,168,843	$ 7,663,515
Interest income	121,607	260,400
Total revenues	6,290,450	7,923,915
Expenses:		
Student housing	9,374,457	11,003,646
Total expenses	9,374,457	11,003,646
Decrease in net assets	(3,084,007)	(3,079,731)
Net assets (deficit), beginning of year	(20,509,659)	(17,429,929)
Net assets (deficit), end of year	$ (23,593,666)	$ (20,509,660)

Capital Asset and Debt Administration

Capital assets. The Leon County Educational Facilities Authority's investment in capital assets for its business type activities as of September 30, 2008, amounts to $ 34,640,110 net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

Additional information on the Leon County Educational Facilities Authority's Capital Assets can be found in note II.C. on page 13 of this report.

Long-term debt. At the end of the current fiscal year, the Leon County Educational Facilities Authority had long-term debt outstanding of $48,800,576.

Additional information on the Leon County Educational Facilities Authority's long-term debt can be found in note II.D. on pages 13 – 15 of this report.

Economic Factors and Next Year's Budgets and Rates

During 2009, the Authority will continue to maintain 2008 rates and try to minimize expenses while maintaining quality of service to the student community. In addition, the Authority will continue to study the needs for student housing in Leon County. These factors were considered in preparing the Leon County Educational Facilities Authority's budget for the 2009 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Leon County Educational Facilities Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Executive Director, 3263 Robinhood Road, Tallahassee, Florida 32312.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
SEPTEMBER 30, 2008

	Business-type Activities - Enterprise Funds			
	Southgate Fund	Heritage Grove Fund	Administrative Fund	Total
ASSETS				
Current assets				
Cash and cash equivalents	$ 329,008	$ 322,046	$ 48,960	$ 700,014
Certificates of deposit	-	-	208,362	208,362
Investments	-	550,413	54,865	605,278
Accounts receivable, net	135,456	767	-	136,223
Due from other funds	-	-	9,000	9,000
Inventories and prepaid items	35,752	28,176	-	63,928
Restricted assets:				
Cash	2,514	37,620	-	40,134
Investments	590,179	2,074,500	-	2,664,679
Total current assets	1,092,909	3,013,522	321,187	4,427,618
Noncurrent assets				
Capital assets, not being depreciated	2,400,000	-	-	2,400,000
Capital assets, net of accumulated depreciation	12,261,535	19,978,575	-	32,240,110
Debt issue costs, net	486,069	2,374,192	-	2,860,261
Total noncurrent assets	15,147,604	22,352,767	-	37,500,371
Total Assets	16,240,513	25,366,289	321,187	41,927,989
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	166,732	38,050	180,000	384,782
Deferred revenue	800,451	164,051	-	964,502
Accrued interest payable	15,074,080	180,000	-	15,254,080
Deposits payable	4,200	104,515	-	108,715
Due to other funds	-	9,000	-	9,000
Current portion of revenue bonds payable	260,000	400,000	-	660,000
Total current liabilities	16,305,463	895,616	180,000	17,381,079
Noncurrent liabilities				
Revenue bonds payable, less current portion	26,240,576	21,900,000	-	48,140,576
Total liabilities	42,546,039	22,795,616	180,000	65,521,655
Net assets				
Invested in capital assets, net of related debt	(11,839,041)	(2,321,425)	-	(14,160,466)
Restricted for debt service	592,693	2,112,120	-	2,704,813
Unresrticted	(15,059,178)	2,779,978	141,187	(12,138,013)
Total net assets (deficit)	$ (26,305,526)	$ 2,570,673	$ 141,187	$ (23,593,666)

The accompanying notes to financial statements
are an integral part of this statement.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS (DEFICIT)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Business-type Activities - Enterprise Funds			
	Southgate Fund	Heritage Grove Fund	Administrative Fund	Total
Operating revenues	$ 3,982,234	$ 2,186,609	$ -	$ 6,168,843
Operating expenses				
Personnel costs	1,076,285	252,060	44,000	1,372,345
Other operating costs	932,081	186,765	49,583	1,168,429
Food costs	434,466	-	-	434,466
Utilities	595,176	93,823	-	688,999
Repairs and maintenance	146,075	170,473	-	316,548
Scholarships	-	-	234,768	234,768
Depreciation and amortization	485,227	1,087,171	-	1,572,398
Total operating expenses	3,669,310	1,790,292	328,351	5,787,953
Operating income (loss)	312,924	396,317	(328,351)	380,890
Nonoperating revenues (expenses)				
Interest expense	(2,486,790)	(1,099,714)	-	(3,586,504)
Interest income	32,456	75,715	13,436	121,607
Total nonoperating revenues (expenses)	(2,454,334)	(1,023,999)	13,436	(3,464,897)
Loss before operating transfers	(2,141,410)	(627,682)	(314,915)	(3,084,007)
Transfers				
Transfers in	-	31,723	111,785	143,508
Transfers out	(54,760)	(57,025)	(31,723)	(143,508)
Total transfers	(54,760)	(25,302)	80,062	-
Change in net assets	(2,196,170)	(652,984)	(234,853)	(3,084,007)
Net assets (deficit), beginning of year	(24,109,356)	3,223,657	376,040	(20,509,659)
Net assets (deficit), end of year	(26,305,526)	2,570,673	141,187	(23,593,666)

The accompanying notes to financial statements are an integral part of this statement.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008
Increase (Decrease) in Cash and Cash Equivalents

	Business-type Activities - Enterprise Funds			
	Southgate Fund	Heritage Grove Fund	Administrative Fund	Total
Cash flows from operating activities				
Cash received from residents and customers	$ 3,424,211	$ 2,285,521	$ -	$ 5,709,732
Cash paid to suppliers	(3,182,849)	(758,235)	(150,287)	(4,091,371)
Net cash provided by (used in) operating activities	241,362	1,527,286	(150,287)	1,618,361
Cash flows from noncapital financing activities				
Transfers in	-	31,723	111,785	143,508
Transfers out	(54,760)	(57,025)	(31,723)	(143,508)
Net cash provided by (used in) noncapital financing activities	(54,760)	(25,302)	80,062	-
Cash flows from capital and related financing activities				
Purchases of capital assets	(55,892)	(31,723)	-	(87,615)
Principal payments on long-term debt	(286,923)	(355,000)	-	(641,923)
Interest paid	(712,465)	(1,105,714)	-	(1,818,179)
Net cash used in capital and related financing activities	(1,055,280)	(1,492,437)	-	(2,547,717)
Cash flows from investing activities				
Purchase of certificates of deposit and investments	-	-	(105,617)	(105,617)
Proceeds from certificates of deposit and investments	829,425	69,699	86,878	986,002
Interest received	32,456	75,715	13,436	121,607
Net cash provided by (used in) investing activities	861,881	145,414	(5,303)	1,001,992
Net increase (decrease) in cash and cash equivalents	(6,797)	154,961	(75,528)	72,636
Cash and cash equivalents, beginning of year	338,319	204,705	124,488	667,512
Cash and cash equivalents, end of year	$ 331,522	$ 359,666	$ 48,960	$ 740,148
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	$ 312,924 -	$ 396,317	$ (328,351)	$ 380,890
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation and amortization	485,227	1,087,171	-	1,572,398
Changes in assets and liabilities:				
(Increase) decrease in accounts payable and accrued expenses	(55,155)	(42,888)	180,000	81,957
(Decrease) increase in deposits	(38,200)	15,155	-	(23,045)
Increase (decrease) in deferred revenue	(509,176)	40,714	(1,936)	(470,398)
(Increase) decrease in accounts receivable	(10,647)	43,043	-	32,396
Decrease in due to other funds	-	-	-	-
Decrease in due from other funds	-	-	-	-
Decrease (increase) in inventory and prepaid items	56,389	(12,226)	-	44,163
Total adjustments	(71,562)	1,130,969	178,064	1,237,471
Net cash provided by (used in) operating activities	$ 241,362	$ 1,527,286	$ (150,287)	$ 1,618,361

The accompanying notes to financial statements
are an integral part of this statement.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

I. Summary of Significant Accounting Policies:

(a) Reporting Entity

The Leon County Educational Facilities Authority (the "Authority") is a public instrumentality created by the Higher Educational Facilities Authorities Law, Chapter 69-345, Laws of Florida, 1969 (Chapter 243, Part II, Florida Statutes), as revised and amended, to assist institutions of higher education within Leon County in the construction, financing or refinancing of projects (structures and machinery and equipment related to the operation of the structure) required or useful for the instruction of students or the operation of an institution of higher education. The accompanying financial statements present the government only since there are no component units for which the government is considered to be financially accountable.

(b) Measurement focus, basis of accounting, and financial statement presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows

The government reports the following major proprietary funds:

The *Southgate fund* accounts for the activities of the government's Southgate Residence Hall rental operations.

The *Heritage Grove fund* accounts for the activities of the government's fraternity house rental operations.

The *Administrative fund* accounts for the activities of the government's administration of the rental operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for rents, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's enterprise funds are charges to customers for rents and services.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

I. **Summary of Significant Accounting Policies:** (Continued)

(b) **Measurement focus, basis of accounting, and financial statement presentation** (Continued)

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first.

(c) **Assets, Liabilities and Equity**

1. ***Deposits and Investments***

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Authority to invest in direct obligations of the U.S. Treasury, Local Government Surplus Trust Fund, SEC registered money market funds with the highest credit quality rating, and savings and CD accounts in state-certified public depositories.

Investments are stated at fair value.

2. ***Inventories and Prepaid Items***

Inventories are valued at the lower of cost or market using the first-in/first-out (FIFO) method.

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. ***Capital Assets***

Capital assets for business type activities include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). For financial reporting purposes, capital assets are defined by the government as assets with an initial, individual cost of more than $1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

I. **Summary of Significant Accounting Policies:** (Continued)

(c) **Assets, Liabilities and Equity** (Continued)

3. ***Capital Assets*** (Continued)

Property, plant, and equipment of the Authority is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	40
Furniture, fixtures and equipment	5 – 15

4. ***Long-term Debt***

Revenue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the revenue bonds using the effective interest method. Revenue bonds are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges.

5. ***Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds."

6. ***Restricted Assets***

Certain proceeds of the Authority's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

(d) **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

II. Detailed Notes on all Funds:

(a) Deposits and Investments

Deposits. At September 30, 2008, the Authority's carrying amount of deposits was $948,510 and the bank balance was $1,001,516. Of the bank balance, the Authority's deposits are entirely covered by Federal depository insurance or by collateral held by the Authority's custodial bank which is pledged to a state trust fund that provides security in accordance with Florida Security for Deposits Act, Chapter 280, for amounts held in excess of FDIC coverage.

The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral.

Investments. At September 30, 2008 the Authority had the following investments:

	Fair Value
U.S. Treasury money market funds	$ 3,269,957

In accordance with the investment policies, the Authority manages its exposure to interest rate risk by limiting the maturity of its investments.

(b) Receivables

Receivables as of September 30, 2008, including the applicable allowances for uncollectible accounts, are as follows:

	Southgate Fund	Heritage Grove Fund	Administrative Fund	Total
Gross receivables	$ 210,456	$ 767	$ –	$ 211,223
Less: allowance for uncollectibles	75,000	–	–	75,000
Net total receivables	$ 135,456	$ 767	$ –	$ 136,223

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

II. Detailed Notes on all Funds: (Continued)

(c) **Capital Assets**

The following is a summary of capital assets at September 30, 2008:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	$ 2,400,000	$ –	$ –	$ 2,400,000
Total capital assets not being depreciated	2,400,000	–	–	2,400,000
Capital assets being depreciated				
Buildings and improvements	39,888,459	87,615	–	39,976,074
Equipment	6,501,404	–	–	6,501,404
Total capital assets being depreciated	46,389,863	87,615	–	46,477,478
Less accumulated depreciation				
Buildings and improvements and equipment	12,785,634	1,451,734	–	14,237,368
Total capital assets being depreciated, net	33,604,229	(1,364,119)	–	32,240,110
Business-type capital assets, net	$ 36,004,229	$ (1,364,119)	$ –	$ 34,640,110

Depreciation and amortization expense were charged as follows:

Southgate Fund	$ 485,227
Heritage Grove Fund	1,087,171
	$ 1,572,398

(d) **Long-term Debt**

Revenue Refunding Bonds

On May 29, 1998, the Authority issued $12,000,000 in Revenue Refunding Bonds Series 1998A and $20,500,000 in Subordinated Revenue Refunding Bonds Series 1998B with an average interest rate of 7.283 percent to advance refund $23,075,000, of 1991 Senior Certificates of Participation and $1,145,000 of 1991 Subordinate Certificates of Participation. The net proceeds of $30,408,190 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1991 Senior and Subordinate Certificates of Participation. At September 30, 2008, the amount of insubstance defeased debt which remained outstanding was $13,265,000.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

II. Detailed Notes on all Funds: (Continued)

(d) Long-term Debt

Revenue refunding bonds are collateralized by the income derived from Southgate Residence Hall.

	Interest rates	Amount
Series 1998A and 1998B	7.625 – 9%	$ 30,800,000
Less: Unamortized deferred advance refunding		4,299,424
Series 1998A and 1998B, net		$ 26,500,576

The Series 1998A and 1998B Revenue bond debt service to maturity is as follows:

	Principal	Interest
2009	$ 260,000	$ 2,258,375
2010	275,000	2,240,825
2011	295,000	2,222,263
2012	315,000	2,202,350
2013	335,000	2,181,088
2014-2018	2,045,000	10,534,188
2019-2023	7,625,000	9,568,726
2024-2028	19,650,000	4,604,408
	$ 30,800,000	$ 35,812,223

Student Housing Revenue Bonds (Series 2003)

In December 2003, the Authority issued Heritage Grove Project (the "Project") Student Housing Revenue Bonds (Series 2003) in the amount of $23,315,000, with interest rates ranging from 3 – 5.125%. These bonds were issued to provide funds (i) to finance the cost of developing, designing, acquiring, constructing and equipping a 384 bed student housing facility, including the buildings, furniture, fixtures and equipment to be located near the campus of Florida State University, (ii) to fund interest on the Series 2003 Bonds during construction and for a period after construction of the Project, (iii) to fund the Debt Service Reserve Fund and (iv) pay a portion of the costs of issuance of the Series 2003 Bonds.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

II. Detailed Notes on all Funds: (Continued)

(d) **Long-term Debt**

Revenue refunding bonds are collateralized by the income derived from Heritage Grove Project.

The Series 2003 Revenue bond debt service to maturity is as follows:

	Principal	Interest
2009	400,000	1,097,789
2010	450,000	1,082,789
2011	505,000	1,060,289
2012	560,000	1,040,089
2013	585,000	1,016,989
2014-2018	3,325,000	4,769,031
2019-2023	4,205,000	4,195,438
2024-2028	–	3,144,187
2029-2033	12,270,000	3,144,188
	$ 22,300,000	$ 20,550,789

Changes in long-term liabilities:

Long-term liability activity for the year ended September 30, 2008, was as follows:

Business-type activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	$ 53,695,000	$ –	$ 595,000	$ 53,100,000	$ 660,000
Less deferred amounts on refunding	4,510,624	–	211,200	4,299,424	–
Total bonds payable	49,184,376	–	383,800	48,800,576	660,000
Capital leases	46,923	–	46,923	–	–
	$ 49,231,299	$ –	$ 430,723	$ 48,800,576	$ 660,000

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

II. Detailed Notes on all Funds: (Continued)

(e) **Management Agreement**

Southgate Fund

The Authority entered into an agreement with a corporation to provide dormitory management, retail space management, parking garage management and manual food services for the Southgate Residence Hall. The agreement is for a term of 1 year commencing August 1, 2008, and terminating July 31, 2009. The management company ("the Manager") shall be compensated in the form of a base compensation fee (the "*Base Management Fee*") equal to 3.0% of gross monthly collections if occupancy is below 90%. In addition, the Owner is to pay, in arrears, an additional 0.25% of gross monthly collections if the property reaches between 91.0% and 95.0% occupancy. If occupancy reaches 95.0% or greater, the fee will increase another 0.25% and remain at 3.5% of gross monthly collections, unless property occupancy falls below 95.0%. Payment of the Base Management Fee will be made from the Operating Account monthly beginning on August 1, 2008, and thereafter on or before the fifth (5th) day of each succeeding month during the term of this Agreement. Upon the termination of this Agreement on a day other than the last day of the calendar month, the Base Management Fee shall be prorated on a per diem basis up to the date of termination.

In addition to the Base Management Fee (and any other fees paid to and expenses reimbursed to the Manager) and in order to provide incentive to the Manager to generate increased revenue at the Property, the Authority hereby agrees to pay to the Manager incentive fees (the "*Incentive Fees*") in the following manner: If the property should reach 90.0% occupancy, $45,000 shall be paid to the Manager. If the property should reach 95.0% occupancy, $55,000 shall be paid to the Manager. The term "gross receipts" for the purposes of this Agreement shall include all proceeds from rent and from business interruption insurance, if any, but shall not include tenant security deposits unless forfeited and recognized as income by the Authority, nor shall such gross receipts include insurance loss proceeds, or any award or payment made by any governmental Authority in connection with the exercise of any right of eminent domain or any proceeds from the sale, exchange, mortgaging or refinancing of the Property. With regard to any Incentive Fee which would be owed to the Manager for any partial fiscal year (because of expiration or termination of this Agreement prior to the end of the applicable fiscal year), the calculation of the Incentive Fee for such a partial fiscal year will be determined based upon the gross receipts from the Property (on a cumulative annualized basis) for such partial fiscal year, and the Incentive Fee shall not exceed twenty percent (20%) of the total compensation payable to the Manager, including the Base Management Fee and the Incentive Fee, for such partial fiscal year. The Authority shall pay the Incentive Fee to the Manager only upon completion of the annual audit for the applicable fiscal year.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

II. Detailed Notes on all Funds: (Continued)

(e) Management Agreement (Continued)

Heritage Grove Fund

The Authority entered into an agreement with a corporation to rent, operate and manage the Project for a term of three years commencing on August 1, 2006 and terminating upon the sale of the Project by the owner. The owner has the right to terminate the Management Agreement on the last day of every contract year without cause and without penalty. The Manager will be compensated as follows:

% of Total Gross Revenue		
3.0%	If the economic occupancy is	90%
3.5%	If the economic occupancy is	90% – 94%
4.0%	If the economic occupancy is	95% – 96%
4.5%	If the economic occupancy is	97% – 98%
5.0%	If the economic occupancy is	99% – 100%

III. Conduit Debt Obligation:

The Authority issued Student Housing Revenue Bonds to provide financial assistance to a private-sector entity for the construction of University Courtyard Apartments deemed to be in the public interest. The bonds are secured by the property financed and the receipts generated there from. Neither the Authority, Leon County, Florida, the State of Florida nor any other public body thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At September 30, 2008 the principal amount payable was approximately $10 million.

The Authority entered into a scholarship funding and title conveyance agreement whereby 20% of cash flow will be distributed to the Authority to fund scholarships. The agreement calls for the conveyance of the property to the Authority on March 1, 2040 or such earlier date on which all principal and interest on the bonds have been paid in full.

IV. Other Information:

(a) Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance

JAMES MOORE & CO., P.L.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors,
Leon County Educational Facilities Authority:

We have audited the financial statements of Leon County Educational Facilities Authority as of and for the year ended September 30, 2008 and have issued our report thereon dated November 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Leon County Educational Facilities Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Leon County Educational Facilities Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Leon County Educational Facilities Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the following deficiency to be significant deficiency in internal control over financial reporting.

Preparation of Financial Statements

A system of internal control over financial reporting should allow the Authority to prepare financial statements, including note disclosures in accordance with generally accepted accounting principles (GAAP). While auditors can assist with the preparation of financial statements and related footnotes, the financial statements are the responsibility of management. A control deficiency exists in instances where the Authority is not positioned to draft the financial statements and all required disclosures in accordance with generally accepted accounting principles. Presently, as is common to many organizations, management relies on the audit firm to draft the financial statements and related disclosures. For subsequent audits, management may wish to take a more active role in the drafting of the financial statements and related disclosures.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Leon County Educational Facilities Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

We noted certain matters that we reported to management of Leon County Educational Facilities Authority in a separate letter dated November 20, 2008.

This report is intended solely for the information and use of Authority, and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co., P.L.

Tallahassee, Florida
November 20, 2008

JAMES MOORE & CO., P.L.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA OFFICE OF THE AUDITOR GENERAL

To the Authority Members:
Leon County Educational Facilities Authority:

We have audited the financial statements of the Leon County Educational Facilities Authority, as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated November 20, 2008

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Compliance and Internal Control over financial reporting which is dated November 20, 2008, and should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective actions are still being taken to address significant findings and recommendations made in the preceding annual financial audit report.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Leon County Educational Facilities Authority complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we noted the following: The loan agreement related to the financing of the Heritage Grove Project requires in Section 8.08 entitled "Rate Covenant," that the project be operated in such a manner that the Fixed Charges Coverage Ratio be at least 1.2. In the event that it falls below the 1.2, the Authority is required to engage a financial consultant to submit a report containing recommendations to remedy the Ratio. The Fixed Charges Coverage Ratio for the year ended September 30, 2008 was 1.07. Therefore, we recommend the Authority engage a financial consultant. Since the Fixed Charges Coverage Ratio remained above 1.0, there is no event of default, as more fully described in Section 10.01 of the loan agreement entitled "Events of Default Defined."

Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. There are no component units of the Leon County Educational Facilities Authority to be disclosed as required by accounting principles generally accepted in the United States of America.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Leon County Educational Facilities Authority met the conditions described in Section 218.503(1)(e), Florida Statutes. The Authority reported deficit net assets of $23,413,666, as of September 30, 2008. The financial emergency condition met was not a result of deteriorating financial conditions.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Leon County Educational Facilities Authority for the fiscal year ended September 30, 2008, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2008. In connection with our audit, we determined that these two reports were in agreement.

Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

This management letter is intended solely for the information and use of the Authority, management, and the State of Florida, Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co., P.L.

Tallahassee, Florida
November 20, 2008

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LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY

FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
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INDEPENDENT AUDITORS' REPORT

To the Authority Members,
Leon County Educational Facilities Authority:

We have audited the accompanying financial statements of the business-type activities of Leon County Educational Facilities Authority, as of and for the year ended September 30, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Leon County Educational Facilities Authority's management. Our responsibility is to express opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Leon County Educational Facilities Authority, as of September 30, 2007 and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with ***Government Auditing Standards***, we have also issued our report dated January 21, 2008, on our consideration of Leon County Educational Facilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 – 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

James Moore & Co., P.L.

Tallahassee, Florida
January 21, 2008

Management's Discussion and Analysis

As management of the Leon County Educational Facilities Authority, we offer readers of the Leon County Educational Facilities Authority's financial statements this narrative overview and analysis of the financial activities of the Leon County Educational Facilities Authority for the fiscal year ended September 30, 2007.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Leon County Educational Facilities Authority's basic financial statements. The Leon County Educational Facilities Authority's basic financial statements are comprised of two components: 1) fund financial statements and 2) notes to the financial statements.

Fund financial statements. *A fund is a* grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Leon County Educational Facilities Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Leon County Educational Facilities Authority has three proprietary funds.

Proprietary funds. The Leon County Educational Facilities Authority maintains three proprietary funds. The Leon County Educational Facilities Authority uses the proprietary funds to account for its student housing operations. The proprietary fund financial statements provide separate information for the Southgate, Heritage Grove and Administrative funds.

The basic proprietary fund financial statements can be found on pages 6 – 8 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 9 – 17 of this report.

Fund Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of Leon County Educational Facilities Authority, liabilities exceeded assets by $20,509,660 at the close of the most recent fiscal year.

A portion of the Leon County Educational Facilities Authority's net assets reflects a deficit in investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Leon County Educational Facilities Authority utilizes its capital assets to provide housing services to students; consequently, these assets are not available for future spending. Although the Leon County Educational Facilities Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Leon County Educational Facilities Authority's Net Assets

	2007	2006
Current and other assets	$ 8,292,850	$ 9,305,028
Capital assets	36,004,229	37,328,540
Total assets	44,297,079	46,633,568
Long-term liabilities outstanding	49,231,299	49,485,547
Other liabilities	15,575,440	14,577,950
Total liabilities	64,806,739	64,063,497
Net assets:		
Invested in capital assets, net of related debt	(13,227,070)	(12,157,007)
Restricted	3,352,010	3,539,889
Unrestricted	(10,634,600)	(8,812,811)
Total net assets	$(20,509,660)	$(17,429,929)

An additional portion of the Leon County Educational Facilities Authority's net assets represents resources that are subject to external restrictions on how they may be used.

Leon County Educational Facilities Authority's Changes in Net Assets

	2007	2006
Revenues:		
Program revenues:		
Charges for services	$ 7,663,515	$ 8,182,830
General revenues:		
Intergovernmental and other	260,400	248,995
Total revenues	7,923,915	8,431,825
Expenses:		
Student housing	11,003,646	10,681,027
Total expenses	11,003,646	10,681,027
Decrease in net assets	(3,079,731)	(2,249,202)
Net assets (deficit), beginning of year	(17,429,929)	(15,180,727)
Net assets (deficit), end of year	$ (20,509,660)	$ (17,429,929)

Capital Asset and Debt Administration

Capital assets. The Leon County Educational Facilities Authority's investment in capital assets for its business type activities as of September 30, 2007, amounts to $ 36,004,229 net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

The Authority major capital asset events during the current fiscal year included purchasing a new telephone system and air conditioning unit at Southgate and having new decks constructed at Heritage Grove.

Additional information on the Leon County Educational Facilities Authority's Capital Assets can be found in note II.C. on page 13 of this report.

Long-term debt. At the end of the current fiscal year, the Leon County Educational Facilities Authority had long-term debt outstanding of $49,231,299.

Additional information on the Leon County Educational Facilities Authority's long-term debt can be found in note II.D. on pages 13 – 15 of this report.

Economic Factors and Next Year's Budgets and Rates

During 2008, the Authority will continue to maintain 2007 rates and try to minimize expenses while maintaining quality of service to the student community. In addition, the Authority will continue to study the needs for student housing in Leon County. These factors were considered in preparing the Leon County Educational Facilities Authority's budget for the 2008 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Leon County Educational Facilities Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Executive Director, 3263 Robinhood Road, Tallahassee, Florida 32312.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
SEPTEMBER 30, 2007

	Business-type Activities - Enterprise Funds			
ASSETS	Southgate Fund	Heritage Grove Fund	Administrative Fund	Total
Current assets				
Cash and cash equivalents	$ 247,105	$ 168,444	$ 124,488	$ 540,037
Certificates of deposit	-	-	190,855	190,855
Investments	355,814	533,865	53,634	943,313
Accounts receivable, net	124,809	43,810	-	168,619
Due from other funds	-	-	9,000	9,000
Inventories and prepaid items	92,141	15,950	-	108,091
Restricted assets:				
Cash	91,214	36,261	-	127,475
Investments	1,063,790	2,160,745	-	3,224,535
Total current assets	1,974,873	2,959,075	377,977	5,311,925
Noncurrent assets				
Capital assets, not being depreciated	2,400,000	-	-	2,400,000
Capital assets, net of accumulated depreciation	12,665,174	20,939,055	-	33,604,229
Debt issue costs, net	511,765	2,469,160	-	2,980,925
Total noncurrent assets	15,576,939	23,408,215	-	38,985,154
Total Assets	17,551,812	26,367,290	377,977	44,297,079
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	221,887	80,938	-	302,825
Deferred revenue	1,309,627	123,337	1,936	1,434,900
Accrued interest payable	13,510,955	186,000	-	13,696,955
Deposits payable	42,400	89,360	-	131,760
Due to other funds	-	9,000	-	9,000
Current portion of capital lease payable	46,923	-	-	46,923
Current portion of revenue bonds payable	240,000	355,000	-	595,000
Total current liabilities	15,371,792	843,635	1,936	16,217,363
Noncurrent liabilities				
Revenue bonds payable, less current portion	26,289,376	22,300,000	-	48,589,376
Total liabilities	41,661,168	23,143,635	1,936	64,806,739
Net assets				
Invested in capital assets, net of related debt	(11,511,125)	(1,715,945)	-	(13,227,070)
Restricted for debt service	1,155,004	2,197,006	-	3,352,010
Unresrticted	(13,753,235)	2,742,594	376,041	(10,634,600)
Total net assets (deficit)	$ (24,109,356)	$ 3,223,655	$ 376,041	$ (20,509,660)

The accompanying notes to financial statements are an integral part of this statement.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS (DEFICIT)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Business-type Activities - Enterprise Funds			
	Southgate Fund	Heritage Grove Fund	Administrative Fund	Total
Operating revenues	$ 5,401,784	$ 2,251,731	$ 10,000	$ 7,663,515
Operating expenses				
Personnel costs	1,090,197	298,949	48,000	1,437,146
Other operating costs	1,183,531	236,114	30,017	1,449,662
Food costs	495,950	-	-	495,950
Utilities	739,739	112,338	-	852,077
Repairs and maintenance	240,148	178,083	-	418,231
Scholarships	-	-	65,232	65,232
Depreciation and amortization	716,863	1,078,743	-	1,795,606
Total operating expenses	4,466,428	1,904,227	143,249	6,513,904
Operating income (loss)	935,356	347,504	(133,249)	1,149,611
Nonoperating revenues (expenses)				
Interest expense	(3,375,314)	(1,114,428)	-	(4,489,742)
Interest income	98,872	131,605	29,923	260,400
Total nonoperating revenues (expenses)	(3,276,442)	(982,823)	29,923	(4,229,342)
Loss before operating transfers	(2,341,086)	(635,319)	(103,326)	(3,079,731)
Transfers				
Transfers in	-	-	143,826	143,826
Transfers out	(86,414)	(57,412)	-	(143,826)
Total transfers	(86,414)	(57,412)	143,826	-
Change in net assets	(2,427,500)	(692,731)	40,500	(3,079,731)
Net assets (deficit), beginning of year	(21,681,856)	3,916,386	335,541	(17,429,929)
Net assets (deficit), end of year	$ (24,109,356)	$ 3,223,655	$ 376,041	$ (20,509,660)

The accompanying notes to financial statements are an integral part of this statement.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
Increase (Decrease) in Cash and Cash Equivalents

	Business-type Activities - Enterprise Funds			
	Southgate Fund	Heritage Grove Fund	Administrative Fund	Total
Cash flows from operating activities				
Cash received from residents and customers	$ 4,744,702	$ 2,198,101	$ 10,000	$ 6,952,803
Cash paid to suppliers	(3,707,338)	(792,072)	(120,313)	(4,619,723)
Net cash provided by (used in) operating activities	1,037,364	1,406,029	(110,313)	2,333,080
Cash flows from noncapital financing activities				
Transfers in	-	-	143,826	143,826
Transfers out	(86,414)	(57,412)	-	(143,826)
Net cash provided by (used in) noncapital financing activities	(86,414)	(57,412)	143,826	-
Cash flows from capital and related financing activities				
Purchases of capital assets	(67,076)	(183,148)	-	(250,224)
Principal payments on long-term debt	(278,484)	(310,000)	-	(588,484)
Interest paid	(1,501,924)	(1,115,014)	-	(2,616,938)
Net cash used in capital and related financing activities	(1,847,484)	(1,608,162)	-	(3,455,646)
Cash flows from investing activities				
Purchase of certificates of deposit and investments	-	-	(80,000)	(80,000)
Proceeds from certificates of deposit and investments	917,895	168,131	30,945	1,116,971
Interest received	98,872	131,605	29,923	260,400
Net cash provided by (used in) investing activities	1,016,767	299,736	(19,132)	1,297,371
Net increase in cash and cash equivalents	120,233	40,191	14,381	174,805
Cash and cash equivalents, beginning of year	218,086	164,514	110,107	492,707
Cash and cash equivalents, end of year	$ 338,319	$ 204,705	$ 124,488	$ 667,512
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	$ 935,356	$ 347,504	$ (133,249)	$ 1,149,611
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	716,863	1,078,743	-	1,795,606
Changes in assets and liabilities:				
Increase in accounts payable and accrued expenses	28,576	35,061	-	63,637
Decrease in deposits	(63,260)	(4,992)	-	(68,252)
Increase (decrease) in deferred revenue	(601,287)	(16,520)	1,936	(615,871)
(Increase) decrease in accounts receivable	7,465	(32,118)	-	(24,653)
Decrease in due to other funds	-	(21,000)	-	(21,000)
Decrease in due from other funds	-	-	21,000	21,000
Decrease in inventory and prepaid items.	13,651	19,351	-	33,002
Total adjustments	102,008	1,058,525	22,936	1,183,469
Net cash provided by (used in) operating activities	$ 1,037,364	$ 1,406,029	$ (110,313)	$ 2,333,080

Supplemental schedule of non cash investing and financing activities:
The Authority purchased equipment through a capital lease payable of $100,408.

The accompanying notes to financial statements
are an integral part of this statement.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

I. Summary of Significant Accounting Policies:

(a) Reporting Entity

The Leon County Educational Facilities Authority (the "Authority") is a public instrumentality created by the Higher Educational Facilities Authorities Law, Chapter 69-345, Laws of Florida, 1969 (Chapter 243, Part II, Florida Statutes), as revised and amended, to assist institutions of higher education within Leon County in the construction, financing or refinancing of projects (structures and machinery and equipment related to the operation of the structure) required or useful for the instruction of students or the operation of an institution of higher education. The accompanying financial statements present the government only since there are no component units for which the government is considered to be financially accountable.

(b) Measurement focus, basis of accounting, and financial statement presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows

The government reports the following major proprietary funds:

The *Southgate fund* accounts for the activities of the government's Southgate Residence Hall rental operations.

The *Heritage Grove fund* accounts for the activities of the government's fraternity house rental operations.

The *Administrative fund* accounts for the activities of the government's administration of the rental operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for rents, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's enterprise funds are charges to customers for rents and services.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

I. **Summary of Significant Accounting Policies:** (Continued)

(b) **Measurement focus, basis of accounting, and financial statement presentation** (Continued)

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first.

(c) **Assets, Liabilities and Equity**

1. ***Deposits and Investments***

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Authority to invest in direct obligations of the U.S. Treasury, Local Government Surplus Trust Fund, SEC registered money market funds with the highest credit quality rating, and savings and CD accounts in state-certified public depositories.

Investments are stated at fair value.

2. ***Inventories and Prepaid Items***

Inventories are valued at the lower of cost or market using the first-in/first-out (FIFO) method.

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. ***Capital Assets***

Capital assets for business type activities include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). For financial reporting purposes, capital assets are defined by the government as assets with an initial, individual cost of more than $1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

I. **Summary of Significant Accounting Policies:** (Continued)

(c) **Assets, Liabilities and Equity** (Continued)

3. ***Capital Assets*** (Continued)

Property, plant, and equipment of the Authority is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	27.5 – 40
Furniture, fixtures and equipment	5 – 15

4. ***Long-term Debt***

Revenue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the revenue bonds using the effective interest method. Revenue bonds are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges.

5. ***Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds."

6. ***Restricted Assets***

Certain proceeds of the Authority's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

(d) **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

II. Detailed Notes on all Funds:

(a) Deposits and Investments

Deposits. At September 30, 2007, the Authority's carrying amount of deposits was $663,482 and the bank balance was $616,240. Of the bank balance, the Authority's deposits are entirely covered by Federal depository insurance or by collateral held by the Authority's custodial bank which is pledged to a state trust fund that provides security in accordance with Florida Security for Deposits Act, Chapter 280, for amounts held in excess of FDIC coverage.

The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral.

Investments. At September 30, 2007 the Authority had the following investments:

	Fair Value
U.S. Treasury money market funds	$ 4,167,848

In accordance with the investment policies, the Authority manages its exposure to interest rate risk by limiting the maturity of its investments.

(b) Receivables

Receivables as of September 30, 2007, including the applicable allowances for uncollectible accounts, are as follows:

	Southgate Fund	Heritage Grove Fund	Administrative Fund	Total
Gross receivables	$ 199,809	$ 43,810	$ –	$ 243,619
Less: allowance for uncollectibles	75,000	–	–	75,000
Net total receivables	$ 124,809	$ 43,810	$ –	$ 168,619

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

II. **Detailed Notes on all Funds:** (Continued)

(c) **Capital Assets**

The following is a summary of capital assets at September 30, 2007:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	$ 2,400,000	$ –	$ –	$ 2,400,000
Total capital assets not being depreciated	2,400,000	–	–	2,400,000
Capital assets being depreciated				
Buildings and improvements	39,708,861	179,598	–	39,888,459
Equipment	6,330,370	171,034	–	6,501,404
Total capital assets being depreciated	46,039,231	350,632	–	46,389,863
Less accumulated depreciation				
Buildings and improvements and equipment	11,110,691	1,674,943	–	12,785,634
Total capital assets being depreciated, net	34,928,540	(1,324,311)	–	33,604,229
Business-type capital assets, net	$ 37,328,540	$ (1,324,311)	$ –	$ 36,004,229

Depreciation and amortization expense were charged as follows:

Southgate Fund	$ 716,863
Heritage Grove Fund	1,078,743
	$ 1,795,606

(d) **Long-term Debt**

Revenue Refunding Bonds

On May 29, 1998, the Authority issued $12,000,000 in Revenue Refunding Bonds Series 1998A and $20,500,000 in Subordinated Revenue Refunding Bonds Series 1998B with an average interest rate of 7.283 percent to advance refund $23,075,000, of 1991 Senior Certificates of Participation and $1,145,000 of 1991 Subordinate Certificates of Participation. The net proceeds of $30,408,190 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1991 Senior and Subordinate Certificates of Participation. At September 30, 2007, the amount of insubstance defeased debt which remained outstanding was $14,950,000.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

II. Detailed Notes on all Funds: (Continued)

(d) **Long-term Debt**

Revenue refunding bonds are collateralized by the income derived from Southgate Residence Hall.

	Interest rates	Amount
Series 1998A and 1998B	7.625 – 9%	$ 31,040,000
Less: Unamortized deferred advance refunding		4,510,624
Series 1998A and 1998B, net		$ 26,529,376

The Series 1998A and 1998B Revenue bond debt service to maturity is as follows:

	Principal	Interest
2008	$ 240,000	$ 2,274,575
2009	260,000	2,258,375
2010	275,000	2,240,825
2011	295,000	2,222,263
2012	315,000	2,202,350
2013-2017	1,915,000	10,663,451
2018-2022	4,960,000	9,923,651
2023-2027	18,230,000	5,962,201
2028	4,550,000	339,107
	$ 31,040,000	$ 38,086,798

Student Housing Revenue Bonds (Series 2003)

In December 2003, the Authority issued Heritage Grove Project (the "Project") Student Housing Revenue Bonds (Series 2003) in the amount of $23,315,000, with interest rates ranging from 3 – 5.125%. These bonds were issued to provide funds (i) to finance the cost of developing, designing, acquiring, constructing and equipping a 384 bed student housing facility, including the buildings, furniture, fixtures and equipment to be located near the campus of Florida State University, (ii) to fund interest on the Series 2003 Bonds during construction and for a period after construction of the Project, (iii) to fund the Debt Service Reserve Fund and (iv) pay a portion of the costs of issuance of the Series 2003 Bonds.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

II. Detailed Notes on all Funds: (Continued)

(d) **Long-term Debt**

Revenue refunding bonds are collateralized by the income derived from Heritage Grove Project.

The Series 2003 Revenue bond debt service to maturity is as follows:

	Principal	Interest
2008	355,000	1,110,214
2009	400,000	1,097,789
2010	450,000	1,082,789
2011	505,000	1,060,289
2012	560,000	1,040,089
2013-2017	1,825,000	4,848,938
2018-2022	2,085,000	4,293,433
2023-2027	4,205,000	3,354,438
2028-2032	–	3,144,188
2033	12,270,000	628,838
	$ 22,655,000	$ 21,661,005

Changes in long-term liabilities:

Long-term liability activity for the year ended September 30, 2007, was as follows:

Business-type activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	$ 54,230,000	$ –	$ 535,000	$ 53,695,000	$ 595,000
Less deferred amounts on refunding	4,744,453	–	233,829	4,510,624	–
Total bonds payable	49,485,547	–	301,171	49,184,376	595,000
Capital leases	–	100,408	53,485	46,923	46,923
	$ 49,485,547	$ 100,408	$ 354,656	$ 49,231,299	$ 641,923

II. Detailed Notes on all Funds: (Continued)

(e) Management Agreement

Southgate Fund

The Authority entered into an agreement with a corporation to provide dormitory management, retail space management, parking garage management and manual food services for the Southgate Residence Hall. The agreement is for a term of 5 years commencing August 1, 2003, and terminating July 31, 2008. The management company ("the Manager") shall be compensated in the form of a base compensation fee (the *"Base Management Fee"*) equal to (i) $22,200 per month for the period from August 1, 2003 to July 31, 2004, (ii) $22,850 per month for the period from August 1, 2004 to July 31, 2005, (iii) $23,600 per month for the period from August 1, 2005 to July 31, 2006, (iv) $24,300 per month for the period from August 1, 2006 to July 31, 2007, and (v) $25,000 per month for the period from August 1, 2007 to July 31, 2008. Payment of the Base Management Fee will be made from the Operating Account monthly beginning on August 1, 2003, and thereafter on or before the fifth (5th) day of each succeeding month during the term of this Agreement. Upon the termination of this Agreement on a day other than the last day of the calendar month, the Base Management Fee shall be prorated on a per diem basis up to the date of termination.

In addition to the Base Management Fee (and any other fees paid to and expenses reimbursed to the Manager) and in order to provide incentive to the Manager to generate increased revenue at the Property, the Authority hereby agrees to pay to the Manager incentive fees (the *"Incentive Fees")* in the following manner: The Incentive Fee for each fiscal year at the Property (i.e., from August 1 of each year through July 31 of the following year) shall be equal to twelve percent (12%) of the gross receipts in excess of $5,112,524 derived from the operation of the Property during such fiscal year, but in no event shall each fiscal year's Incentive Fee exceed (i) $63,000 for the period from August 1, 2003 to July 31, 2004, (ii) $64,500 for the period from August 1, 2004 to July 31, 2005, (iii) $66,000 for the period from August 1, 2005 to July 31, 2006, (iv) $67,500 for the period from August 1, 2006 to July 31, 2007, and (v) $69,000 for the period from August 1, 2007 to July 31, 2008. The term "gross receipts" for the purposes of this Agreement shall include all proceeds from rent and from business interruption insurance, if any, but shall not include tenant security deposits unless forfeited and recognized as income by the Authority, nor shall such gross receipts include insurance loss proceeds, or any award or payment made by any governmental Authority in connection with the exercise of any right of eminent domain or any proceeds from the sale, exchange, mortgaging or refinancing of the Property. With regard to any Incentive Fee which would be owed to the Manager for any partial fiscal year (because of expiration or termination of this Agreement prior to the end of the applicable fiscal year), the calculation of the Incentive Fee for such a partial fiscal year will be determined based upon the gross receipts from the Property (on a cumulative annualized basis) for such partial fiscal year, and the Incentive Fee shall not exceed twenty percent (20%) of the total compensation payable to the Manager, including the Base Management Fee and the Incentive Fee, for such partial fiscal year. The Authority shall pay the Incentive Fee for each fiscal year (or portion thereof) to the Manager only upon completion of the annual audit for the applicable fiscal year.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

II. Detailed Notes on all Funds: (Continued)

(e) **Management Agreement** (Continued)

Heritage Grove Fund

The Authority entered into an agreement with a corporation to rent, operate and manage the Project for a term of three years commencing on August 1, 2006 and terminating upon the sale of the Project by the owner. The owner has the right to terminate the Management Agreement on the last day of every contract year without cause and without penalty. The Manager will be compensated as follows:

% of Total Gross Revenue		
3.0%	If the economic occupancy is	90%
3.5%	If the economic occupancy is	90% – 94%
4.0%	If the economic occupancy is	95% – 96%
4.5%	If the economic occupancy is	97% – 98%
5.0%	If the economic occupancy is	99% – 100%

III. Conduit Debt Obligation:

The Authority issued Student Housing Revenue Bonds to provide financial assistance to a private-sector entity for the construction of University Courtyard Apartments deemed to be in the public interest. The bonds are secured by the property financed and the receipts generated there from. Neither the Authority, Leon County, Florida, the State of Florida nor any other public body thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At September 30, 2007 the principal amount payable was approximately $10 million.

The Authority entered into a scholarship funding and title conveyance agreement whereby 20% of cash flow will be distributed to the Authority to fund scholarships. The agreement calls for the conveyance of the property to the Authority on March 1, 2040 or such earlier date on which all principal and interest on the bonds have been paid in full.

IV. Other Information:

(a) **Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors,
Leon County Educational Facilities Authority:

We have audited the financial statements of Leon County Educational Facilities Authority as of and for the year ended September 30, 2007 and have issued our report thereon dated January 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards,*** issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Leon County Educational Facilities Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Leon County Educational Facilities Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Leon County Educational Facilities Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

Significant Adjustments

We noted the Authority does not have controls in place in order to produce accurate monthly financial statements. Significant adjustments are routinely made in connection with the year end audit. We recommend management implement controls in order for accurate monthly financial statements to be generated.

Preparation of Financial Statements

A system of internal control over financial reporting should allow the Authority to prepare financial statements, including note disclosures in accordance with generally accepted accounting principles (GAAP). While auditors can assist with the preparation of financial statements and related footnotes, the financial statements are the responsibility of management. A control deficiency exists in instances where the Authority is not positioned to draft the financial statements and all required disclosures in accordance with generally accepted accounting principles. Presently, as is common to many organizations, management relies on the audit firm to draft the financial statements and related disclosures. For subsequent audits, management may wish to take a more active role in the drafting of the financial statements and related disclosures.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider the significant adjustments finding to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Leon County Educational Facilities Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under ***Government Auditing Standards*** and which is described below.

Fixed Charges Coverage Ratio

Heritage Grove is required pursuant to the Bond covenant to maintain a Fixed Charges Coverage Ratio of at least 1.20. For the year ended September 30, 2007, the Fixed Charges Coverage Ratio fell to 1.09. As outlined in section 8.08(b) of the Bond document, the Authority is required to engage a financial consultant.

We noted certain matters that we reported to management of Leon County Educational Facilities Authority in a separate letter dated January 21, 2008.

This report is intended solely for the information and use of Authority, and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co., P.L.

Tallahassee, Florida
January 21, 2008

INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA OFFICE OF THE AUDITOR GENERAL

To the Authority Members:
Leon County Educational Facilities Authority:

We have audited the financial statements of the Leon County Educational Facilities Authority, as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated January 21, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Compliance and Internal Control over financial reporting which is dated January 21,2008, and should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.554(1)(i)1.) require that we address in the management letter, if not already addressed in the auditor's reports on compliance and internal controls, whether or not significant findings and recommendations made in the preceding annual financial audit report have been followed. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report.

As required by the Rules of the Auditor General (Section 10.554(1)(i)2.), the scope of our audit included a review of the provisions of Section 218.415., Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Leon County Educational Facilities Authority, complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(i)3.) require that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such recommendations.

Section 10.554(l)(i)4,. Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(l)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have such findings.

The Rules of the Auditor General (Section 10.554(1)(i)6.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. There are no component units of the Leon County Educational Facilities Authority to be disclosed as required by accounting principles generally accepted in the United States of America.

As required by the Rules of the Auditor General (Section 10.554(1)(i)7.a.), a statement must be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes. In connection with our audit, we determined that the Leon County Educational Facilities Authority met the conditions described in Section 218.503(1)(e), Florida Statutes. The Authority reported deficit net assets of $20,509,660, as of September 30, 2007. The financial emergency condition met was not a result of deteriorating financial conditions.

As required by the Rules of the Auditor General (Section 10.554(1)(i)7.b.), we determined that the annual financial report for the Leon County Educational Facilities Authority for the fiscal year ended September 30, 2007, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2007. In connection with our audit, we determined that these two reports were in agreement.

As required by the Rules of the Auditor General (Sections 10.554(l)(i)7.c. and 10.556(7), we applied financial assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

This management letter is intended solely for the information and use of the Authority, management, and the State of Florida, Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co., P.L.

Tallahassee, Florida
January 21, 2008

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY

FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
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SEPTEMBER 30, 2006

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INDEPENDENT AUDITORS' REPORT

To the Authority Members,
Leon County Educational Facilities Authority:

We have audited the accompanying financial statements of the business-type activities of Leon County Educational Facilities Authority, as of and for the year ended September 30, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Leon County Educational Facilities Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Leon County Educational Facilities Authority, as of September 30, 2006 and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with ***Government Auditing Standards***, we have also issued our report dated January 9, 2007, on our consideration of Leon County Educational Facilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 2 – 4 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

James Moore & Co., P.L.

Tallahassee, Florida
January 9, 2007

Management's Discussion and Analysis

As management of the Leon County Educational Facilities Authority, we offer readers of the Leon County Educational Facilities Authority's financial statements this narrative overview and analysis of the financial activities of the Leon County Educational Facilities Authority for the fiscal year ended September 30, 2006.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Leon County Educational Facilities Authority's basic financial statements. The Leon County Educational Facilities Authority's basic financial statements are comprised of two components: 1) fund financial statements and 2) notes to the financial statements.

Fund financial statements. *A fund is a* grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Leon County Educational Facilities Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Leon County Educational Facilities Authority has four proprietary funds.

Proprietary funds. The Leon County Educational Facilities Authority maintains three proprietary funds. The Leon County Educational Facilities Authority uses the proprietary funds to account for its student housing operations. The proprietary fund financial statements provide separate information for the Southgate, Heritage Grove and Administrative funds.

The basic proprietary fund financial statements can be found on pages 5 - 7 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 8 - 16 of this report.

Fund Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of Leon County Educational Authority, liabilities exceeded assets by $17,429,389 at the close of the most recent fiscal year.

A portion of the Leon County Educational Facilities Authority's net assets reflects a deficit in investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Leon County Educational Facilities Authority utilizes its capital assets to provide housing services to students; consequently, these assets are not available for future spending. Although the Leon County Educational Facilities Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Leon County Educational Facilities Authority's Net Assets

	2006	2005
Current and other assets	$ 9,305,028	$ 9,503,706
Capital assets	37,328,540	38,687,927
Total assets	46,633,568	48,191,633
Long-term liabilities outstanding	49,485,547	49,722,580
Other liabilities	14,577,950	13,649,780
Total liabilities	64,063,497	63,372,360
Net assets:		
Invested in capital assets, net of related debt	12,157,007	(11,034,653)
Restricted	3,539,889	3,696,235
Unrestricted	(8,812,811)	(7,842,309)
Total net assets	$(17,429,929)	$(15,180,727)

An additional portion of the Leon County Educational Facilities Authority's net assets represents resources that are subject to external restrictions on how they may be used.

Leon County Educational Facilities Authority's Changes in Net Assets

	2006	2005
Revenues:		
Program revenues:		
Charges for services	$ 8,182,830	$ 7,548,701
General revenues:		
Intergovernmental and other	248,995	1,079,934
Total revenues	8,431,825	8,628,635
Expenses:		
Student housing	10,681,027	10,596,980
Total expenses	10,681,027	10,596,980
Decrease in net assets	(2,249,202)	(1,968,345)
Nets assets, beginning of year	(15,180,727)	(13,212,382)
Net assets, end of year	$ (17,429,929)	$ (15,180,727)

Capital Asset and Debt Administration

Capital assets. The Leon County Educational Facilities Authority's investment in capital assets for its business type activities as of September 30, 2006, amounts to $ 37,328,540 accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

The Authority had no major capital asset events during the current fiscal year.

Additional information on the Leon County Educational Facilities Authority's Capital Assets can be found in note II.C. on page 11 of this report.

Long-term debt. At the end of the current fiscal year, the Leon County Educational Facilities Authority had long-term debt outstanding of $48,485,547.

Additional information on the Leon County Educational Facilities Authority's long-term debt can be found in note II.D. on pages 12 - 13 of this report.

Economic Factors and Next Year's Budgets and Rates

During 2007, the Authority will continue to focus on growth and quality of service to the student community. In addition, the Authority will continue to study the needs for student housing in Leon County. These factors were considered in preparing the Leon County Educational Facilities Authority's budget for the 2007 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Leon County Educational Facilities Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Calvin Ogburn, Executive Director, 3263 Robinhood Road, Tallahassee, Florida 32312.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
SEPTEMBER 30, 2006

	Business-type Activities - Enterprise Funds			
ASSETS	Southgate Fund	Heritage Grove Fund	Administrative Fund	Total
Current assets				
Cash and cash equivalents	$ 147,172	$ 120,261	$ 110,107	$ 377,540
Certificates of deposit	-	-	145,406	145,406
Investments	1,216,933	508,585	50,028	1,775,546
Accounts receivable, net	132,274	11,692	-	143,966
Due from other funds	-	-	30,000	30,000
Inventories and prepaid items	105,792	35,301	-	141,093
Restricted assets:				
Cash	70,914	44,253	-	115,167
Certificates of deposit	-	50,000	-	50,000
Investments	1,120,566	2,304,156	-	3,424,722
Total current assets	2,793,651	3,074,248	335,541	6,203,440
Noncurrent assets				
Capital assets, not being depreciated	2,400,000	-	-	2,400,000
Capital assets, net of accumulated depreciation	13,188,858	21,739,682	-	34,928,540
Debt issue costs, net	537,460	2,564,128	-	3,101,588
Total noncurrent assets	16,126,318	24,303,810	-	40,430,128
Total Assets	18,919,969	27,378,058	335,541	46,633,568
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	193,311	45,877	-	239,188
Deferred revenue	1,910,914	139,857	-	2,050,771
Accrued interest payable	11,871,393	186,586	-	12,057,979
Deposits payable	105,660	94,352	-	200,012
Due to other funds	-	30,000	-	30,000
Current portion of revenue bonds payable	225,000	310,000	-	535,000
Total current liabilities	14,306,278	806,672	-	15,112,950
Noncurrent liabilities				
Revenue bonds payable, less current portion	26,295,547	22,655,000	-	48,950,547
Total liabilities	40,601,825	23,461,672	-	64,063,497
Net assets				
Invested in capital assets, net of related debt	(10,931,689)	(1,225,318)	-	(12,157,007)
Restricted for debt service	1,191,480	2,348,409	-	3,539,889
Unresrticted	(11,941,647)	2,793,295	335,541	(8,812,811)
Total net assets (deficit)	$ (21,681,856)	$ 3,916,386	$ 335,541	$ (17,429,929)

The accompanying notes to financial statements
are an integral part of this statement.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS (DEFICIT)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Business-type Activities - Enterprise Funds			
	Southgate Fund	Heritage Grove Fund	Administrative Fund	Total
Operating revenues	$ 5,904,893	$ 2,273,012	$ 4,925	$ 8,182,830
Operating expenses				
Personnel costs	1,089,231	255,365	48,000	1,392,596
Other operating costs	1,071,139	188,638	41,847	1,301,624
Food costs	545,449	-	-	545,449
Utilities	732,236	113,064	-	845,300
Repairs and maintenance	238,201	164,560	-	402,761
Scholarships	-	-	60,000	60,000
Depreciation and amortization	667,995	1,069,201	-	1,737,196
Total operating expenses	4,344,251	1,790,828	149,847	6,284,926
Operating income (loss)	1,560,642	482,184	(144,922)	1,897,904
Nonoperating revenues (expenses)				
Interest expense	(3,274,637)	(1,121,464)	-	(4,396,101)
Interest income	113,666	131,293	4,036	248,995
Total nonoperating revenues (expenses)	(3,160,971)	(990,171)	4,036	(4,147,106)
Loss before operating transfers	(1,600,329)	(507,987)	(140,886)	(2,249,202)
Transfers				
Transfers in	-	37,357	147,471	184,828
Transfers out	(86,211)	(61,260)	(37,357)	(184,828)
Total transfers	(86,211)	(23,903)	110,114	-
Change in net assets	(1,686,540)	(531,890)	(30,772)	(2,249,202)
Net assets (deficit), beginning of year	(19,995,316)	4,448,276	366,313	(15,180,727)
Net assets (deficit), end of year	$ (21,681,856)	$ 3,916,386	$ 335,541	$ (17,429,929)

The accompanying notes to financial statements are an integral part of this statement.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006
Increase (Decrease) in Cash and Cash Equivalents

	Business-type Activities - Enterprise Funds			
	Southgate Fund	Heritage Grove Fund	Administrative Fund	Total
Cash flows from operating activities				
Cash received from residents and customers	$ 5,835,892	$ 2,253,302	$ 4,925	$ 8,094,119
Cash paid to suppliers	(3,816,241)	(712,682)	(179,847)	(4,708,770)
Net cash provided by (used in) operating activities	2,019,651	1,540,620	(174,922)	3,385,349
Cash flows from noncapital financing activities				
Transfers in	-	37,357	147,471	184,828
Transfers out	(86,211)	(61,260)	(37,357)	(184,828)
Net cash provided by (used in) noncapital financing activities	(86,211)	(23,903)	110,114	-
Cash flows from investing activities				
Purchase of certificates of deposit and investments	-	(279,287)	(64,111)	(343,398)
Proceeds from certificates of deposit and investments	27,278	-	-	27,278
Interest received	113,666	131,293	4,036	248,995
Net cash provided by (used in) investing activities	140,944	(147,994)	(60,075)	(67,125)
Cash flows from capital and related financing activities				
Purchases of capital assets	(67,211)	-	-	(67,211)
Principal payments on long-term debt	(270,947)	(215,000)	-	(485,947)
Interest paid	(1,753,242)	(1,123,218)	-	(2,876,460)
Net cash used in capital and related financing activities	(2,091,400)	(1,338,218)	-	(3,429,618)
Net increase (decrease) in cash and cash equivalents	(17,016)	30,505	(124,883)	(111,394)
Cash and cash equivalents, beginning of year	235,102	134,009	234,990	604,101
Cash and cash equivalents, end of year	$ 218,086	$ 164,514	$ 110,107	$ 492,707
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	$ 1,560,642	$ 482,184	$ (144,922)	$ 1,897,904
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	667,995	1,069,201	-	1,737,196
Changes in assets and liabilities:				
Increase (decrease) in accounts payable and accrued expenses	(40,408)	15,653	-	(24,755)
Decrease in deposits	(15,340)	(66,276)	-	(81,616)
Increase (decrease) in deferred revenue	(282,389)	46,203	-	(236,186)
(Increase) decrease in accounts receivable	213,388	363	(30,000)	183,751
Increase in inventory and prepaid items	(84,237)	(6,708)	-	(90,945)
Total adjustments	459,009	1,058,436	(30,000)	1,487,445
Net cash provided by (used in) operating activities	$ 2,019,651	$ 1,540,620	$ (174,922)	$ 3,385,349

The accompanying notes to financial statements
are an integral part of this statement.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Leon County Educational Facilities Authority (the "Authority") is a public instrumentality created by the Higher Educational Facilities Authorities Law, Chapter 69-345, Laws of Florida, 1969 (Chapter 243, Part II, Florida Statutes), as revised and amended, to assist institutions of higher education within Leon County in the construction, financing or refinancing of projects (structures and machinery and equipment related to the operation of the structure) required or useful for the instruction of students or the operation of an institution of higher education. The accompanying financial statements present the government only since there are no component units for which the government is considered to be financially accountable.

B. Measurement focus, basis of accounting, and financial statement presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows

The government reports the following major proprietary funds:

The *Southgate fund* accounts for the activities of the government's Southgate Residence Hall rental operations.

The *Heritage Grove fund* accounts for the activities of the government's fraternity house rental operations.

The *Administrative fund* accounts for the activities of the government's administration of the rental operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for rents, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's enterprise funds are charges to customers for rents and services.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement focus, basis of accounting, and financial statement presentation (Continued)

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first.

C. Assets, Liabilities and Equity

1. *Deposits and Investments*

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Authority to invest in direct obligations of the U.S. Treasury, Local Government Surplus Trust Fund, SEC registered money market funds with the highest credit quality rating, and savings and CD accounts in state-certified public depositories.

Investments are stated at fair value.

2. *Inventories and Prepaid Items*

Inventories are valued at the lower of cost or market using the first-in/first-out (FIFO) method.

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. *Capital Assets*

Capital assets for business type activities include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). For financial reporting purposes, capital assets are defined by the government as assets with an initial, individual cost of more than $1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the Authority is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	27.5 – 40
Furniture, fixtures and equipment	5 - 15

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

4. Long-term Debt

Revenue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the revenue bonds using the effective interest method. Revenue bonds are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges.

5. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds."

6. Restricted Assets

Certain proceeds of the Authority's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits. At September 30, 2006, the Authority's carrying amount of deposits was $488,627 and the bank balance was $577,542. Of the bank balance, the Authority's deposits are entirely covered by Federal depository insurance or by collateral held by the Authority's custodial bank which is pledged to a state trust fund that provides security in accordance with Florida Security for Deposits Act, Chapter 280, for amounts held in excess of FDIC coverage.

The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

II. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Investments. At September 30, 2006 the Authority had the following investments:

	Fair Value
U.S. Treasury money market funds	$ 5,200,268

In accordance with the investment policies, the Authority manages its exposure to interest rate risk by limiting the maturity of its investments.

B. Receivables

Receivables as of September 30, 2006, including the applicable allowances for uncollectible accounts, are as follows:

	Southgate Fund	Heritage Grove Fund	Administrative Fund	Total
Gross receivables	$ 182,274	$ 11,692	$ -	$ 193,966
Less: allowance for uncollectibles	50,000	-	-	50,000
Net total receivables	$ 132,274	$ 11,692	$ -	$ 143,966

C. Capital Assets

The following is a summary of capital assets at September 30, 2006:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	$ 2,400,000	$ -	$ -	$ 2,400,000
Total capital assets not being depreciated	2,400,000	-	-	2,400,000
Capital assets being depreciated				
Buildings and improvements	40,507,596	-	-	40,507,596
Equipment	5,464,424	67,211	-	5,531,635
Total capital assets being depreciated	45,972,020	67,211	-	46,039,231
Less accumulated depreciation				
Buildings and improvements and equipment	9,494,158	1,616,533	-	11,110,691
Total capital assets being depreciated, net	36,477,862	(1,549,322)	-	34,928,540
Business-type capital assets, net	$ 38,877,862	$ (1,549,322)	$ -	$ 37,328,540

Depreciation and amortization expense were charged as follows:

Southgate Fund	$ 667,995
Heritage Grove Fund	1,069,201
	$ 1,737,196

II. DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term Debt

Revenue Refunding Bonds

On May 29, 1998, the Authority issued $12,000,000 in Revenue Refunding Bonds Series 1998A and $20,500,000 in Subordinated Revenue Refunding Bonds Series 1998B with an average interest rate of 7.283 percent to advance refund $23,075,000, of 1991 Senior Certificates of Participation and $1,145,000 of 1991 Subordinate Certificates of Participation. The net proceeds of $30,408,190 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1991 Senior and Subordinate Certificates of Participation. At September 30, 2006, the amount of insubstance defeased debt which remained outstanding was $16,195,000.

Revenue refunding bonds are collateralized by the income derived from Southgate Residence Hall.

	Interest rates	Amount
Series 1998A and 1998B	7.625 - 9%	$ 31,265,000
Less: Unamortized deferred advance refunding		4,744,453
Series 1998A and 1998B, net		$ 26,520,547

The Series 1998A and 1998B Revenue bond debt service to maturity is as follows:

	Principal	Interest
2007	225,000	2,289,763
2008	240,000	2,274,575
2009	260,000	2,258,375
2010	275,000	2,240,825
2011	295,000	2,222,263
2012-2016	1,795,000	10,784,613
2017-2021	2,490,000	10,091,726
2022-2026	16,950,000	7,224,408
2027-2028	8,735,000	990,013
	$ 31,265,000	$ 40,376,561

Student Housing Revenue Bonds (Series 2003)

In December 2003, the Authority issued Heritage Grove Project (the "Project") Student Housing Revenue Bonds (Series 2003) in the amount of $23,315,000, with interest rates ranging from 3 – 5.125%. These bonds were issued to provide funds (i) to finance the cost of developing, designing, acquiring, constructing and equipping a 384 bed student housing facility, including the buildings, furniture, fixtures and equipment to be located near the campus of Florida State University, (ii) to fund interest on the Series 2003 Bonds during construction and for a period after construction of the Project, (iii) to fund the Debt Service Reserve Fund and (iv) pay a portion of the costs of issuance of the Series 2003 Bonds.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

II. DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term Debt (Continued)

Revenue refunding bonds are collateralized by the income derived from Heritage Grove Project.

The Series 2003 Revenue bond debt service to maturity is as follows:

	Principal	Interest
2007	310,000	1,119,514
2008	355,000	1,110,214
2009	400,000	1,097,789
2010	450,000	1,082,789
2011	505,000	1,060,289
2012-2016	2,385,000	4,951,944
2017-2021	2,085,000	4,391,428
2022-2026	4,205,000	3,564,689
2027-2031	-	3,144,188
2032-2033	12,270,000	1,257,675
	$ 22,965,000	$ 22,780,519

Changes in long-term liabilities:

Long-term liability activity for the year ended September 30, 2006, was as follows:

Business-type activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	$ 54,655,000	$ -	$ 425,000	$ 54,230,000	$ 535,000
Less deferred amounts on refunding	4,993,367	-	248,914	4,744,453	-
Total bonds payable	49,661,633	-	176,086	49,485,547	535,000
Capital leases	60,947	-	60,947	-	-
	$ 49,722,580	$ -	$ 237,033	$ 49,485,547	$ 535,000

II. DETAILED NOTES ON ALL FUNDS (Continued)

E. Management Agreement

Southgate Fund

The Authority entered into an agreement with a corporation to provide dormitory management, retail space management, parking garage management and manual food services for the Southgate Residence Hall. The agreement is for a term of 5 years commencing August 1, 2003, and terminating July 31, 2008. The management company ("the Manager") shall be compensated in the form of a base compensation fee (the *"Base Management Fee"*) equal to (i) $22,200 per month for the period from August 1, 2003 to July 31, 2004, (ii) $22,850 per month for the period from August 1, 2004 to July 31, 2005, (iii) $23,600 per month for the period from August 1, 2005 to July 31, 2006, (iv) $24,300 per month for the period from August 1, 2006 to July 31, 2007, and (v) $25,000 per month for the period from August 1, 2007 to July 31, 2008. Payment of the Base Management Fee will be made from the Operating Account monthly beginning on August 1, 2003, and thereafter on or before the fifth (5th) day of each succeeding month during the term of this Agreement. Upon the termination of this Agreement on a day other than the last day of the calendar month, the Base Management Fee shall be prorated on a per diem basis up to the date of termination.

In addition to the Base Management Fee (and any other fees paid to and expenses reimbursed to the Manager) and in order to provide incentive to the Manager to generate increased revenue at the Property, the Authority hereby agrees to pay to the Manager incentive fees (the *"Incentive Fees")* in the following manner: The Incentive Fee for each fiscal year at the Property (i.e., from August 1 of each year through July 31 of the following year) shall be equal to twelve percent (12%) of the gross receipts in excess of $5,112,524 derived from the operation of the Property during such fiscal year, but in no event shall each fiscal year's Incentive Fee exceed (i) $63,000 for the period from August 1, 2003 to July 31, 2004, (ii) $64,500 for the period from August 1, 2004 to July 31, 2005, (iii) $66,000 for the period from August 1, 2005 to July 31, 2006, (iv) $67,500 for the period from August 1, 2006 to July 31, 2007, and (v) $69,000 for the period from August 1, 2007 to July 31, 2008. The term "gross receipts" for the purposes of this Agreement shall include all proceeds from rent and from business interruption insurance, if any, but shall not include tenant security deposits unless forfeited and recognized as income by the Authority, nor shall such gross receipts include insurance loss proceeds, or any award or payment made by any governmental Authority in connection with the exercise of any right of eminent domain or any proceeds from the sale, exchange, mortgaging or refinancing of the Property. With regard to any Incentive Fee which would be owed to the Manager for any partial fiscal year (because of expiration or termination of this Agreement prior to the end of the applicable fiscal year), the calculation of the Incentive Fee for such a partial fiscal year will be determined based upon the gross receipts from the Property (on a cumulative annualized basis) for such partial fiscal year, and the Incentive Fee shall not exceed twenty percent (20%) of the total compensation payable to the Manager, including the Base Management Fee and the Incentive Fee, for such partial fiscal year. The Authority shall pay the Incentive Fee for each fiscal year (or portion thereof) to the Manager only upon completion of the annual audit for the applicable fiscal year.

II. DETAILED NOTES ON ALL FUNDS (Continued)

E. Management Agreement (Continued)

Heritage Grove Fund

The Authority entered into an agreement with a corporation to provide dormitory management, retail space management, parking management and manual food services for Heritage Grove Residence Hall ("the Project"). The agreement is for a term of 2 years commencing December 1, 2003, and terminating December 1, 2005. The agreement was renewed for a term of 8 months commencing December 1, 2005 and terminating July 31, 2006. The management company ("the Manager") shall be compensated an equivalent of 4% of gross revenue, provided that the Project has achieved compliance with the rate covenant set forth in or contemplated by the Bonds (see Note II.D), and if not, Manager's fee shall be reduced as necessary to achieve compliance. Such gross revenue shall include all amounts received from the operation of the project by Manager, including, but not limited to, rents, pet fees, forfeited security deposits, common area maintenance fees, late fees, vending income, fees or assessments charged against any entity or persons for services provided at the project by the Manager, and other fees, but shall not included security deposits or a charge against any pass through costs such as for utilities, cable, telecommunications, and the like. Manager's fee shall be calculated based on the gross revenues subject thereto as received by the Trustee applicable to the preceding month, and shall be paid to the Manager on the twentieth (or the closest business day thereafter) of the month following (or on such day as designated by the Indenture, if different); subject to adjustments at anytime thereafter for any chargebacks, refunds, uncollectibles, corrections or the like.

The Authority entered into an agreement with a corporation to rent, operate and manage the Project for a term of three years commencing on August 1, 2006 and terminating upon the sale of the Project by the owner. The owner has the right to terminate the Management Agreement on the last day of every contract year without cause and without penalty. The Manager will be compensated as follows:

% of Total Gross Revenue		
3.0%	If the economic occupancy is	< 90%
3.5%	If the economic occupancy is	90% - 94%
4.0%	If the economic occupancy is	95% - 96%
4.5%	If the economic occupancy is	97% - 98%
5.0%	If the economic occupancy is	99% - 100%

III. CONDUIT DEBT OBLIGATION

The Authority issued Student Housing Revenue Bonds to provide financial assistance to a private-sector entity for the construction of University Courtyard Apartments deemed to be in the public interest. The bonds are secured by the property financed and the receipts generated there from. Neither the Authority, Leon County, Florida, the State of Florida nor any other public body thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At September 30, 2006 the principal amount payable was approximately $10 million.

The Authority entered into a scholarship funding and title conveyance agreement whereby 20% of cash flow will be distributed to the Authority to fund scholarships. The agreement calls for the conveyance of the property to the Authority on March 1, 2040 or such earlier date on which all principal and interest on the bonds have been paid in full.

IV. OTHER INFORMATION

A. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance

B. New Accounting Pronouncements

In May 2004, the GASB issued a Statements No. 43, *Financial Reporting for Postemployement Benefits Other Than Pension Plans*, effective for the Authority's fiscal year beginning October 1, 2006.

The Statement addresses the accounting and reporting requirements for costs and obligations resulting from post employment health-care and other non pension benefits. It establishes uniform financial reporting standards for other post employment benefits (OPEB) plans. The Authority is currently evaluating the effect of this Statement will have on its financial statements.

In August 2004, the GASB issued Statement No. 4, *Accounting and financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective for the Authority's fiscal year beginning October 1, 2007. Statement No. 45 require accrual-based measurement, recognition and disclosure of OPEB expense, such as retiree medical and dental costs, over the employee's years of services, along with the related liability, net of any plan assets. For the Authority, this will result in increased expenses and a related liability, which will likely be significant. The Authority is currently evaluating the effect that Statement No. 45 will have on its financial statement.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Authority Members,
Leon County Educational Facilities Authority:

We have audited the financial statements of the business-type activities and each major fund of Leon County Educational Facilities Authority, as of and for the year ended September 30, 2006, which collectively comprise Leon County Educational Facilities Authority's basic financial statements and have issued our report thereon dated January 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Leon County Educational Facilities Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Leon County Educational Facilities Authority's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described below.

Financial Record Keeping

*We noted during our audit there was not a complete set of financial statements or general ledger at year-*end or at the commencement of the audit. One of the Leon County Educational Facilities Authority's management's responsibilities is the preparation of accurate, timely financial statements and accounting reports. Accurate reports which evaluate the Leon County Educational Facilities Authority's financial position and results of operations on a current basis are imperative so that the management's decisions can be timely and more effective.

Other Authorities have found that reporting systems have proved to be effective as management tools when the following requirements are met:

1. Reports are prepared timely after the end of the accounting period.
2. Actual results are compared with predetermined budgets and prior performance. Reports so prepared and analysis therefrom assist management in making decisions in critical areas.
3. Reports relate results of operation by fund.
4. Budgets of capital outlay and cash flow are an integral part of the reports.

We recommend Leon County Educational Facilities Authority to establish a policy requiring monthly financial statements including budget to actual comparison be available no later that the 15th day following the end of the month.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Leon County Educational Facilities Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

We noted also noted certain additional matters that we reported to management of Leon County Educational Facilities Authority, in a separate letter dated January 9, 2007.

This report is intended solely for the information and use of the Authority and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co., P.L.

Tallahassee, Florida
January 9, 2007

INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA OFFICE OF THE AUDITOR GENERAL

To the Authority Members:
Leon County Educational.Facilities Authority:

We have audited the financial statements of the Leon County Educational Facilities Authority, as of and for the fiscal year ended September 30, 2006, and have issued our report thereon dated January 9, 2007.

We conducted our audit in accordance with United States generally accepted auditing standards, and *Government Auditing Standards* issued by the Comptroller General of the United States and *(if applicable)* OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* We have issued our Independent Auditors' Report on Compliance and Internal Control over financial reporting which is dated January 9, 2007, and should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.554(1)(h)1.) require that we address in the management letter, if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. There were no recommendations made in the preceding annual financial audit report.

As required by the Rules of the Auditor General (Section 10.554(1)(h)2.), the scope of our audit included a review of the provisions of Section 218.415., Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Leon County Educational Facilities Authority, complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (Section 10.554(1)(h)3.) require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we noted one finding as described below:

Security Deposits

The Leon County Educational Facilities Authority had an underfunded security deposit cash account related to the Southgate fund. We recommend the Authority to replenish the security deposit account with unrestricted cash flows and enforce controls to ensure proper controls over the security deposits account.

The Rules of the Auditor General (Section 10.554(1)(h)4.) require disclosure in the management letter of the following matters if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs and are not clearly inconsequential: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e. g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. *(This includes inaccuracies, shortages, defalcations, and fraud that come to the auditor's attention by whatever means during the audit.)* Our audit disclosed no matters required to be disclosed by Rules of Auditor General (Section 10.554(1)(h)4.).

The Rules of the Auditor General (Section 10.554(1)(h)5.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. There are no component units of the Leon County Educational Facilities Authority to be disclosed as required by accounting principles generally accepted in the United States of America.

As required by the Rules of the Auditor General (Section 10.554(1)(h)6.a.), a statement must be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes. In connection with our audit, we determined that the Leon County Educational Facilities Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554(1)(h)6.b.), we determined that the annual financial report for the Leon County Educational Facilities Authority for the fiscal year ended September 30, 2006, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2006.

As required by the Rules of the Auditor General (Sections 10.554(h)6.c. and 10.556(7), we applied financial assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

This management letter is intended solely for the information and use of the Authority, management, and the State of Florida, Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co., P.L.

Tallahassee, Florida
January 9, 2007

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY

FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
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INDEPENDENT AUDITORS' REPORT

To the Authority Members,
Leon County Educational Facilities Authority:

We have audited the accompanying financial statements of the business-type activities and each major fund of Leon County Educational Facilities Authority, as of and for the year ended September 30, 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Leon County Educational Facilities Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Leon County Educational Facilities Authority, as of September 30, 2005 and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with ***Government Auditing Standards***, we have also issued our report dated March 3, 2006, on our consideration of Leon County Educational Facilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 2 – 4 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

James Moore & Co.

Tallahassee, Florida
March 3, 2006

Management's Discussion and Analysis

As management of the Leon County Educational Facilities Authority, we offer readers of the Leon County Educational Facilities Authority's financial statements this narrative overview and analysis of the financial activities of the Leon County Educational Facilities Authority for the fiscal year ended September 30, 2005.

Financial Highlights

- The Authority completed Heritage Grove during the year ended September 30, 2005. This housing facility was completed for approximately $23,000,000.
- The Authority sold the capital assets of the Townhouse fund during the year ended September 30, 2005, for approximately $3,000,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Leon County Educational Facilities Authority's basic financial statements. The Leon County Educational Facilities Authority's basic financial statements are comprised of two components: 1) fund financial statements and 2) notes to the financial statements.

Fund financial statements. *A fund is a* grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Leon County Educational Facilities Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Leon County Educational Facilities Authority has four proprietary funds.

Proprietary funds. The Leon County Educational Facilities Authority maintains four proprietary funds. The Leon County Educational Facilities Authority uses the proprietary funds to account for its student housing operations. The proprietary fund financial statements provide separate information for the Southgate, Townhouse, Heritage Grove and Administrative funds.

The basic proprietary fund financial statements can be found on pages 5 - 7 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 8 - 15 of this report.

Fund Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of Leon County Educational Authority, liabilities exceeded assets by $15,180,727 at the close of the most recent fiscal year.

A portion of the Leon County Educational Facilities Authority's net assets reflects a deficit in investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Leon County Educational Facilities Authority utilizes its capital assets to provide housing services to students; consequently, these assets are not available for future spending. Although the Leon County Educational Facilities Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Leon County Educational Facilities Authority's Net Assets

	2005	2004
Current and other assets	$ 9,503,706	$ 10,102,025
Capital assets	38,687,927	42,099,927
Total assets	48,191,633	52,201,952
Long-term liabilities outstanding	49,722,580	52,181,074
Other liabilities	13,649,780	13,233,260
Total liabilities	63,372,360	65,414,334
Net assets:		
Invested in capital assets, net of related debt	(11,034,653)	(10,081,147)
Restricted	3,696,235	4,436,220
Unrestricted	(7,842,309)	(7,567,455)
Total net assets	$(15,180,727)	$(13,212,382)

An additional portion of the Leon County Educational Facilities Authority's net assets represents resources that are subject to external restrictions on how they may be used.

Leon County Educational Facilities Authority's Changes in Net Assets

	2005	2004
Revenues:		
Program revenues:		
Charges for services	$ 7,548,701	$ 6,396,862
General revenues:		
Intergovernmental and other	1,079,934	4,926,127
Total revenues	8,628,635	11,322,989
Expenses:		
Student housing	10,596,980	8,375,789
Total expenses	10,596,980	8,375,789
Increase (decrease) in net assets	(1,968,345)	2,947,200
Nets assets, beginning of year	(13,212,382)	(16,159,582)
Net assets, end of year	$(15,180,727)	$(13,212,382)

Capital Asset and Debt Administration

Capital assets. The Leon County Educational Facilities Authority's investment in capital assets for its business type activities as of September 30, 2005, amounts to $ 38,687,927 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

Major capital asset events during the current fiscal year included the following:

- Completion of student housing at Heritage Grove.
- Sale of the capital assets of the Town House Fund.

Additional information on the Leon County Educational Facilities Authority's Capital Assets can be found in note II.C. on page 11 of this report.

Long-term debt. At the end of the current fiscal year, the Leon County Educational Facilities Authority had long-term debt outstanding of $49,722,580.

Additional information on the Leon County Educational Facilities Authority's long-term debt can be found in note II.D. on pages 12 - 13 of this report.

Economic Factors and Next Year's Budgets and Rates

During 2006, the Authority will continue to focus on growth and quality of service delivery to the student community. In addition, the Authority will continue to study the needs for student housing in Leon County. All of these factors were considered in preparing the Leon County Educational Facilities Authority's budget for the 2006 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Leon County Educational Facilities Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Calvin Ogburn, Executive Director, 3263 Robinhood Road, Tallahassee, Florida 32312.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
SEPTEMBER 30, 2005

	Business-type Activities - Enterprise Funds				
ASSETS	Southgate Fund	Heritage Grove Fund	Townhouse Fund	Administrative Fund	Total
Current assets					
Cash and cash equivalents	$ 235,102	$ 134,009	$ -	$ 234,990	$ 604,101
Investments	1,251,996	-	-	131,323	1,383,319
Accounts receivable, net	345,662	12,055	-	-	357,717
Due from other funds	-	-	-	-	-
Inventories and prepaid items	21,555	28,593	-	-	50,148
Restricted assets:					
Investments	1,112,781	2,583,454	-	-	3,696,235
Total current assets	2,967,096	2,758,111	-	366,313	6,091,520
Noncurrent assets					
Capital assets, net	16,163,947	22,523,980	-	-	38,687,927
Debt issue costs, net	563,155	2,849,031	-	-	3,412,186
Total noncurrent assets	16,727,102	25,373,011	-	-	42,100,113
Total Assets	19,694,198	28,131,122	-	366,313	48,191,633
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	233,719	60,224	-	-	293,943
Deferred revenue	2,193,303	93,654	-	-	2,286,957
Accrued interest payable	10,598,912	188,340	-	-	10,787,252
Deposits payable	121,000	160,628	-	-	281,628
Due to other funds	-	-	-	-	-
Current portion of revenue bonds payable	210,000	215,000	-	-	425,000
Current portion of capital lease payable	60,947	-	-	-	60,947
Total current liabilities	13,417,881	717,846	-	-	14,135,727
Noncurrent liabilities					
Revenue bonds payable	26,271,633	22,965,000	-	-	49,236,633
Total liabilities	39,689,514	23,682,846	-	-	63,372,360
Net assets					
Invested in capital assets, net of related debt	(10,378,633)	(656,020)	-	-	(11,034,653)
Restricted for debt service	1,112,781	2,583,454	-	-	3,696,235
Unresrticted	(10,729,464)	2,520,842	-	366,313	(7,842,309)
Total net assets (deficit)	$ (19,995,316)	$ 4,448,276	$ -	$ 366,313	$ (15,180,727)

The accompanying notes to financial statements
are an integral part of this statement.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS (DEFICIT)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Business-type Activities - Enterprise Funds				
	Southgate Fund	Heritage Grove Fund	Townhouse Fund	Administrative Fund	Total
Operating revenues	$ 5,536,251	$ 1,948,122	$ 45,748	$ 18,580	$ 7,548,701
Operating expenses					
Personnel costs	1,084,382	279,579	3,510	40,122	1,407,593
Other operating costs	1,055,296	132,348	7,628	60,653	1,255,925
Food costs	534,415	-	-	-	534,415
Utilities	485,041	107,498	206	-	592,745
Repairs and maintenance	236,436	103,315	6,338	-	346,089
Scholarships	-	-	-	67,525	67,525
Depreciation and amortization	658,820	1,069,200	-	-	1,728,020
Total operating expenses	4,054,390	1,691,940	17,682	168,300	5,932,312
Operating income (loss)	1,481,861	256,182	28,066	(149,720)	1,616,389
Nonoperating revenues (expenses)					
Gain on sale of assets	-	-	628,541	-	628,541
Interest expense	(3,304,077)	(1,313,854)	(46,737)	-	(4,664,668)
Interest income	54,895	130,969	-	1,356	187,220
Total nonoperating revenues (expenses)	(3,249,182)	(1,182,885)	581,804	1,356	(3,848,907)
Income (loss) before contributions and operating transfers	(1,767,321)	(926,703)	609,870	(148,364)	(2,232,518)
Capital contributions	-	264,173	-	-	264,173
Transfers					
Transfers in	-	-	-	317,017	317,017
Transfers out	(84,503)	(182,514)	(50,000)	-	(317,017)
Total transfers	(84,503)	(182,514)	(50,000)	317,017	-
Change in net assets	(1,851,824)	(845,044)	559,870	168,653	(1,968,345)
Net assets (deficit), beginning of year	(18,143,492)	5,293,320	(559,870)	197,660	(13,212,382)
Net assets (deficit), end of year	$ (19,995,316)	$ 4,448,276	$ -	$ 366,313	$ (15,180,727)

The accompanying notes to financial statements
are an integral part of this statement.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005
Increase (Decrease) in Cash and Cash Equivalents

	Business-type Activities - Enterprise Funds				
	Southgate Fund	Heritage Grove Fund	Townhouse Fund	Administrative Fund	Total
Cash flows from operating activities					
Cash received from residents and customers	$ 6,093,059	$ 2,086,541	$ 28,375	$ 26,951	$ 8,234,926
Cash paid to suppliers	(3,392,487)	(1,260,391)	(19,959)	(194,369)	(4,867,206)
Net cash provided by (used in) operating activities	2,700,572	826,150	8,416	(167,418)	3,367,720
Cash flows from noncapital financing activities					
Transfers in	-	-	-	317,017	317,017
Transfers out	(84,503)	(182,514)	(50,000)	-	(317,017)
Net cash provided by (used in) noncapital financing activities	(84,503)	(182,514)	(50,000)	317,017	-
Cash flows from investing activities					
Purchase of investments	(297,487)	-	-	(70,765)	(368,252)
Proceeds from investments	-	96,541	-	-	96,541
Interest received	54,895	130,969	-	1,356	187,220
Net cash provided by (used in) investing activities	(242,592)	227,510	-	(69,409)	(84,491)
Cash flows from capital and related financing activities					
Proceeds from sale of assets	-	-	3,139,917	-	3,139,917
Capital contributions	-	264,173	-	-	264,173
Purchases and construction of capital assets	(154,082)	-	-	-	(154,082)
Principal payments on long-term debt	(265,206)	(135,000)	(2,790,000)	-	(3,190,206)
Interest paid	(1,875,149)	(1,125,514)	(356,724)	-	(3,357,387)
Net cash used in capital and related financing activities	(2,294,437)	(996,341)	(6,807)	-	(3,297,585)
Net increase (decrease) in cash and cash equivalents	79,040	(125,195)	(48,391)	80,190	(14,356)
Cash and cash equivalents, beginning of year	156,062	259,204	48,391	154,800	618,457
Cash and cash equivalents, end of year	$ 235,102	$ 134,009	$ -	$ 234,990	604,101
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	$ 1,481,861	$ 256,182	$ 28,066	$ (149,720)	$ 1,616,389
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	658,820	1,069,200	-	-	1,728,020
Changes in assets and liabilities:					
Increase (decrease) in accounts payable and accrued expenses	(2,817)	(637,460)	(7,267)	(26,069)	(673,613)
Increase (decrease) in deposits	(6,346)	(58,475)	(15,185)	-	(80,006)
Increase (decrease) in deferred revenue	281,332	37,550	(2,362)	-	316,520
(Increase) decrease in accounts receivable	281,822	159,344	174	8,371	449,711
(Increase) decrease in inventory and prepaid items	5,900	(191)	4,990	-	10,699
Total adjustments	1,218,711	569,968	(19,650)	(17,698)	1,751,331
Net cash provided by (used in) operating activities	$ 2,700,572	$ 826,150	$ 8,416	$ (167,418)	$ 3,367,720

Supplemental schedule of non cash capital and related financing activities:
The authority completed the construction of Heritage Grove with an additional $828,035 of bond proceeds and accounts payable.

The accompanying notes to financial statements
are an integral part of this statement.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Leon County Educational Facilities Authority (the "Authority") is a public instrumentality created by the Higher Educational Facilities Authorities Law, Chapter 69-345, Laws of Florida, 1969 (Chapter 243, Part II, Florida Statutes), as revised and amended, to assist institutions of higher education within Leon County in the construction, financing or refinancing of projects (structures and machinery and equipment related to the operation of the structure) required or useful for the instruction of students or the operation of an institution of higher education. The accompanying financial statements present the government only since there are no component units for which the government is considered to be financially accountable.

B. Measurement focus, basis of accounting, and financial statement presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows

The government reports the following major proprietary funds:

The *Southgate fund* accounts for the activities of the government's Southgate Residence Hall rental operations.

The *Townhouse fund* accounts for the activities of the government's townhouse rental operations.

The *Heritage Grove fund* accounts for the activities of the government's fraternity house rental operations.

The *Administrative fund* accounts for the activities of the government's administration of the rental operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for rents, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's enterprise funds are charges to customers for rents and services.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement focus, basis of accounting, and financial statement presentation (Continued)

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first.

C. Assets, Liabilities and Equity

1. *Deposits and Investments*

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Authority to invest in direct obligations of the U.S. Treasury, Local Government Surplus Trust Fund, SEC registered money market funds with the highest credit quality rating, and savings and CD accounts in state-certified public depositories.

Investments are stated at fair value.

2. *Inventories and Prepaid Items*

Inventories are valued at the lower of cost or market using the first-in/first-out (FIFO) method.

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. *Capital Assets*

Capital assets for business type activities include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). For financial reporting purposes, capital assets are defined by the government as assets with an initial, individual cost of more than $1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the Authority is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	27.5 – 40
Furniture, fixtures and equipment	5 - 15

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

4. Long-term Debt

Revenue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the revenue bonds using the effective interest method. Revenue bonds are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges.

5. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds."

6. Restricted Assets

Certain proceeds of the Authority's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits. At September 30, 2005, the Authority's carrying amount of deposits was $600,071 and the bank balance was $760,824. Of the bank balance, the Authority's deposits are entirely covered by Federal depository insurance or by collateral held by the Authority's custodial bank which is pledged to a state trust fund that provides security in accordance with Florida Security for Deposits Act, Chapter 280, for amounts held in excess of FDIC coverage.

The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

II. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Investments. At September 30, 2005 the Authority had the following investments:

	Fair Value
U.S. Treasury money market funds	$ 5,079,554

In accordance with the investment policies, the Authority manages its exposure to interest rate risk by limiting the maturity of its investments.

B. Receivables

Receivables as of September 30, 2005, including the applicable allowances for uncollectible accounts, are as follows:

	Southgate Fund	Heritage Grove Fund	Townhouse Fund	Administrative Fund
Gross receivables	$ 395,662	$ 12,055	$ -	$ -
Less: allowance for uncollectibles	50,000	-	-	-
Net total receivables	$ 345,662	$ 12,055	$ -	$ -

C. Capital Assets

The following is a summary of capital assets at September 30, 2005:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	$ 3,049,286	$ –	$ 649,286	$ 2,400,000
Total capital assets not being depreciated	3,049,286	–	649,286	2,400,000
Capital assets being depreciated				
Buildings and improvements	42,472,686	856,201	2,821,291	40,507,596
Equipment	5,530,198	125,917	191,691	5,464,424
Total capital assets being depreciated	48,002,884	982,118	3,012,982	45,972,020
Less accumulated depreciation				
Buildings and improvements and equipment	8,952,243	1,702,325	970,475	9,684,093
Total capital assets being depreciated, net	39,050,641	(720,207)	2,042,507	36,287,927
Business-type capital assets, net	$ 42,099,927	$ (720,207)	$ 2,691,793	$ 38,687,927

Depreciation and amortization expense were charged as follows:

Southgate Fund	$ 658,820
Heritage Grove Fund	1,069,200
	$ 1,728,020

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

II. DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term Debt

Revenue Refunding Bonds

On May 29, 1998, the Authority issued $12,000,000 in Revenue Refunding Bonds Series 1998A and $20,500,000 in Subordinated Revenue Refunding Bonds Series 1998B with an average interest rate of 7.283 percent to advance refund $23,075,000 of 1991 Senior Certificates of Participation and $1,145,000 of 1991 Subordinate Certificates of Participation. The net proceeds of $30,408,190 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1991 Senior and Subordinate Certificates of Participation. At September 30, 2005, the amount of insubstance defeased debt which remained outstanding was $17,340,000.

Revenue refunding bonds are collateralized by the income derived from Southgate Residence Hall.

	Interest rates	Amount
Series 1998A and 1998B	7.625 - 9%	$ 31,475,000
Less: Unamortized deferred advance refunding		4,993,367
Series 1998A and 1998B, net		$ 26,481,633

The Series 1998A and 1998B Revenue bond debt service to maturity is as follows:

	Principal	Interest
2006	$ 210,000	$ 2,303,938
2007	225,000	2,289,763
2008	240,000	2,274,575
2009	260,000	2,258,375
2010	275,000	2,240,825
2011-2015	1,685,000	10,898,351
2016-2020	2,330,000	10,249,001
2021-2025	13,635,000	8,235,770
2026-2028	12,615,000	1,929,901
	$ 31,475,000	$ 42,680,499

Student Housing Revenue Bonds (Series 2003)

In December 2003, the Authority issued Heritage Grove Project (the "Project") Student Housing Revenue Bonds (Series 2003) in the amount of $23,315,000. These bonds were issued to provide funds (i) to finance the cost of developing, designing, acquiring, constructing and equipping a 384 bed student housing facility, including the buildings, furniture, fixtures and equipment to be located near the campus of Florida State University, (ii) to fund interest on the Series 2003 Bonds during construction and for a period after construction of the Project, (iii) to fund the Debt Service Reserve Fund and (iv) pay a portion of the costs of issuance of the Series 2003 Bonds.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

II. DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term Debt (Continued)

Revenue refunding bonds are collateralized by the income derived from Heritage Grove Project.

	Interest rates	Amount
Series 2003 Revenue Bond	3 - 5.125%	$ 23,180,000
Less: Original issue discount		460,169
Series 2003 Revenue Bond, net		$ 22,719,831

The Series 2003 Revenue bond debt service to maturity is as follows:

	Principal	Interest
2006	$ 215,000	$ 1,125,964
2007	310,000	1,119,514
2008	355,000	1,110,214
2009	400,000	1,097,789
2010	450,000	1,082,789
2011-2015	2,890,000	5,075,150
2016-2020	2,085,000	4,489,423
2021-2025	4,205,000	3,774,938
2026-2030	–	3,144,188
2031-2033	12,270,000	1,886,513
	$ 23,180,000	$ 23,906,482

Changes in long-term liabilities:

Long-term liability activity for the year ended September 30, 2005, was as follows:

Business-type activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	$ 57,780,000	$ -	$ 3,125,000	$ 54,655,000	$ 425,000
Capital leases	126,153	-	65,206	60,947	60,947
	$ 57,906,153	$ -	$ 3,190,206	$ 54,715,947	$ 485,947

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

II. DETAILED NOTES ON ALL FUNDS (Continued)

E. Management Agreement

Southgate Fund

The Authority entered into an agreement with a corporation to provide dormitory management, retail space management, parking garage management and manual food services for the Southgate Residence Hall. The agreement is for a term of 5 years commencing August 1, 2003, and terminating July 31, 2008. The management company ("the Manager") shall be compensated in the form of a base compensation fee (the *"Base Management Fee"*) equal to (i) $22,200 per month for the period from August 1, 2003 to July 31, 2004, (ii) $22,850 per month for the period from August 1, 2004 to July 31, 2005, (iii) $23,600 per month for the period from August 1, 2005 to July 31, 2006, (iv) $24,300 per month for the period from August 1, 2006 to July 31, 2007, and (v) $25,000 per month for the period from August 1, 2007 to July 31, 2008. Payment of the Base Management Fee will be made from the Operating Account monthly beginning on August 1, 2003, and thereafter on or before the fifth (5th) day of each succeeding month during the term of this Agreement. Upon the termination of this Agreement on a day other than the last day of the calendar month, the Base Management Fee shall be prorated on a per diem basis up to the date of termination.

In addition to the Base Management Fee (and any other fees paid to and expenses reimbursed to the Manager) and in order to provide incentive to the Manager to generate increased revenue at the Property, the Authority hereby agrees to pay to the Manager incentive fees (the *"Incentive Fees")* in the following manner: The Incentive Fee for each fiscal year at the Property (i.e., from August 1 of each year through July 31 of the following year) shall be equal to twelve percent (12%) of the gross receipts in excess of $5,112,524 derived from the operation of the Property during such fiscal year, but in no event shall each fiscal year's Incentive Fee exceed (i) $63,000 for the period from August 1, 2003 to July 31, 2004, (ii) $64,500 for the period from August 1, 2004 to July 31, 2005, (iii) $66,000 for the period from August 1, 2005 to July 31, 2006, (iv) $67,500 for the period from August 1, 2006 to July 31, 2007, and (v) $69,000 for the period from August 1, 2007 to July 31, 2008. The term "gross receipts" for the purposes of this Agreement shall include all proceeds from rent and from business interruption insurance, if any, but shall not include tenant security deposits unless forfeited and recognized as income by the Authority, nor shall such gross receipts include insurance loss proceeds, or any award or payment made by any governmental Authority in connection with the exercise of any right of eminent domain or any proceeds from the sale, exchange, mortgaging or refinancing of the Property. With regard to any Incentive Fee which would be owed to the Manager for any partial fiscal year (because of expiration or termination of this Agreement prior to the end of the applicable fiscal year), the calculation of the Incentive Fee for such a partial fiscal year will be determined based upon the gross receipts from the Property (on a cumulative annualized basis) for such partial fiscal year, and the Incentive Fee shall not exceed twenty percent (20%) of the total compensation payable to the Manager, including the Base Management Fee and the Incentive Fee, for such partial fiscal year. The Authority shall pay the Incentive Fee for each fiscal year (or portion thereof) to the Manager only upon completion of the annual audit for the applicable fiscal year.

II. DETAILED NOTES ON ALL FUNDS (Continued)

E. Management Agreement (Continued)

Heritage Grove Fund

The Authority entered into an agreement with a corporation to provide dormitory management, retail space management, parking management and manual food services for Heritage Grove Residence Hall. The agreement is for a term of 2 years commencing December 1, 2003, and terminating December 1, 2005. The management company ("the Manager") shall be compensated an equivalent of 4% of gross revenue, provided that the Project has achieved compliance with the rate covenant set forth in or contemplated by the Bonds (see Note II.D), and if not, Manager's fee shall be reduced as necessary to achieve compliance. Such gross revenue shall include all amounts received from the operation of the project by Manager, including, but not limited to, rents, pet fees, forfeited security deposits, common area maintenance fees, late fees, vending income, fees or assessments charged against any entity or persons for services provided at the project by the Manager, and other fees, but shall not included security deposits or a charge against any pass through costs such as for utilities, cable, telecommunications, and the like. Manager's fee shall be calculated based on the gross revenues subject thereto as received by the Trustee applicable to the preceding month, and shall be paid to the Manager on the twentieth (or the closest business day thereafter) of the month following (or on such day as designated by the Indenture, if different); subject to adjustments at anytime thereafter for any chargebacks, refunds, uncollectibles, corrections or the like.

III. CONDUIT DEBT OBLIGATION

The Authority issued Student Housing Revenue Bonds to provide financial assistance to a private-sector entity for the construction of University Courtyard Apartments deemed to be in the public interest. The bonds are secured by the property financed and the receipts generated there from. Neither the Authority, Leon County, Florida, the State of Florida nor any other public body thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At September 30, 2005 the principal amount payable was approximately $10 million.

The Authority entered into a scholarship funding and title conveyance agreement whereby 20% of cash flow will be distributed to the Authority to fund scholarships. The agreement calls for the conveyance of the property to the Authority on March 1, 2040 or such earlier date on which all principal and interest on the bonds have been paid in full.

IV. SALE OF TOWNHOUSES

The Authority sold the capital assets of the Townhouse fund on October 19, 2004 for $3,139,917.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Authority Members,
Leon County Educational Facilities Authority:

We have audited the financial statements of the business-type activities and each major fund of Leon County Educational Facilities Authority, as of and for the year ended September 30, 2005, which collectively comprise Leon County Educational Facilities Authority's basic financial statements and have issued our report thereon dated March 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Leon County Educational Facilities Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Leon County Educational Facilities Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

This report is intended solely for the information and use of the Authority and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co.

Tallahassee, Florida
March 3, 2006

INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA OFFICE OF THE AUDITOR GENERAL

To the Authority Members,
Leon County Educational Facilities Authority:

We have audited the financial statements of the business-type activities and each major fund of Leon County Educational Facilities Authority, as of and for the fiscal year ended September 30, 2005, which collectively comprise Leon County Educational Facilities Authority's basic financial statements and have issued our report thereon dated March 3, 2006.

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with ***Government Auditing Standards*** dated March 3, 2006. Disclosures in those reports, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the State of Florida Office of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.554(1)(h)1.) require that we comment as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There were no significant findings and recommendations made in the preceding annual financial audit report.

The Rules of the Auditor General (Section 10.554 (1)(h)2.) require that we comment as to whether or not the Leon County Educational Facilities Authority, complied with section 218.415, Florida Statutes, regarding the investment in public funds. The Leon County Educational Facilities Authority complied with Section 218.415, Florida Statutes, regarding the investment in public funds as of September 30, 2005.

The Rules of the Auditor General (Section 10.554(1)(h)3.) require disclosure in the management letter any recommendations to improve financial management, accounting procedures and internal controls. Our audit did not disclose any matters required to be disclosed by the Rules of the Auditor General (Section 10.554(1)(h)3.).

The Rules of the Auditor General (Section 10.554(1)(h)4.a., b., and c.) require disclosures in the management letter of the following matters that are not clearly inconsequential considering both quantitative and qualitative factors: violations of laws, rules, regulations and contractual provisions or abuse that have occurred, or were likely to have occurred, and were discovered within the scope of the audit; improper or illegal expenditures discovered within the scope of the audit that may not materially affect the financial statements; and deficiencies in internal control that are not reportable conditions, including, but not limited to: (1) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (2) failures to properly record financial transactions; and (3) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that came to the attention of the auditor. Our audit did not disclose any of the above matters required to be disclosed by the Rules of the Auditor General (Section 10.554(1)(h)4.a., b., and c.).

The Rules of the Auditor General (Section 10.554(1)(h)5.) require that the name or official title and legal authority for the primary government and each component unit of the reporting entity as defined in publications cited in Rule 10.553 be disclosed in the management letter, unless disclosed in the notes to the financial statements. There are no component units of the Leon County Educational Facilities Authority to be disclosed as required by accounting principles generally accepted in the United States of America.

As required by the Rules of the Auditor General (Section 10.554(1)(h)6.a and c.) the scope of our audit included financial condition assessment procedures pursuant to Auditor General Rule 10.556(8). In connection with performing those procedures and other audit procedures, we determined that Leon County Educational Facilities Authority is in a state of financial emergency as a consequence of an "unreserved and total fund net assets (deficit) for which sufficient resources of the Authority are not available to cover the deficit for two successive years (Florida Statutes 218.503(1)(d))." We recommend that Authority continue to review rate structures, closely monitor budget to actual expenses and also explore additional revenue sources to correct this deficit condition. In addition, each property owned by the Authority stands alone as collateral for the applicable bonds outstanding. The Authority is not responsible for the outstanding bonded debt that may be in excess of the property value collateralizing the Revenue Bonds. Due to this arrangement, the financial emergency is one of a "technical nature."

As required by the Rules of the Auditor General (Section 10.554(1)(h)6.b.) we determined that the annual financial report for the Leon County Educational Facilities Authority for the fiscal year ended September 30, 2005 was filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, and is in agreement with the annual financial audit report for the fiscal year ended September 30, 2005.

This management letter is intended solely for the information and use of the Authority, and the State of Florida, Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co.

Tallahassee, Florida
March 3, 2006

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY

FINANCIAL STATEMENTS

SEPTEMBER 30, 2004

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
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INDEPENDENT AUDITORS' REPORT

To the Authority Members,
Leon County Educational Facilities Authority:

We have audited the accompanying financial statements of the business-type activities and each major fund of the Leon County Educational Facilities Authority, as of and for the year ended September 30, 2004, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Leon County Educational Facilities Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Leon County Educational Facilities Authority, as of September 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I.A., the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*; Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14*; and *Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of September 30, 2004. This results in a change in the format and content of the basic financial statements.

In accordance with ***Government Auditing Standards***, we have also issued our report dated February 18, 2005 on our consideration of the Leon County Educational Facilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** and should be considered in assessing the results of our audit.

The Authority has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to supplement, but do require to be a part of the basic financial statements.

James Moore & Co.

Tallahassee, Florida
February 18, 2005

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2004

	Business-type Activities
ASSETS	
Cash and cash equivalents	$ 618,457
Investments	5,584,009
Accounts receivable, less allowance for doubtful accounts	791,359
Inventories and prepaid items	60,847
Capital assets, net of accumulated depreciation	42,099,927
Debt issue costs, net of accumulated amortization	3,021,284
Total assets	52,175,883
LIABILITIES	
Accounts payable and accrued expenses	693,362
Deferred revenue	1,970,437
Accrued interest payable	10,181,758
Security deposits payable	361,634
Noncurrent liabilities:	
Due within one year	540,206
Due in more than one year	51,640,868
Total liabilities	65,388,265
Total net assets (deficit)	$ (13,212,382)

The accompanying notes to financial statements
are an integral part of this statement.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2004

Functions/Programs	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS: BUSINESS-TYPE ACTIVITIES	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS: TOTAL
Business-type activities:						
Southgate	$ 7,162,924	$ 5,301,275	$ -	$ -	$ (1,861,649)	$ (1,861,649)
Heritage Grove	501,783	364,856	-	4,773,222	4,636,295	4,636,295
Townhouses	588,854	580,873	-	-	(7,981)	(7,981)
Administrative	122,228	149,858	-	-	27,630	27,630
Total business-type activities	$ 8,375,789	$ 6,396,862	$ -	$ 4,773,222	2,794,295	2,794,295
General revenue						
Unrestricted investment earnings					152,905	152,905
Change in net assets					2,947,200	2,947,200
Net assets(deficit), beginning of year					(16,159,582)	(16,159,582)
Net assets(deficit),end of year					$ (13,212,382)	$(13,212,382)

The accompanying notes to financial statements
are an integral part of this statement.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
SEPTEMBER 30, 2004

	Business-type Activities - Enterprise Funds				
	Southgate Fund	Heritage Grove Fund	Townhouse Fund	Administrative Fund	Total
Current assets					
Cash and cash equivalents	$ 156,062	$ 259,204	$ 48,391	$ 154,800	$ 618,457
Investments	2,067,290	3,259,904	196,257	60,558	5,584,009
Accounts receivable, net	627,484	155,330	174	8,371	791,359
Due from other funds	-	16,069	10,000	-	26,069
Inventories and prepaid items	27,455	28,402	4,990	-	60,847
Total current assets	2,878,291	3,718,909	259,812	223,729	7,080,741
Noncurrent assets					
Capital assets, net	16,642,989	22,765,146	2,691,792	-	42,099,927
Other assets					
Debt issue costs, net of accumulated amortizatio	588,851	2,388,862	43,571	-	3,021,284
Total Assets	20,110,131	28,872,917	2,995,175	223,729	52,201,952
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	236,536	449,559	7,267	-	693,362
Deferred revenue	1,911,971	56,104	2,362	-	1,970,437
Accrued interest payable	9,441,527	-	740,231	-	10,181,758
Deposits payable	127,346	219,103	15,185	-	361,634
Due to other funds	-	-	-	26,069	26,069
Current portion of revenue bonds payable	200,000	135,000	140,000	-	475,000
Current portion of capital lease payable	65,206	-	-	-	65,206
Total current liabilities	11,982,586	859,766	905,045	26,069	13,773,466
Noncurrent liabilities					
Revenue bonds payable	26,210,090	22,719,831	2,650,000	-	51,579,921
Capital lease payable	60,947	-	-	-	60,947
Total long-term debt	26,271,037	22,719,831	2,650,000	-	51,640,868
Total liabilities	38,253,623	23,579,597	3,555,045	26,069	65,414,334
Total net assets (deficit)	$ (18,143,492)	$ 5,293,320	$ (559,870)	$ 197,660	$ (13,212,382)

The accompanying notes to financial statements
are an integral part of this statement.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS (DEFICIT)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Business-type Activities - Enterprise Funds				
	Southgate Fund	Heritage Grove Fund	Townhouse Fund	Administrative Fund	Total
Operating revenues	$ 5,301,275	$ 364,856	$ 580,873	$ 149,858	$ 6,396,862
Operating expenses					
Personnel costs	1,067,120	-	38,561	45,000	1,150,681
Other operating costs	884,036	265,052	115,135	70,419	1,334,642
Food costs	553,707	-	-	-	553,707
Utilities	484,955	8,879	2,589	-	496,423
Repairs and maintenance	207,012	54,303	104,864	-	366,179
Scholarships	-	-	-	6,809	6,809
Depreciation and amortization	681,703	173,549.00	91,514	-	946,766
Total operating expenses	3,878,533	501,783	352,663	122,228	4,855,207
Operating income (loss)	1,422,742	(136,927)	228,210	27,630	1,541,655
Nonoperating revenues (expenses)					
Interest expense	(3,284,391)	-	(236,191)	-	(3,520,582)
Interest income	16,016	128,794	6,897	1,198	152,905
Total nonoperating revenues (expenses)	(3,268,375)	128,794	(229,294)	1,198	(3,367,677)
Income (loss) before contributions and operating transfers	(1,845,633)	(8,133)	(1,084)	28,828	(1,826,022)
Capital contributions	-	4,773,222	-	-	4,773,222
Transfers					
Transfers in	-	-	-	82,439	82,439
Transfers out	(82,439)	-	-	-	(82,439)
Total operating transfers	(82,439)	-	-	82,439	-
Change in net assets	(1,928,072)	4,765,089	(1,084)	111,267	2,947,200
Net assets (deficit), beginning of year	(16,215,420)	528,231	(558,786)	86,393	(16,159,582)
Net assets (deficit), end of year	$ (18,143,492)	$ 5,293,320	$ (559,870)	$ 197,660	$ (13,212,382)

The accompanying notes to financial statements
are an integral part of this statement.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2004
Increase (Decrease) in Cash and Cash Equivalents

	Business-type Activities - Enterprise Funds				
	Southgate Fund	Heritage Grove Fund	Townhouse Fund	Administrative Fund	Total
Cash flows from operating activities					
Cash received from residents and customers	$ 5,280,036	$ 368,664	$ 533,245	$ 151,704	$ 6,333,649
Cash paid to suppliers	(3,219,929)	(325,136)	(262,582)	(96,159)	(3,903,806)
Net cash provided by operating activities	2,060,107	43,528	270,663	55,545	2,429,843
Cash flows from noncapital financing activities					
Transfers in	-	-	-	82,439	82,439
Transfers out	(82,439)	-	-	-	(82,439)
Net cash provided by (used in) noncapital financing activities	(82,439)	-	-	82,439	-
Cash flows from investing activities					
Purchase of investments	(198,756)	(3,259,904)	(6,302)	(9,090)	(3,474,052)
Interest received	16,016	128,794	6,897	1,198	152,905
Net cash provided by (used in) investing activities	(182,740)	(3,131,110)	595	(7,892)	(3,321,147)
Cash flows from capital and related financing activities					
Proceeds of new borrowings	-	20,465,969	-	-	20,465,969
Capital contributions	-	4,773,222	-	-	4,773,222
Purchases and construction of capital assets	(88,638)	(21,288,959)	-	-	(21,377,597)
Principal payments on long-term debt	(248,895)	-	(125,000)	-	(373,895)
Interest paid	(1,823,061)	(703,446)	(181,913)	-	(2,708,420)
Net cash provided by (used in) capital and related financing ac	(2,160,594)	3,246,786	(306,913)	-	779,279
Net increase (decrease) in cash and cash equivalents	(283,227)	159,204	(35,655)	47,653	(112,025)
Cash and cash equivalents, beginning of year	521,728	100,000	84,046	24,708	730,482
Cash and cash equivalents, end of year	$ 238,501	$ 259,204	$ 48,391	$ 72,361	618,457
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	$ 1,422,742	$ (136,927)	$ 228,210	$ 27,630	$ 1,541,655
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	681,703	173,549	91,514	-	946,766
Changes in assets and liabilities:					
Increase (decrease) in accounts payable and accrued expenses	(14,207)	31,500	(1,321)	26,069	42,041
Increase (decrease) in deposits	8,674	119,103	(32,070)	-	95,707
Increase (decrease) in deferred revenue	317,414	56,104	(6,523)	-	366,995
(Increase) decrease in accounts receivable	(347,327)	(171,399)	(9,035)	1,846	(525,915)
Increase in inventory and prepaid items	(8,892)	(28,402)	(112)	-	(37,406)
Total adjustments	637,365	180,455	42,453	27,915	888,188
Net cash provided by operating activities	$ 2,060,107	$ 43,528	$ 270,663	$ 55,545	$ 2,429,843

The accompanying notes to financial statements
are an integral part of this statement.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Leon County Educational Facilities Authority (the "Authority") is a public instrumentality created by the Higher Educational Facilities Authorities Law, Chapter 69-345, Laws of Florida, 1969 (Chapter 243, Part II, Florida Statutes), as revised and amended, to assist institutions of higher education within Leon County in the construction, financing or refinancing of projects (structures and machinery and equipment related to the operation of the structure) required or useful for the instruction of students or the operation of an institution of higher education. The accompanying financial statements present the government only since there are no component units for which the government is considered to be financially accountable. In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. Certain of the significant changes in the Statement include the following:

For the first time the financial statements include:

- Financial statements prepared using full accrual accounting for all of the Authority's activities, including infrastructure (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for proprietary funds. Major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting; as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows

The government reports the following major proprietary funds:

The *Southgate fund* accounts for the activities of the government's Southgate Residence Hall rental operations.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (Continued)

The *Townhouse fund* accounts for the activities of the government's townhouse rental operations.

The *Heritage Grove fund* accounts for the activities of the government's fraternity house rental operations.

The *Administrative fund* accounts for the activities of the government's administration of the rental operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the government's enterprise funds are charges to customers for rents and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first.

D. Assets, Liabilities and Equity

1. *Deposits and Investments*

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Authority to invest in direct obligations of the U.S. Treasury, Local Government Surplus Trust Fund, SEC registered money market funds with the highest credit quality rating, and savings and CD accounts in state-certified public depositories.

Investments are stated at fair values.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

2. *Inventories and Prepaid Items*

Inventories are valued at the lower of cost or market using the first-in/first-out (FIFO) method.

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the business-type activities columns in the government-wide financial statements. For financial reporting purposes, capital assets are defined by the government as assets with an initial, individual cost of more than $1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the Authority is depreciated using the straight line method over the following estimated useful lives:

Fixed assets are depreciated using the straight-line method, over the following estimated useful lives:

Assets	Years
Buildings	40
Furniture, fixtures and equipment	5 - 10

4. *Long-term Debt*

Revenue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the revenue bonds using the effective interest method. Revenue bonds are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

II. DETAILED NOTES ON ALL FUNDS

A. Deposits

At year end, the Authority's carrying amount of deposits was $618,457 and the bank balance was $689,211. Of the bank balance, the Authority's deposits are entirely covered by Federal depository insurance or by collateral held by the Authority's custodial bank which is pledged to a state trust fund that provides security in accordance with Florida Security for Deposits Act, Chapter 280, for amounts held in excess of FDIC coverage.

The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral.

Investments. Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Authority or its agent in the Authority's name.
2. Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the Authority's name.
3. Uninsured and unregistered, with securities held by the counter-party, or by its trust department or agent but not in the Authority's name.

At year-end, the Authority's investment balances were as follows:

	Categories			Fair
	1	2	3	Value
Bond reserve investment accounts	$ 5,584,009	$ -	$ -	$ 5,584,009

B. Capital Assets

The following is a summary of capital assets at September 30, 2004:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	$ 3,049,286	$ –	$ –	$ 3,049,286
Construction in process	528,231	–	528,231	–
Total capital assets not being depreciated	3,577,517	–	528,231	3,049,286
Capital assets being depreciated				
Buildings and improvements	19,511,719	22,960,967	–	42,472,686
Equipment	5,463,833	66,365	–	5,530,198
Total capital assets being depreciated	24,975,552	23,027,332	–	48,002,884
Less accumulated depreciation				
Buildings and improvements and equipment	8,036,249	915,994	–	8,952,243
Total capital assets being depreciated, net	16,939,303	22,111,338	–	39,050,641
Business-type capital assets, net	$ 20,516,820	$22,111,338	$ 528,231	$ 42,099,927

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

II. DETAILED NOTES ON ALL FUNDS (Continued)

B. Capital Assets (Continued)

Depreciation expense was charged as follows:

Southgate Fund	$ 656,007
Heritage Grove Fund	173,549
Townhouse Fund	86,438
	$ 915,994

C. Long-term Debt

Revenue Refunding Bonds

On May 29, 1998, the Authority issued $12,000,000 in Revenue Refunding Bonds Series 1998A and $20,500,000 in Subordinated Revenue Refunding Bonds Series 1998B with an average interest rate of 7.283 percent to advance refund $23,075,000 of 1991 Senior Certificates of Participation and $1,145,000 of 1991 Subordinate Certificates of Participation. The net proceeds of $30,408,190 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1991 Senior and Subordinate Certificates of Participation. At September 30, 2004, the amount of insubstance defeased debt which remained outstanding was $18,480,000.

Revenue refunding bonds are collateralized by the income derived from Southgate Residence Hall.

	Interest rates	Amount
Series 1998A and 1998B	7.625 - 9%	$ 31,675,000
Less: Unamortized deferred advance refunding		5,264,910
Series 1998A and 1998B, net		$ 26,410,090

The Series 1998A and 1998B Revenue bond debt service to maturity is as follows:

	Principal	Interest
2005	$ 200,000	$ 2,317,438
2006	210,000	2,303,938
2007	225,000	2,289,763
2008	240,000	2,274,575
2009	260,000	2,258,375
2010-2014	1,580,000	11,005,001
2015-2019	2,180,000	10,396,151
2020-2024	10,530,000	9,012,170
2025-2028	16,250,000	3,140,526
	$ 31,675,000	$ 44,997,937

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

II. DETAILED NOTES ON ALL FUNDS (Continued)

C. Long-term Debt (Continued)

Student Housing Revenue Bonds (Series 1993A and 1993B)

On April 30, 1993, the Authority issued two series of bonds, designated Leon County Educational Facilities Authority Student Housing Revenue Bonds, Series 1993A and 1993B. Both series were used to purchase an existing eighty-two unit Townhouses project to be used as a student housing facility. The bonds are secured by the property including all furniture and fixtures that are a part of the property and all the rights, title and interest in all revenues from the Townhouses. These bonds are not a general debt, liability or obligation of the Authority, the State of Florida, or any political subdivision or agency thereof, or a pledge of the faith and credit of the Authority, the State of Florida or of any political subdivision or agency thereof. The bonds are limited obligations payable solely from the revenues and assets of the Townhouses Fund.

The series 1993B bonds are junior and subordinate to the Series 1993A bonds. The series 1993B bonds will be paid only if revenues are sufficient after meeting all other obligations under the bond indenture.

Bonds payable consist of the following at September 30, 2004:

Student Housing Revenue Bonds, Series 1993A, dated April 30, 1993, in serial bonds due on May 1, 1994, and on each May 1 thereafter through May 1, 2014, interest at 8.25% due semiannually on May 1 and November 1 of each year commencing on November 1, 1993. These bonds are subject to optional redemption on or after May 1, 2004, in whole on any date or in part on any interest payment date at the following redemption prices:		
May 1, 2004 to April 30, 2005	103%	
May 1, 2005 to April 30, 2006	102%	
May 1, 2006 to April 30, 2007	101%	
May 1, 2007 and thereafter	100%	$ 2,080,000
Student Housing Revenue Bonds, Series 1993B, dated April 30, 1993; due May 1, 2015, interest at 8.25% due annually on May 1 of each year, commencing on May 1, 1994. These bonds are not subject to optional redemption.		710,000
Total Student Housing Revenue Bonds Payable		$ 2,790,000

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

II. DETAILED NOTES ON ALL FUNDS (Continued)

C. Long-term Debt (Continued)

Maturities of long-term debt excluding interest at September 30, 2004, are as follows:

	Principal	Interest
2005	$ 140,000	$ 159,419
2006	150,000	218,625
2007	160,000	206,250
2008	180,000	193,050
2009	200,000	178,200
2010-2014	1,250,000	617,513
2015-2019	710,000	58,575
	$ 2,790,000	$ 1,631,632

Student Housing Revenue Bonds (Series 2003)

In December 2003, the Authority issued Heritage Grove Project (the "Project") Student Housing Revenue Bonds (Series 2003) in the amount of $23,315,000. These bonds were issued to provide funds (i) to finance the cost of developing, designing, acquiring, constructing and equipping a 384 bed student housing facility, including the buildings, furniture, fixtures and equipment to be located near the campus of Florida State University, (ii) to fund interest on the Series 2003 Bonds during construction and for a period after construction of the Project, (iii) to fund the Debt Service Reserve Fund and (iv) pay a portion of the costs of issuance of the Series 2003 Bonds.

Revenue refunding bonds are collateralized by the income derived from Heritage Grove Project.

	Interest rates	Amount
Series 2003 Revenue Bond	3 - 5.125%	$ 23,315,000
Less: Original issue discount		460,169
Series 2003 Revenue Bond, net		$ 22,854,831

The Series 2003 Revenue bond debt service to maturity is as follows:

	Principal	Interest
2005	$ 135,000	$ 1,130,039
2006	215,000	1,125,964
2007	310,000	1,119,514
2008	355,000	1,110,214
2009	400,000	1,097,789
2010-2014	2,705,000	5,192,281
2015-2019	2,720,000	4,615,993
2020-2024	4,205,000	3,985,188
2025-2029	–	3,144,186
2030-2033	12,270,000	2,515,350
	$ 23,315,000	$ 25,036,518

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

II. DETAILED NOTES ON ALL FUNDS (Continued)

D. Management Agreement

The Authority entered into an agreement with a corporation to provide dormitory management, retail space management, parking garage management and manual food services for the Southgate Residence Hall. The agreement is for a term of 5 years commencing August 1, 2003, and terminating July 31, 2008. The management company ("the Manager") shall be compensated in the form of a base compensation fee (the *"Base Management Fee"*) equal to (i) $22,200 per month for the period from August 1, 2003 to July 31, 2004, (ii) $22,850 per month for the period from August 1, 2004 to July 31, 2005, (iii) $23,600 per month for the period from August 1, 2005 to July 31, 2006, (iv) $24,300 per month for the period from August 1, 2006 to July 31, 2007, and (v) $25,000 per month for the period from August 1, 2007 to July 31, 2008. Payment of the Base Management Fee will be made from the Operating Account monthly beginning on August 1, 2003, and thereafter on or before the fifth (5th) day of each succeeding month during the term of this Agreement. Upon the termination of this Agreement on a day other than the last day of the calendar month, the Base Management Fee shall be prorated on a per diem basis up to the date of termination.

In addition to the Base Management Fee (and any other fees paid to and expenses reimbursed to the Manager) and in order to provide incentive to the Manager to generate increased revenue at the Property, the Authority hereby agrees to pay to the Manager incentive fees (the *"Incentive Fees")* in the following manner: The Incentive Fee for each fiscal year at the Property (i.e., from August 1 of each year through July 31 of the following year) shall be equal to twelve percent (12%) of the gross receipts in excess of $5,112,524 derived from the operation of the Property during such fiscal year, but in no event shall each fiscal year's Incentive Fee exceed (i) $63,000 for the period from August 1, 2003 to July 31, 2004, (ii) $64,500 for the period from August 1, 2004 to July 31, 2005, (iii) $66,000 for the period from August 1, 2005 to July 31, 2006, (iv) $67,500 for the period from August 1, 2006 to July 31, 2007, and (v) $69,000 for the period from August 1, 2007 to July 31, 2008. The term "gross receipts" for the purposes of this Agreement shall include all proceeds from rent and from business interruption insurance, if any, but shall not include tenant security deposits unless forfeited and recognized as income by the Authority, nor shall such gross receipts include insurance loss proceeds, or any award or payment made by any governmental Authority in connection with the exercise of any right of eminent domain or any proceeds from the sale, exchange, mortgaging or refinancing of the Property. With regard to any Incentive Fee which would be owed to the Manager for any partial fiscal year (because of expiration or termination of this Agreement prior to the end of the applicable fiscal year), the calculation of the Incentive Fee for such a partial fiscal year will be determined based upon the gross receipts from the Property (on a cumulative annualized basis) for such partial fiscal year, and the Incentive Fee shall not exceed twenty percent (20%) of the total compensation payable to the Manager, including the Base Management Fee and the Incentive Fee, for such partial fiscal year. The Authority shall pay the Incentive Fee for each fiscal year (or portion thereof) to the Manager only upon completion of the annual audit for the applicable fiscal year.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

III. CONDUIT DEBT OBLIGATION

The Authority issued Student Housing Revenue Bonds to provide financial assistance to a private-sector entity for the construction of University Courtyard Apartments deemed to be in the public interest. The bonds are secured by the property financed and the receipts generated therefrom. Neither the Authority, Leon County, Florida, the State of Florida nor any other public body thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At September 30, 2004 the principal amount payable was approximately $10 million.

The Authority entered into a scholarship funding and title conveyance agreement whereby 20% of cash flow will be distributed to the Authority to fund scholarships. The agreement calls for the conveyance of the property to the Authority on March 1, 2040 or such earlier date on which all principal and interest on the bonds have been paid in full.

IV. SUBSEQUENT EVENTS

The Authority sold the capital assets of the Townhouse fund on October 19, 2004 for $3,139,917.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Authority Members,
Leon County Educational Facilities Authority:

We have audited the financial statements of the business-type activities and each major fund of Leon County Educational Facilities Authority as of and for the year ended September 30, 2004, which collectively comprise Leon County Educational Facilities Authority's basic financial statements and have issued our report thereon dated February 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Leon County Educational Facilities Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Leon County Educational Facilities Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

However, we noted certain matters that we reported to management of the Leon County Educational Facilities Authority, in the accompanying "Management Letter Required by Chapter 10.550, Rules of the State of Florida, Office of the Auditor General" dated February 18, 2005.

This report is intended solely for the information and use of the Authority, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co.

Tallahassee, Florida
February 18, 2005

INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA OFFICE OF THE AUDITOR GENERAL

To the Authority Members,
Leon County Educational Facilities Authority:

We have audited the financial statements of the business-type activities and each major fund of Leon County Educational Facilities Authority, as of and for the fiscal year ended September 30, 2004, which collectively comprise Leon County Educational Facilities Authority's basic financial statements and have issued our report thereon dated February 18, 2005.

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with ***Government Auditing Standards*** dated February 18, 2005. Disclosures in those reports, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the State of Florida Office of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.554(1)(h)1.) require that we comment as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There were no significant findings and recommendations made in the preceding annual financial audit report.

The Rules of the Auditor General (Section 10.554 (1)(h)2.) require that we comment as to whether or not the Leon County Educational Facilities Authority, complied with section 218.415, Florida Statutes, regarding the investment in public funds. The Leon County Educational Facilities Authority complied with Section 218.415, Florida Statutes, regarding the investment in public funds as of September 30, 2004.

The Rules of the Auditor General (Section 10.554(1)(h)3.) require disclosure in the management letter any recommendations to improve financial management accounting procedures and internal controls. Our audit did not disclose any matter required to be disclosed by the Rules of the Auditor General (Section 10.554(1)(h)3.).

The Rules of the Auditor General (Section 10.554(1)(h)4.a., b., and c.) require disclosures in the management letter of the following matters that are not clearly inconsequential considering both quantitative and qualitative factors: violations of laws, rules, regulations and contractual provision or abuse that have occurred, or were likely to have occurred, and were discovered within the scope of the audit; improper or illegal expenditures discovered within the scope of the audit that may not materially affect the financial statements; and deficiencies in internal control that are not reportable conditions, including, but not limited to: (1) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (2) failures to properly record financial transactions; and (3) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that came to the attention of the auditor. Our audit did not disclose any of the above matters required to be disclosed by the Rules of the Auditor General (Section 10.554(1)(h)4.a., b., and c.).

The Rules of the Auditor General (Sections 10.554(1)(h)5.) require that the name or official title and legal authority for the primary government and each component unit of the reporting entity as defined in publications cited in Rule 10.553 be disclosed in the management letter, unless disclosed in the notes to the financial statements. There are no component units of the Leon County Educational Facilities Authority to be disclosed as required by accounting principles generally accepted in the United States of America.

As required by the Rules of the Auditor General (Section 10.554(1)(h)6.a and c.) the scope of our audit included financial condition assessment procedures pursuant to Auditor General Rule 10.556(8). In connection with performing those procedures and other audit procedures, we determined that Leon County Educational Facilities Authority is in a state of financial emergency as a consequence of an "unreserved and total fund net assets (deficit) for which sufficient resources of the Authority are not available to cover the deficit for two successive years (Florida Statutes 218.503(1)(d))." We recommend that Authority continue to review rate structures, closely monitor budget to actual expenses and also to explore additional revenue sources to correct this deficit condition. In addition, each property owned by the Authority stands alone as collateral for the applicable bonds outstanding. The Authority is not responsible for the outstanding bonded debt that may be in excess of the property value collateralizing the Revenue Bonds. Due to this arrangement, the financial emergency is one of "technical nature."

As required by the Rules of the Auditor General (Section 10.554(1)(h)6.b.) we determined that the annual financial report for the Leon County Educational Facilities Authority, for the fiscal year ended September 30, 2004 was filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, and is in agreement with the annual financial audit report for the fiscal year ended September 30, 2004.

This management letter is intended solely for the information and use of the Authority, and the State of Florida, Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co.

Tallahassee, Florida
February 18, 2005

Attachment #19

NEW ISSUE — BOOK ENTRY ONLY

UNRATED

In the opinion of Fulbright & Jaworski L.L.P., Los Angeles, California and Best Best & Krieger LLP, Riverside, California ("Co-Bond Counsel"), subject, however, to certain qualifications described herein, under existing law, interest on the Series 1998A Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Co-Bond Counsel the Series 1998A Bonds and the interest thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, or interest, income or profits on debt obligations owned by corporations as defined therein. See "TAX EXEMPTION" herein.

$12,000,000
LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
Revenue Refunding Bonds
(Southgate Residence Hall Project)
Series 1998A

Dated: May 1, 1998 **Due: September 1, 2028**

Interest on the Series 1998A Bonds is payable semiannually on March 1 and September 1 of each year, commencing March 1, 1999. The Series 1998A Bonds will be delivered in fully registered form only and, when executed and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Ownership interests in the Series 1998A Bonds will initially be in denominations of $100,000 or any integral multiple thereof (with subsequent permitted transfers in denominations of $5,000 or any integral multiple thereof). Beneficial owners of the Series 1998A Bonds will not receive physical certificates representing their interests in the Series 1998A Bonds, but will receive a credit balance on the books of the nominees for such beneficial owners. The principal and interest with respect to the Series 1998A Bonds will be paid by SunTrust Bank, Central Florida. National Association, as trustee (the "Trustee") to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursements to the beneficial owners of the Series 1998A Bonds as described herein. See "THE SERIES 1998A BONDS — Book-Entry Only System."

The Series 1998A Bonds are being issued to advance refund certain Certificates of Participation, Series 1991 (Southgate Residence Hall Project) (the "Prior Senior Certificates") and certain Subordinate Certificates of Participation, Series 1991 (Southgate Residence Hall Project) (the "Prior Subordinate Certificates" and, together with the Prior Senior Certificates, the "Prior Certificates") heretofore issued by the Leon County Educational Facilities Authority (the "Authority"), for the primary purpose of providing funds necessary for acquiring certain land and acquiring, constructing and equipping thereon a dormitory and dining facility and a related parking garage in Tallahassee, Leon County, Florida (the "Project"), all as more fully described herein.

The Series 1998A Bonds are special, limited obligations of the Authority, payable solely from the gross revenues of the Project (the "Gross Revenues") and investment earnings on certain funds and accounts created under the Indenture of Trust pursuant to which the Series 1998A Bonds are issued (less deposits to the Operation and Maintenance Account held under such Indenture and subject to certain other limitations described herein, collectively, the "Pledged Revenues"). In addition, pursuant to a Mortgage and Security Agreement, dated as of March 1, 1998 (the "Mortgage"), the Authority has granted a security interest in the Project for the benefit of the owners of the Series 1998A Bonds. Concurrently with issuance of the Series 1998A Bonds, the Authority will issue approximately $20,500,000 initial aggregate principal amount of its Subordinated Revenue Refunding Bonds (Southgate Residence Hall Project), Series 1998B (the "Subordinate Bonds"), in order to complete the refunding transaction described herein. The Subordinate Bonds have a lien on the Pledged Revenues and a security interest under the Mortgage which is subject to the prior and superior lien of the Series 1998A Bonds. The Subordinate Bonds are not being offered hereunder.

$12,000,000 6.75% Term Bonds due September 1, 2028: Price 100%

The Series 1998A Bonds are subject to optional, extraordinary mandatory and mandatory sinking fund redemption prior to maturity, as described herein. See "THE SERIES 1998A Bonds — Redemption."

THE SERIES 1998A BONDS SHALL NOT BE OR CONSTITUTE A GENERAL OBLIGATION OF OR A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE A LIMITED AND SPECIAL OBLIGATION OF THE AUTHORITY, PAYABLE IN THE MANNER PROVIDED IN THE INDENTURE. NO OWNER OF ANY OF THE SERIES 1998A BONDS SHALL EVER HAVE THE RIGHT TO REQUIRE OR COMPEL THE AUTHORITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO (I) LEVY ANY AD VALOREM TAXES ON ANY PROPERTY TO PAY THE SERIES 1998A BONDS OR TO MAKE ANY OTHER PAYMENTS PROVIDED FOR UNDER THE INDENTURE, OR (II) PAY THE SAME FROM ANY FUNDS OTHER THAN THOSE INCLUDED AS PART OF THE TRUST ESTATE, IN THE MANNER PROVIDED IN THE INDENTURE. THE AUTHORITY HAS NO TAXING POWER OR POWER TO LEVY ASSESSMENTS.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of any informed investment decision on the Series 1998A Bonds. The Series 1998A Bonds are speculative in nature and subject to certain risks. See "SERIES 1998A BONDOWNERS' RISKS."

The Series 1998A Bonds are offered when, as and if issued and accepted by the Underwriter, subject to the approval as to their legality by Fulbright & Jaworski L.L.P., Los Angeles, California and Best Best & Krieger LLP, Riverside, California, Co-Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed on for the Authority by Eckert Seamans Cherin & Mellott, LC, Miami, Florida. In addition, Best Best & Krieger LLP will act as Disclosure Counsel. It is anticipated that the Bonds will be available for delivery to The Depository Trust Company on or about May 29, 1998.

KINSELL, O'NEAL, NEWCOMB & DE DIOS, INC.

Dated: April 22, 1998

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No dealer, broker, salesperson or other person has been authorized by the Authority to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 1998A Bonds by a person in any jurisdiction in which it is unlawful for such person to make an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Series 1998A Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representation of facts.

The information set forth herein has been obtained from sources believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as representation by the Underwriter. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof. This Official Statement is submitted with respect to the sale of the Series 1998A Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the Authority. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

WITH RESPECT TO THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE *SERIES 1998A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN* THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

$12,000,000
LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
Revenue Refunding Bonds
(Southgate Residence Hall Project)
Series 1998A

INTRODUCTION

This Official Statement, including the cover page and appendices hereto, is provided to furnish information regarding the issuance by the Leon County Educational Facilities Authority (the "Authority") of its $12,000,000 aggregate principal amount of Revenue Refunding Bonds (Southgate Residence Hall Project), Series 1998A (the "Series 1998A Bonds"). The Series 1998A Bonds are issuable under the authority granted by the Constitution and laws of the State of Florida (the "State") including particularly Part II, Chapter 243, Florida Statutes as either may be supplemented or amended, and that certain Resolution establishing the Authority, dated July 17, 1990 (collectively, the "Enabling Act"), and a Resolution adopted by the Authority on February 17, 1998 (the "Resolution"). The Series 1998A Bonds will be issued pursuant to an Indenture of Trust dated as of May 1, 1998 (the "Indenture"), between the Authority and SunTrust Bank, Central Florida, National Association, as trustee (the "Trustee").

The Series 1998A Bonds are being issued concurrently with $20,500,000 initial aggregate principal amount of the Authority's Subordinated Revenue Refunding Bonds (Southgate Residence Hall Project), Series 1998B (the "Subordinate Bonds") to provide funds which are to be applied by the Authority to acquire the Project and thereby advance refund the Authority's Certificates of Participation, Series 1991 (Southgate Residence Hall Project) (the "Senior Prior Certificates") and a portion of the Authority's Subordinate Certificates of Participation, Series 1991 (Southgate Residence Hall Project) (the "Subordinate Prior Certificates" and, together with the Senior Prior Certificates, the "Prior Certificates"). The Prior Certificates were previously issued for the primary purpose of providing funds necessary for acquiring certain land and acquiring, constructing and equipping therein a dormitory and dining facility and a related parking garage in Tallahassee, Leon County, Florida (the "Project"), which Project was leased to the Authority. In addition, subsequent to the issuance of the Prior Certificates, the Authority issued an additional $1,200,000 of completion certificates (the "1993 Certificates"). All owners of the Prior Certificates not being advance refunded (which shall consist of a portion of the Subordinate Prior Certificates) pursuant to the transactions described herein and all owners of the 1993 Certificates will have released all claims and liens under the Prior Trust Agreement (as hereinafter defined) on or before the delivery date of the Series 1998A Bonds. The Subordinate Bonds are not being offered hereunder. See "REFUNDING PLAN" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Series 1998A Bonds will be secured under the Indenture by an irrevocable pledge of all of the gross revenues (the "Gross Revenues") received from the operation, subleasing or use of the Project and moneys held in certain of the funds and accounts created under the Indenture, including the Reserve Fund (but excluding deposits to the Operation and Maintenance Account under the Indenture and the Rebate Fund) (subject to certain exceptions hereinafter described, collectively, the "Pledged Revenues"). In addition, the Series 1998A Bonds are secured by a mortgage and security interest in the property and facilities constituting the Project (the "Mortgaged Property"), such security interest created and granted pursuant to a Mortgage and Security Agreement, dated as of May 1, 1998, by and between the Authority and the Trustee (the "Mortgage"). See "SECURITY FOR THE SERIES 1998A BONDS" herein.

Capitalized terms used in the Official Statement and not otherwise defined are defined hereunder in Appendix A - "SUMMARY OF THE INDENTURE - Certain Definitions."

REFUNDING PLAN

The Authority has heretofore executed and delivered the Prior Senior Certificates in the initial aggregate amount of $24,235,000, and the Prior Subordinate Certificates in the initial aggregate amount of $4,500,000. The Prior Certificates were originally executed and delivered under a Trust Agreement dated as of July 1, 1991 (as amended and restated, the "Prior Trust Agreement"), among the Authority, SRH, Inc., a Florida not-for-profit corporation (the "Lessor") and Sun Bank, National Association, (since renamed SunTrust Bank, Central Florida, National Association) (the "Prior Trustee"), and represented fractional undivided interests in the certain rental payments with respect to the Project which were required to be made under a Lease Agreement with Option to Purchase dated as of July 1, 1991 (as amended and restated, the "Prior Lease"), between the Authority and the Lessor.

A portion of the proceeds of the Series 1998A Bonds, together with a portion of the proceeds of the Subordinate Bonds, will be used to purchase portfolios of direct obligations of, or obligations the payment of principal or and interest on which are guaranteed by, the United States of America (collectively, the "Portfolio"). The Portfolio will be deposited under an Escrow and Trust Agreement dated as of May 1, 1998 (the "Escrow Agreement"), between the Authority and SunTrust Bank, Central Florida, National Association, as escrow trustee (the "Escrow Trustee"), in order to provide for the payment in full of the Senior Prior Certificates and a portion of the Subordinate Prior Certificates (collectively, the "Refunded Prior Certificates"). Schmersahl & Associates, PC, independent certified public accountants, will verify the arithmetical accuracy of the calculations demonstrating the adequacy of the Portfolio to assure timely payment of debt service on the Refunded Prior Certificates to the respective maturity dates thereof. See "VERIFICATIONS" herein. All owners of Subordinate Prior Certificates, not constituting Refunded Prior Certificates, will have released all claims and liens under the Prior Trust Agreement on or prior to the delivery of the Series 1998A Bonds.

By virtue of the deposit of the Portfolio described above, the liens of the Prior Certificates on the Gross Revenues and the Pledged Revenues of the Project will be discharged. Therefore, the Pledged Revenues of the Project will be available to pay debt service on the Series 1998A Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds (exclusive of accrued interest) for the transaction described herein:

Sources	
Series 1998A Bond Proceeds	$12,000,000.00
Subordinate Bond Proceeds	20,500,000.00
Total Sources	$32,500,000.00
Uses	
Deposit to Escrow Agreement	$30,414,190.11
Deposit to Reserve Fund	955,412.50
Transfer to Prior Trustee	379,000.00
Costs of Issuance	426,397.39
Underwriter's Fees	325,000.00
Total Uses	$32,500,000.00

THE SERIES 1998A BONDS

The Series 1998A Bonds are initially available in book-entry form only. So long as Cede & Co. is the registered owner of the Series 1998A Bonds as nominee of The Depository Trust Company ("DTC"), New York, New York, references herein to the Series 1998A Bondholders or registered owners of the Series 1998A Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the Series 1998A Bonds. In addition, so long as Cede & Co. is the registered owner of the Series 1998A Bonds, purchasers of the Series 1998A Bonds will not receive certificates representing their interest in the Series 1998A Bonds purchased. Interest on and principal of the Series 1998A Bonds will be payable by the Trustee to Cede & Co. by wire transfer in immediately available funds in accordance with the terms of a Letter of Representation by and among the Trustee, the Authority and DTC (the "Letter of Representation").

General

The Series 1998A Bonds are issuable only in fully registered form initially in denominations of $100,000 principal amount or any integral multiple thereof (but, shall thereafter be transferable in denominations of $5,000 principal amount or any integral multiple thereof). The Series 1998A Bonds are dated the date, bear interest at the rate and will mature on the date as set forth on the cover page of this Official Statement. Interest on the Series 1998A Bonds is computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Series 1998A Bonds accrues from the dated date of the Series 1998A Bonds and is payable semiannually on March 1 and September 1 of each year, commencing March 1, 1999.

Interest on and principal of the Series 1998A Bonds will be payable by the Trustee to Cede & Co. by wire transfer in immediately available funds in accordance with the terms of the Letter of Representation.

Book-Entry Only System

The Series 1998A Bonds will be held by DTC, as securities depository. The ownership of one fully registered Series 1998A Bond for each maturity is registered in the name of Cede & Co., as nominee for DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the "DTC Participants") and to facilitate the clearance and settlement of securities transactions among DTC Participants in such securities through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the "indirect Participants").

Ownership interests in the Series 1998A Bonds may be purchased by or through DTC Participants. Such DTC Participants, and the persons for whom they acquire interests in the Series 1998A Bonds as nominees (the "Beneficial Owners"), will not receive certificated Series 1998A Bonds, but each DTC Participant will receive a credit balance in the records of DTC in the amount of such DTC Participant's interest in the Series 1998A Bonds, which will be confirmed in accordance with DTC's standard procedures.

Beneficial Owners are expected to receive a written confirmation of their purchase providing details of the Series 1998A Bonds acquired. Each Beneficial Owner may desire to make arrangements with such DTC Participant to receive a credit balance in the records of such DTC Participant, and may desire to make arrangements with such DTC Participant to have all notices of redemption or other communications to DTC, which may affect such persons, be forwarded in writing by such DTC Participant and to have notification made of all interest payments.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE BENEFICIAL OWNERS IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 1998A BONDS; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO SERIES 1998A BONDHOLDERS UNDER THE INDENTURE; THE SELECTION BY DTC OR ANY DTC PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 1998A BONDS; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS SERIES 1998A BONDHOLDER.

So long as Cede & Co. is the registered owner of the Series 1998A Bonds, as nominee of DTC, reference herein to the Series 1998A Bondholders or registered owners of the Series 1998A Bonds shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 1998A Bonds.

The ownership interest of each Beneficial Owner in the Series 1998A Bonds will be recorded on the records of the DTC Participants, whose ownership interests will be recorded on a computerized book-entry system operated by DTC.

Principal, redemption and interest payments on the Series 1998A Bonds will be made to DTC or its nominee, Cede & Co., as registered owner of the Series 1998A Bonds. Upon receipt of monies, DTC's current practice is to immediately credit the accounts of the DTC Participants in accordance with their respective holdings shown on the records of DTC. Payments by DTC Participants and indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form of DTC, the Trustee, or the District, subject to any statutory and regulatory requirements as may be in effect from time to time.

When notices are given to the Series 1998A Bondholders, they will be sent by the Trustee to DTC only (except as otherwise specifically provided in the Indenture). Conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to indirect Participants, and by DTC Participants and indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time. Neither the Trustee nor the Authority is responsible for sending notices to Beneficial Owners.

Transfers of ownership interests in the Series 1998A Bonds will be accomplished by book entries made by DTC and by the DTC Participants who act on behalf of the Beneficial Owners. Interest and principal will be paid by the Trustee to DTC, then paid by DTC to the DTC Participants, and thereafter paid by the DTC Participants to the Beneficial Owners when due.

For every transfer and exchange of the Series 1998A Bonds, the Trustee may charge DTC, and DTC may charge the DTC Participants and the DTC Participants may charge the Beneficial Owners, a sum sufficient to cover any tax, fee or other government charge that may be imposed in relation thereto.

Because DTC can only act on behalf of Participants, indirect Participants and certain banks, the ability of a Beneficial Owner to pledge such Beneficial Owner's Series 1998A Bonds to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such Series 1998A Bonds, may be limited due to the lack of a certificate for such Series 1998A Bonds.

DTC has advised the Authority that it will take any action permitted to be taken by a Series 1998A Bondholder under the Indenture only at the direction of one or more Participants to whose account with DTC the Series 1998A Bonds are credited. Additionally, DTC has advised that it will take such actions with respect to a principal amount of Series 1998A Bonds only at the direction of and on behalf of Participants whose holdings include that principal amount of the Series 1998A Bonds. DTC may take conflicting actions with respect to other principal

amounts of Series 1998A Bonds to the extent that such actions are taken on behalf of Participants whose holdings include those principal amounts of the Series 1998A Bonds.

DTC may determine to discontinue providing its services with respect to the Series 1998A Bonds at any time by giving notice to the Authority and the Trustee and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is not a successor securities depository) Series 1998A Bond certificates are required to be delivered as described in the Indenture.

The Authority may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interest of the Beneficial Owners. In such event, Series 1998A Bond certificates will be required to be delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

Redemption

Optional Redemption. The Series 1998A Bonds are subject to redemption prior to their maturity date as a whole, or in part by lot, from money provided at the option of the Authority, on any date on or after March 1, 2008, at the following prices (expressed as percentages of the principal amount of the Series 1998A Bonds to be redeemed) plus accrued interest to the date of redemption.

Redemption Date	Redemption Price
March 1, 2008 through February 28, 2009	102%
March 1, 2009 through February 28, 2010	101%
March 1, 2010 and thereafter	100%

Extraordinary Mandatory Redemption. (a) The Series 1998A Bonds are subject to extraordinary mandatory redemption as a whole or in part, by lot, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, without premium, from net proceeds received due to any damage, destruction, casualty or condemnation with respect to the Project in a situation where the Authority elects not to repair, replace or restore the same. See Appendix A - "SUMMARY OF THE INDENTURE - Certain Covenants - Application of Insurance and Condemnation Proceeds" herein.

(b) The Series 1998A Bonds are subject to extraordinary mandatory redemption, as a whole, at a redemption price equal to 103% of the principal amount thereof plus accrued interest to the redemption date, upon a Determination of Taxability. Such date of redemption is to be selected by the Authority no later than 60 days following such Determination of Taxability; provided, however, that such redemption is not to be made as to any Series 1998A Bond if prior to the redemption date the Owner thereof has waived such redemption in writing.

Mandatory Sinking Fund Redemption. The Series 1998A Bonds shall be subject to mandatory redemption in part by lot prior to their stated maturity date, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium, except to the extent such amounts may be reduced as a result of one or more partial redemptions prior to such dates, on the dates and in the principal amounts set forth as follows:

SERIES 1998A BONDS MATURING SEPTEMBER 1, 2028

Redemption Date	Principal Amount	Redemption Date	Principal Amount
September 1, 2000	$145,000.00	September 1, 2015	$380,000.00
September 1, 2001	155,000.00	September 1, 2016	405,000.00
September 1, 2002	165,000.00	September 1, 2017	435,000.00
September 1, 2003	175,000.00	September 1, 2018	465,000.00
September 1, 2004	185,000.00	September 1, 2019	495,000.00
September 1, 2005	200,000.00	September 1, 2020	530,000.00
September 1, 2006	210,000.00	September 1, 2021	565,000.00
September 1, 2007	225,000.00	September 1, 2022	605,000.00
September 1, 2008	240,000.00	September 1, 2023	645,000.00
September 1, 2009	260,000.00	September 1, 2024	685,000.00
September 1, 2010	275,000.00	September 1, 2025	735,000.00
September 1, 2011	295,000.00	September 1, 2026	785,000.00
September 1, 2012	315,000.00	September 1, 2027	835,000.00
September 1, 2013	335,000.00	September 1, 2028 (maturity)	895,000.00
September 1, 2014	360,000.00		

Selection by Trustee of Series 1998A Bonds to be Redeemed. If less than all the Outstanding Series 1998A Bonds are to be redeemed, the particular Series 1998A Bonds to be redeemed are to be selected by the Trustee from the Outstanding Series 1998A Bonds which have not previously been called for redemption and which are not then owned by the Authority, by such method as the Trustee deems (in its sole discretion) fair and appropriate.

Notice of Redemption. The Trustee is to cause notice of any redemption to be mailed, first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the respective owners of any Series 1998A Bonds designated for redemption, at their addresses appearing on the Series 1998A Bond registration books maintained by the Trustee; but such mailing is not a condition precedent to such redemption and failure to mail or to receive any such notice will not affect the validity of the proceedings for the redemption of such Series 1998A Bonds. Such notice is to state the redemption date and the redemption price and, if less than all of the then outstanding Series 1998A Bonds are to be called for redemption, is to designate the serial numbers of the Series 1998A Bonds to be redeemed by giving the individual number of each Series 1998A Bond or by stating that all Series 1998A Bonds between two stated numbers, both inclusive, and is to require that such Series 1998A Bonds be then surrendered at the principal office of the Trustee for redemption at the said redemption price, giving notice also that further interest on such Series 1998A Bonds will not accrue from and after the redemption date. The Indenture further provides that certain information services and security deposits be given such notice of redemption.

THE AUTHORITY

General

The Authority is a public body corporate and politic of the State of Florida, created pursuant to Part II, Chapter 243, Florida Statutes, and a resolution of the Board of County Commissioners of Leon County, Florida,

adopted on July 17, 1990 (collectively, the "Enabling Act"). Pursuant to the Enabling Act, the Authority is authorized to issue revenue bonds in order to refund prior debt of the Authority incurred relating to the acquisition, construction and equipping of educational facilities, including the Project. The Authority has no taxing power, no power to levy assessments, no substantial assets and no source of revenues other than revenues that will be generated from the Project.

The Authority's only staff consists of an Executive Director. The present members of the Authority, their offices, if any, and the expiration of their respective terms are as follows:

Name/Office	Title	Term Expires
Bob Kellam	Chairman	July, 1999
Richard Flamer	Vice Chairman	July, 1998
Liz Maryanski	Member	July, 2001
Henry Lewis III	Member	July, 2002
Beverly B. Spencer	Member	July, 1999
W. Taylor Moore	Member	July, 1999

The Authority has been in existence since July, 1990.

In addition, to the Project, the Authority currently owns 82 townhouses which are operated under contract by a separate management company. Such townhouses are financed under a separate trust indenture. Gross Revenues of the Project may not be used to pay the debt on the townhouses, and revenues generated by the townhouses may not be used to pay debt service on the Series 1998A Bonds. The Authority has engaged the services of American Campus Lifestyles Management (Southgate), L.C., a wholly owned subsidiary of American Campus Lifestyles Companies, LLC (the "Manager") to operate the Project pursuant to the terms of a Management Agreement (the "Management Agreement"). See "THE MANAGER" herein.

THE MANAGER

The Austin-based Manager is a corporation organized and in good standing under the laws of the State of Texas and qualified to do business, and licensed under applicable law, in the State of Florida to manage and operate the Project in accordance with the terms of the Management Agreement. American Campus Lifestyles Companies, LLC holds assets in excess of $33 million with annual revenues of $5,000,000.

American Campus Lifestyles Companies, LLC is a student housing company that specializes in the financing, developing, construction and management of on and off campus student housing. The company's corporate staff encompasses professionals in privatized student housing today, with combined experience that exceeds 100 years and spans scores of developed student facilities and thousands of beds. As well, the company specializes in repositioning and turning around problem facilities.

American Campus Lifestyles Companies, LLC has focused on student housing. American Campus Lifestyles Companies, LLC is majority owned by Reckson Opportunity Partners, an affiliate of Reckson Associates Realty Corp., a long-established real estate investment trust. Reckson Associates was founded in the 1970s and today has nearly $2 billion in assets.

SECURITY FOR THE SERIES 1998A BONDS

Special Obligation of Authority

The Series 1998A Bonds are special, limited obligations of the Authority payable solely from and secured by a pledge of and lien upon the Pledged Revenues. The "Pledged Revenues" shall include (i) all revenues and receipts from the operation, subleasing or use of the Project; (ii) all moneys in the funds and accounts established under the Indenture (except the Rebate Fund), and (iii) investment earnings on the moneys held under the Indenture (except the Rebate Fund); provided that, such Pledged Revenues shall not include deposits required to be made to the Operation and Maintenance Account held under the Indenture (see "--Disposition of Gross Revenues" below). THE SERIES 1998A BONDS DO NOT CONSTITUTE A GENERAL OBLIGATION OR A PLEDGE OF THE FAITH AND CREDIT OF THE AUTHORITY, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. NEITHER THE FULL FAITH AND CREDIT OF THE AUTHORITY, NOR THE STATE OF FLORIDA NOR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF IS PLEDGED FOR PAYMENT OF THE SERIES 1998A BONDS AND THE ISSUANCE OF THE SERIES 1998A BONDS WILL NOT DIRECTLY OR INDIRECTLY OBLIGATE THE AUTHORITY, THE STATE OF FLORIDA NOR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATSOEVER THEREFOR AND THE OWNERS OF THE SERIES 1998A BONDS WILL HAVE NO RECOURSE TO THE POWER OF TAXATION OF ANY GOVERNMENTAL ENTITY. THE AUTHORITY HAS NO POWER TO LEVY TAXES FOR ANY PURPOSE OR POWER TO LEVY ASSESSMENTS.

Mortgage

Pursuant to the Mortgage, the Series 1998A Bonds are secured by a mortgage lien and security interest granted by the Authority to the Trustee in the Mortgaged Property, which includes the real estate, buildings, and equipment owned by the Authority constituting the Project. The mortgage lien and security interest also secures the payment of all amounts owed the Trustee as reimbursement or indemnity.

The Trustee holds all rights in the Mortgaged Property granted to it by the Authority and all revenues (exclusive of the Rebate Fund) received from the Authority or derived from the exercise of the Trustee's powers under the Indenture in trust for the security of the Series 1998A Bondholders, the Subordinate Bondholders and the Trustee in accordance with the provisions of the Indenture.

For the complete terms of the Mortgage, see Appendix B "FORM OF THE MORTGAGE."

Disposition of Gross Revenues

Set forth below is a description of the requirements of the Indenture with respect to the disposition of Gross Revenues. See, also, Appendix A - "SUMMARY OF THE INDENTURE - Establishment of Funds and Accounts; Disposition of Revenues."

All Gross Revenues are required to be paid to the Trustee upon receipt by the Authority and are to be deposited by the Trustee to the Gross Revenue Fund immediately upon receipt. Moneys deposited to the Gross Revenue Fund are required to be applied as follows:

(1) First, on or before the second day of each calendar month commencing August 1998, an amount equal to the Budgeted Costs of Operation and Maintenance for such month is to be deposited to the Operation and Maintenance Account; provided, however, that up to 110% of the Budgeted Costs of Operation and Maintenance may be deposited therein from the Gross Revenues as necessary to pay the Costs of Operation and Maintenance incurred without requiring the consent of (i) the controlling Series 1998A

Bondholder, of (ii) if there is no Controlling Series 1998A Bondholder, then the Owners of the Subordinate Bonds.

(2) Next, (i) on the last day of each February and August, an amount equal to interest coming due on the Series 1998A Bonds and any Parity Bonds on the next Interest Payment Date and (ii) on the last day of August, an amount equal to the principal coming due on the Series 1998A Bonds and any Parity Bonds on the next September 1, is to be deposited to the Series A Bond Fund.

(3) Next, on each March 1 and September 1, an amount is to be deposited to the Reserve Fund as is necessary to make the balance therein equal to the Reserve Requirement.

(4) Next, on each September 1, an amount equal to debt service due on all Permitted Indebtedness (other than the Bonds) due on the first day of the next succeeding month is to be paid to the holder or holders of such Permitted Indebtedness.

(5) Next, on the first day of each month, there is to be deposited to the Renewal and Replacement Account, the lesser of (i) $10,000, or (ii) the amount necessary to make the balance therein equal to the Renewal and Replacement Requirement.

(6) Next, on each March 1 and September 1, the amount of $9,000 is to be paid over to the Authority for deposit to its general account, which amount shall increase by the same percentage as the increase, if any, in the rental rate of the Project for the most recent academic year during the term of the Indenture. In addition, the Authority shall be paid such percentage increase as an additional payment with respect to the portion of the fees paid to the Authority from the Operation and Maintenance Account (i.e., $3,000 per month).

(7) On June 15, of each year, the amount remaining in the Gross Revenue Fund on such date is to be deposited to a special fund to be held in trust by the Trustee under the Indenture and to be known as the "Holding Fund." Moneys in the Holding Fund are to be applied on September 15 of each year as follows:

(i) First, from the amount remaining, there is to be deposited to the Series B Bond Fund an amount equal to (a)the Deferred Subordinate Bonds Payments (which such moneys are to be applied to the Defeased Subordinate Bonds Payments in order of the respective dates of such deferrals);(b) the interest due on the Subordinate Bonds on the next succeeding Interest Payment Date; and (c) the sinking fund installment due with respect to the Subordinate Bonds on the next September 15;

(ii) Second, from the amount remaining, up to $25,000 is to be paid over to the Authority for deposit to a scholarship fund heretofore established by the Authority.

(iii) Third, the amount remaining is to be deposited to the Series B Bond Fund for redemption of Subordinate Bonds on the earliest date for which notice of such redemption can be given.

Notwithstanding the foregoing, moneys in the Holding Fund may be used to pay amounts due on September 1 of each year on the Series 1998A Bonds to the extent there are not sufficient moneys then on deposit in the Series A Bond Fund for such purposes.

Notwithstanding the foregoing, moneys in the Holding Fund may also be withdrawn and used to fund the Budgeted Costs of Operation and Maintenance due on the second day of July pursuant to the Indenture, which amount is to be transferred to the Holding Fund from the next moneys deposited in the Gross Revenue Fund during said July.

Notwithstanding the foregoing, the failure to make any of the deposits described in subsections (4) through (7) above because there are insufficient moneys in the Gross Revenue Fund will not be an Event of Default (as defined below) under the Indenture.

Notwithstanding the foregoing, to the extent amounts on deposit in the Rebate Fund are insufficient to pay when due the rebate amount owed to the United States of America in accordance with the provisions of the Indenture, the Authority is to direct the Trustee to use the moneys in the Series B Bond Fund, the Renewal and Replacement Account or the Reserve Fund, in that order of priority, to fund such deficiency prior to making the deposits required above.

Reserve Fund

The Series 1998A Bonds are additionally secured by a Reserve Fund. Upon the delivery of the Series 1998A Bonds, a portion of the proceeds of the Series 1998A Bonds will be deposited in the Reserve Fund in an amount equal to $955,412.50. Thereafter, the Trustee is to maintain the Reserve Fund at the Reserve Requirement. The Trustee is required to transfer, subject to the order of priority for disbursement of cash flow under the Indenture, moneys from the Reserve Fund to pay debt service due on the Series 1998A Bonds and any Parity Bonds in the event of a shortfall in the Series 1998A Bond Fund. All amounts on deposit in the Reserve Fund in excess of the Reserve Requirement on the Business Day prior to each July 15 are to be transferred to the Gross Revenue Fund. The Trustee is to transfer from the Reserve Fund to the Series A Bond Fund on or before each Interest Payment Date money sufficient, together with the money provided for such purpose by the Authority, to pay the principal (and premium, if any) and interest on the Outstanding Series 1998A Bonds and any Parity Bonds on the next Interest Payment Date, whether by reason of stated maturity of the principal (and premium, if any) and interest thereon, or call for redemption, to the extent the amount transferred from the Gross Revenue Fund to the Series A Bond Fund is insufficient for such purpose. Such a transfer shall not be a default under the Indenture. On the date no Series 1998A Bond or any Parity Bond is Outstanding, the Trustee shall transfer all amounts remaining in Reserve Fund to the Series 1998B Bond Fund to the extent any amount of principal of or interest thereon remains unpaid. If any amount in the Reserve Fund on such date is not so required for payment of unpaid principal and interest on the Subordinate Bonds, the Trustee is to pay such amount to the Authority. The Reserve Requirement may be satisfied by crediting to the Reserve Fund a Reserve Fund Credit Facility which makes funds available in the Reserve Fund in an amount equal to the Reserve Requirement. Upon the deposit with the Trustee of a Reserve Credit Facility, the Trustee is to transfer moneys then on hand in the Reserve Fund in excess of the Reserve Requirement (after giving effect to the Reserve Fund Credit Facility) to the Authority to be applied for any lawful purposes of the Authority. In the event any such Reserve Fund Credit Facility is so acquired, the Trustee is to draw on it in accordance with its terms (i) when and if moneys are needed pursuant to the provisions described above.

Issuance of Parity Bonds

Additional Bonds payable on a parity with the Series 1998A Bonds (the "Parity Bonds") from the Pledged Revenues may be used if the following conditions are met:

(1) The Authority shall be in compliance with all covenants in the Indenture;

(2) The Parity Bonds shall be on such terms and conditions as may be set forth in a supplemental indenture, which shall provide for (i) bonds substantially in accordance with the Indenture, and (ii) the deposit of moneys into the Reserve Fund in an amount sufficient, together with the balance of the Reserve Fund, to equal the Reserve Requirement on all Bonds expected to be outstanding including the Outstanding Series 1998A Bonds and Parity Bonds;

(3) Receipt of a certificate or opinion of an independent financial consultant showing:

(i) For the current and each future Bond Year the debt service for each such Bond Year with respect to all Series 1998A and Parity Bonds reasonably expected to be outstanding following the issuance of the Parity Bonds; and

(ii) That for the then current Fiscal Year, the Pledged Revenues to be received by the Authority are at least equal to the sum of 130% of the maximum annual debt service *referred to in item (i) above and 100% of annual debt service with respect to the* Subordinate Bonds and any other Debt;

(4) The Parity Bonds shall mature on and interest shall be payable on the same dates as the Series 1998A Bonds;

(5) So long as any Subordinate Bonds remain Outstanding, Parity Bonds may only be issued for any of the following purposes; (i) to refund all Outstanding Series 1998A Bonds, provided the Parity Bonds represent a present value debt service savings when compared to the Series 1998A Bonds, or (ii) if no Series 1998A Bonds will be Outstanding following the issuance of such Parity Bonds, with the consent of the Owners of the Subordinate Bonds, to finance additions to the Project or for any other valid purpose of the Authority.

DEBT SERVICE REQUIREMENTS

Set forth below are the amounts of principal, including mandatory sinking fund redemption amounts, and interest coming due on the Series 1998A Bonds.

Maturity Date	Principal	Interest[1]	Total
September 1, 1999	-----	$1,080,000[2]	$1,080,000
September 1, 2000	$145,000	810,000	955,000
September 1, 2001	155,000	800,213	955,213
September 1, 2002	165,000	789,750	954,750
September 1, 2003	175,000	778,613	953,613
September 1, 2004	185,000	766,800	951,800
September 1, 2005	200,000	754,313	954,313
September 1, 2006	210,000	740,813	950,813
September 1, 2007	225,000	726,638	951,638
September 1, 2008	240,000	711,450	951,450
September 1, 2009	260,000	695,250	955,250
September 1, 2010	275,000	677,700	952,700
September 1, 2011	295,000	659,138	954,138
September 1, 2012	315,000	639,225	954,225
September 1, 2013	335,000	617,963	952,963
September 1, 2014	360,000	595,350	955,350
September 1, 2015	380,000	571,050	951,050
September 1, 2016	405,000	545,400	950,400
September 1, 2017	435,000	518,063	953,063
September 1, 2018	465,000	488,700	953,700
September 1, 2019	495,000	457,313	952,313
September 1, 2020	530,000	423,900	953,900
September 1, 2021	565,000	388,125	953,125
September 1, 2022	605,000	349,988	954,988
September 1, 2023	645,000	309,150	954,150
September 1, 2024	685,000	265,613	950,613
September 1, 2025	735,000	219,375	954,375
September 1, 2026	785,000	169,763	954,763
September 1, 2027	835,000	116,775	951,775
September 1, 2028	895,000	60,413	955,413

[1] Includes all interest payable on March 1 and September 1 in each such year.

[2] The interest payment due on September 1, 1999 reflects interest due on the Series 1998A Bonds from their dated date to September 1, 1999.

HISTORIC AND PROJECTED REVENUES, EXPENSES, DEBT SERVICE AND COVERAGE

The following tables set forth the Authority's historic and projected Gross Revenues, expenses, Net Revenues, debt service and debt service coverage. The historic data has been derived from the Manager. The projections were developed on behalf of the Authority by the Manager. See also Appendix C - "ANALYSIS OF CASH FLOW REPORT" herein.

A. HISTORIC

FYE[1]	Gross Revenues	Operating Expenses	Net Operating Income
1995	$ 15,059.07	$ 140,192.26	($125,133.19)
1996	1,701,796.00	1,973,204.00	(271,408.00)
1997	3,123,423.00	2,852,946.00	270,477.00
1998[2]	2,088,309.00	1,429,046.00	659,263.00

[1] The financial statements prepared for fiscal years 1994/95, 1995/96 and 1996/97 were based on a September 30 fiscal year end. The projections in this Official Statement provided by the Manager are, however, based on a July 31 fiscal year end.

[2] The number shown for the 1998 fiscal year reflects revenues and expenses for the 6-month period beginning on August 1, 1997 and ending on January 31, 1998. The Manager projects that net operating income for the 12 month period ending on July 31, 1998 will be approximately $1,192,607.00.

B. PROJECTED

FYE 7/31	Gross Revenues	Operating Expenses	Net Operating Income	Less Renewal & Replacement	Total Available For Series 1998A Debt Service	Series 1998A Debt Service	Series 1998A Coverage Ratio
1999[1]	$4,801,457.00	$2,982,096.00	$1,819,361.00	($100,000.00)	$1,719,361.00	$1,080,000	1.59
2000	4,661,273.00	3,097,267.00	1,564,006.00	($100,000.00)	1,464,006.00	955,000	1.53
2001	4,894,337.00	3,189,104.00	1,705,233.00	($100,000.00)	1,605,233.00	955,213	1.68
2002	5,139,054.00	3,283,698.00	1,855,356.00	($100,000.00)	1,755,356.00	954,750	1.84
2003	5,396,006.00	3,381,129.00	2,014,877.00	($100,000.00)	1,914,877.00	953,613	2.01
2004	5,665,807.00	3,481,483.00	2,184,324.00	($100,000.00)	2,084,324.00	951,800	2.19
2005	5,949,097.00	3,584,847.00	2,364,250.00	($100,000.00)	2,264,250.00	954,313	2.37
2006	6,246,552.00	3,691,313.00	2,555,239.00	($100,000.00)	2,455,239.00	950,813	2.58
2007	6,558,880.00	3,800,972.00	2,757,908.00	($100,000.00)	2,657,908.00	951,638	2.79
2008	6,886,824.00	3,913,921.00	2,972,903.00	($100,000.00)	2,872,903.00	951,450	3.02
2009	7,231,165.00	4,030,258.00	3,200,907.00	($100,000.00)	3,100,907.00	955,250	3.25
2010	7,592,723.00	4,150,087.00	3,442,636.00	($100,000.00)	3,342,636.00	952,700	3.51
2011	7,972,359.00	4,273,509.00	3,698,850.00	($100,000.00)	3,598,850.00	954,138	3.77
2012	8,370,977.00	4,400,634.00	3,970,343.00	($100,000.00)	3,870,343.00	954,225	4.06
2013	8,789,526.00	4,531,574.00	4,257,952.00	($100,000.00)	4,157,952.00	952,963	4.36
2014	9,229,002.00	4,666,441.00	4,562,561.00	($100,000.00)	4,462,561.00	955,350	4.67
2015	9,690,452.00	4,805,354.00	4,885,098.00	($100,000.00)	4,785,098.00	951,050	5.03
2016	10,174,975.00	4,948,434.00	5,226,541.00	($100,000.00)	5,126,541.00	950,400	5.39
2017	10,683,724.00	5,095,808.00	5,587,916.00	($100,000.00)	5,487,916.00	953,063	5.76
2018	11,217,910.00	5,247,601.00	5,970,309.00	($100,000.00)	5,870,309.00	953,700	6.16
2019	11,778,805.00	5,403,950.00	6,374,855.00	($100,000.00)	6,274,855.00	952,313	6.59
2020	12,367,746.00	5,564,988.00	6,802,758.00	($100,000.00)	6,702,758.00	953,900	7.03
2021	12,986,133.00	5,730,858.00	7,255,275.00	($100,000.00)	7,155,275.00	953,125	7.51
2022	13,635,439.00	5,901,703.00	7,733,736.00	($100,000.00)	7,633,736.00	954,988	7.99
2023	14,317,211.00	6,077,675.00	8,239,536.00	($100,000.00)	8,139,536.00	954,150	8.53
2024	15,033,072.00	6,258,925.00	8,774,147.00	($100,000.00)	8,674,147.00	950,613	9.12
2025	15,784,726.00	6,445,613.00	9,339,113.00	($100,000.00)	9,239,113.00	954,375	9.68
2026	16,573,962.00	6,637,901.00	9,936,061.00	($100,000.00)	9,836,061.00	954,763	10.30
2027	17,402,660.00	6,835,958.00	10,566,702.00	($100,000.00)	10,466,702.00	951,775	11.00
2028	17,402,660.00	6,835,958.00	10,566,702.00	($100,000.00)	10,466,702.00	955,413	10.96

[1]The projections for fiscal year 1998/99 reflect revenues and expenses from the expected date of issuance of the Series 1998A Bonds through such fiscal year, and the coverage ratio shown is with respect to the September 1, 1999 payment date.
Source: Source for Gross Revenues and Operating Expenses is the Manager.

THE PROJECT

The Residence Buildings

The Project is a full-service student housing complex consisting of three interconnected main structures: two five-story residence halls (the "Residence Buildings") together containing 268 residential units of approximately 288 square feet each, and a secured parking garage (the "Parking Garage"). 30 loft-style beds were added in 1997. The Project is located in Tallahassee, Leon County, Florida, at the intersection of Jefferson and Gray Streets, directly across the street from the south entrance to Florida State University. It is not located on the campus of Florida State University and there is no contractual relationship between the Authority and Florida State University for the use of the Project, but the Project is utilized by students of Florida State University.

Residential units are located on the first through fifth floors of the Residence Buildings. Each non-loft residential unit is designed for double occupancy and features two beds (with storage drawers), closets, desks, chests of drawers, lamps, desk chairs; a private bathroom; phone service; and cable television service. On each floor of the Residence Buildings are two recreation lounges and vending machines. The first floor of one of the Residence Buildings contains a food service facility designed around a cafeteria-type concept to provide meals for residents as well as other patrons, a banquet room, and several retail stores. The first floor of the other Residence Building contains the loft accommodations.

The facilities of the Residence Buildings are available to students, faculty, staff and employees of accredited non-profit institutions for education above the high school level.

Types of Residential Units

The 268 residential units of the Project, together with the 30 loft units consist of the following unit types (with the corresponding rental levels indicated):

Unit Type	Total Available [1]	Average Rent Per School Year[2]
Loft (1 Bed)	30	$8,044
Double (2 Beds)	252	6,111
Triple (3 Beds)	3	5,285

[1]13 of the 268 residential units are unusable and are the subject of litigation. See "PENDING LITIGATION" herein. The projections herein assume no rent from such units.

[2]The actual rent for each unit type is based on whether a student selects a 7 meal a week plan, a 14 meal a week plan or an unlimited meal per week plan. According to the Manager 75% of the students use the 14 meal plan, with the remainder using the unlimited meal plan. Therefore, the average rent shown here assumes such an allocation among meal plans.

The Parking Garage

The five-story Parking Garage contains 300 parking spaces. The Parking Garage is connected to the Residence Building by walkways over Pensacola Street and Gray Street. Use of the Parking Garage is limited to staff of the Project, residents of the Residence Buildings, visitors of such residents, and students, faculty, staff and

employees of accredited non-profit institutions for education beyond the high school level. Parking charges will be charged separately from charges for occupancy of a unit in the Residence Building.

SERIES 1998A BONDOWNERS' RISKS

The Series 1998A Bonds are speculative securities and are subject to certain risks. Prospective purchasers of the Series 1998A Bonds should make such investigations and obtain such additional information directly from the Authority, the Manager, and others as they deem advisable in connection with their evaluation of the suitability of the Series 1998A Bonds for investment.

Before purchasing any of the Series 1998A Bonds, prospective investors and their professional advisors should carefully consider, among other things, the following risk factors, which are not meant to be an exhaustive listing of all risks associated with the purchase of the Series 1998A Bonds. Moreover, the order of presentation of the risk factors does not necessarily reflect their order of importance.

This Official Statement is furnished solely for consideration by prospective purchasers of the Series 1998A Bonds with the experience and financial expertise to understand and evaluate the degree of risk inherent in the investment.

Limited Obligations of Authority

The Series 1998A Bonds are limited obligations of the Authority. The Series 1998A Bonds will be secured by and payable as described on the cover page hereof and elsewhere herein. The Series 1998A Bonds do not constitute an indebtedness, liability (except to the extent of the trust estate pledged under the Indenture), general or moral obligations or a pledge of the faith and credit or any taxing power of the Authority, the State, or any political subdivision thereof, or the United States, or any agency thereof. No assurance can be given that the Gross Revenues will be sufficient for operation of the Project and payment of the Series 1998A Bonds. The Authority has no taxing power.

No Rating

The Series 1998A Bonds are not rated by any rating agency. Moreover, the Authority does not believe that an investment grade rating, if applied for, would be available with respect to the Series 1998A Bonds, as the issue is currently structured.

Prior Operating Loss

Prior to the date of the issuance of the Series 1998A Bonds, there exists a $400,000 deficit in the operation of the Project, representative of certain accounts payable with respect to the Project. However, it is a condition to the issuance of the Series 1998A Bonds that simultaneous with the issuance of the Series 1998A Bonds, the owner of the Prior Certificates will deposit $400,000 with the Authority in order to remove such deficit.

Future Revenues and Expenses

The payment of principal of, premium, if any, and interest on the Series 1998A Bonds is intended to be made from Pledged Revenues of the Project. The payment of debt service on the Series 1998A Bonds is dependent upon the Manager's ability to maintain occupancy of the Project and charge and collect rents which are sufficient to pay operating expenses of the Project and debt service requirements with respect to the Series 1998A Bonds. Such occupancy levels and revenues of the Project are subject to conditions that may change in the future to an extent that can not be determined at this time.

Marketing Risk

The Authority and the Project have no affiliation, relationship or agreement with Florida State University or any other university, school or other educational institution. The Project is located adjacent to the campus of Florida State University, but such University, as well as private parties, offer accommodations and dining facilities that will directly compete with the Project. There also can be no assurance that additional competing facilities providing accommodations and dining will not be constructed in the future.

Currently, the Project is fully occupied (other than the 13 unusable units as described herein under "PENDING LITIGATION") and the Gross Revenues therefrom are currently sufficient to pay all expenses of the Project and debt service due on the Series 1998A Bonds (see "HISTORIC AND PROJECTED REVENUES, EXPENSES, DEBT SERVICE AND COVERAGE"), however, payment of debt service on the Series 1998A Bonds is dependent on the Project continuing to be fully occupied other than such 13 units and the level of the rents charged. Neither the Authority, its counsel, its financial advisor or its representatives nor the Underwriter can give any assurance as to the future revenues of the Project. See, also, "PRIOR DEFAULT" herein.

Adequacy of the Project as Security

Security for the Series 1998A Bonds includes a first mortgage lien on the Project, evidenced by the Mortgage in favor of the Trustee. In the event that there are insufficient Pledged Revenues from the Project to make timely debt service payments on the Series 1998A Bonds, it may be necessary for the Trustee to exercise its remedies under the Mortgage or Indenture, including foreclosure. There can be no assurance that if and when the Trustee forecloses and obtains possession of the Project or realizes amounts from the sale thereof, that resulting proceeds would be sufficient to fully pay principal of and interest on the Series 1998A Bonds. Further, attempts to foreclose under the Mortgage may be met with protracted litigation and/or including bankruptcy proceeds, which causes delays. Thus, there can be no assurance that in the event of default, the Trustee will be able to obtain possession of the Project and generate revenue therefrom in a timely fashion.

Going Concern

The auditor's opinion will express uncertainty as to the ability of the Project to continue as a going concern. However, it is believed that the retention of the Manager to operate the Project, the implementation of the management strategies proposed by the Manager and the Refunding Plan will prevent such an event from occurring.

Damage or Destruction

Although the Trustee, on behalf of the Authority, will be required to maintain certain insurance as set forth in the Indenture (as described in Appendix A hereto), there can be no assurance that the Project will not suffer losses for which insurance cannot be or has not been obtained or that the amount of any such loss, or the period during which the Project cannot generate revenues, will not exceed the coverage of such insurance policies.

Lack of Secondary Market

The Underwriter will not be obligated to repurchase any of the Series 1998A Bonds. There is no existing secondary market for the Series 1998A Bonds, and there can be no assurance that such market will develop. In these circumstances, purchasers may not be able to resell or dispose of the Series 1998A Bonds at a price approximating the purchase price (including any premium) or at all, and the purchase of the Series 1998A Bonds should be regarded as a long-term investment.

PRIOR CERTIFICATES' DEFAULT

The following summary was provided by the Authority and the Manager. It is provided, herein, as a historical review of the background of the financing of the Project. Because the summary below is quite brief, a more detailed explanation as to the reasons for the default with respect to the Prior Certificates may be obtained from the Authority or the Manager.

The Prior Certificates were executed and delivered by the Authority, in July of 1991, to provide funds for the primary purpose of acquiring land and acquiring, constructing and equipping the Project thereon. The Prior Certificates were primarily secured by the revenues generated by the Project which were to be passed through to the Trustee under the terms of the Prior Lease. The Authority obtained a feasibility study in connection with the execution and delivery of the Prior Certificates.

Due, in large part, to substantial delays in construction, as well as a rather modest demand to rent units in the Project, the Prior Certificates went into immediate payment default. Specifically, the facility opened 62 days late (which meant that it was not open at the beginning of a school year), was only approximately 85% complete at such time, and needed an estimated $500,000 in additional equipment to complete the structure. The occupancy rate, upon opening, was 53%.

In 1993, in order to provide additional funds to complete the Project, as well as pay operating expenses of the Project, the Authority authorized the execution and delivery of the 1993 Certificates on a parity with the Senior Prior Certificates. Those 1993 Certificates also experienced payment default.

In June of 1995 the current Manager was hired to manage the project. Since that time, the Manager has emphasized the ability of the Project to generate revenue from its unit rentals, rather than from a "brand name" food court as the previous managers had planned. As of the current semester the Project is fully occupied (other than the 13 unusable units as described herein under "PENDING LITIGATION").

The first floor of one of the residence buildings was originally planned for commercial use and was never built out due to lack of funds. With a combination of moneys held under the Prior Trust Agreement and funds of the Prior Certificates holder, such space was built out as the loft units described above, which were completed in the summer of 1997 and available for rent in the fall semester of 1997.

The Manager believes that with the completed construction of the Project and its management, the Project will continue to be at or near full occupancy. If so, with the current rental rate structure the Manager believes that there will be sufficient moneys to pay debt service due on the Series 1998A Bonds. However, there are several factors involving the revenues to be generated by the Project which are outside the control of the Authority and the Manager. Therefore, no assurance can be given that the Project will be at or near full occupancy and that rental rates will be sufficient to generate enough Pledged Revenues to timely pay debt service due on the Series 1998A Bonds in full. See "HISTORIC AND PROJECTED REVENUES, EXPENSES, DEBT SERVICE AND COVERAGE," "SERIES 1998A BONDOWNERS' RISKS" and Appendix C "ANALYSIS OF CASH FLOW REPORT" herein.

TAX EXEMPTION

In the opinion of Fulbright & Jaworski, L.L.P and Best Best & Krieger LLP, Co-Bond Counsel, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming among other matters, compliance with certain covenants, interest on the Series 1998A Bonds is excluded from gross income for federal income tax purposes. Co-Bond Counsel are also of the opinion that the Series 1998A Bonds and the interest thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220,

Florida Statutes, or interest, income or profits on debt obligations owned by corporations as defined therein. A complete form of the Opinion of Co-Bond Counsel is set forth in APPENDIX F and will be printed on the Bonds.

The Internal Revenue Code of 1986, as amended, imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 1998A Bonds. The Authority has covenanted to comply with certain restrictions designed to assure that interest on the 1998A Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the 1998A Bonds being included in federal gross income, possibly from the date of issuance of the Series 1998A Bonds. The opinion of Co-Bond Counsel assumes compliance with these covenants. Co-Bond Counsel have not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 1998A Bonds may affect the tax status of interest on the Series 1998A Bonds.

Co-Bond Counsel are further of the opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, Co-Bond Counsel observe that interest on the Series 1998A Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income.

Although Co-Bond Counsel have rendered an opinion that interest on the Series 1998A Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Series 1998A Bonds may otherwise affect the recipient's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the recipient's particular tax status and other items of income or deduction. Co-Bond Counsel express no opinion regarding any such other tax consequences.

VERIFICATIONS

Schmersahl & Associates, PC, independent certified public accountants, will verify the arithmetical accuracy of certain computations included in the schedules provided on behalf of the Authority relating to (i) the sufficiency of amounts deposited under the Escrow Agreement to pay all principal of and interest due and payable on the Refunded Prior Certificates, and (ii) certain yield calculations. Such computations were based solely on assumptions and information supplied on behalf of the Authority. Schmersahl & Associates, PC, has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based.

LEGAL OPINIONS

Legal matters incident to the issuance of the Bonds are subject to the approving opinion of Fulbright & Jaworski, L.L.P., Los Angeles, California and Best Best & Krieger LLP, Riverside, California, Co-Bond Counsel. Certain legal matters will be passed on for the Authority by Eckert Seamans Cherin & Mellott, LC, Miami, Florida. In addition Best Best & Krieger LLP will act as Disclosure Counsel. Fees paid to such counsel are contingent upon the issuance and delivery of the Series 1998A Bonds.

PENDING LITIGATION

Currently, there are two pending lawsuits with respect to the Project. A very brief description of those cases, as well as the effect on the Series 1998A Bonds, is set forth below.

In "SunTrust Bank, Central Florida, National Association, as Trustee vs. J. Kinson Cook, Inc., The American Insurance Company, Educated Design of Florida, Inc. and Clemons, Rutherford & Associates, Inc.," presently pending in the Circuit Court of the Second Judicial Circuit in and for Leon County, Florida and bearing consolidated case number 95-4706, the Trustee, on behalf of the Authority, is suing the original developer of the Project for faulty construction which has made 13 of the Project's units (consisting of 26 beds) unusable. The developer has filed a counterclaim against the Trustee for its litigation expenses. In addition, the architects for the Project have been joined in the suit and have counterclaimed for unpaid fees.

In "Professional Food-Service Management, Inc. vs. Sun Bank, National Association, the Leon County Educational Facilities Authority, and Howe, Solomon & Hall, Inc.," presently pending in the Circuit Court of the Second Judicial Circuit in and for Leon County, Florida and bearing case number 95-3868, the original food service company with respect to the Project is suing the Trustee, the Authority and the owner of a majority of the Prior Certificates for wrongful termination. The amount of the claim is $220,000. This case, however, has recently been settled, contingent upon the issuance and delivery of the Series 1998A Bonds. Therefore, it will have no effect on the ability of the Authority to pay debt service on the Series 1998A Bonds.

In order to attempt to shield the owners of the Series 1998A Bonds from any possible negative effects of the above-described litigation, and thus facilitate the refunding transaction described herein, the majority owner of the Prior Certificates has entered into a Litigation Agreement dated as of May 1, 1998 (the "Litigation Agreement"), among itself, the Authority and the Trustee, pursuant to which such owner has deposited with the Trustee funds which it, the Authority and the Trustee believe will be sufficient to cover all expenses and damages, if any, arising out of the litigation. In addition, such owner of the Prior Certificates has indemnified the Authority and the Trustee against any further expenses or damages beyond the initial deposit. While no one can guarantee the results of the pending litigation, the Authority and the Underwriter believe that the outcome of the litigation will have no effect on the ability of the Authority to timely pay debt service due on the Series 1998A Bonds.

In addition to the above, although no action has been filed, one former beneficial owner of certain of the Prior Certificates has threatened to take legal action against the owners of certain of the other Prior Certificates. While no assurance can be given as to the result of any such litigation, the Authority believes that any such litigation would not materially adversely affect the validity of the Series 1998A Bonds, nor the security therefor.

ENFORCEABILITY OF REMEDIES

The remedies available to the Trustee and the registered owners of the Series 1998A Bonds upon an event of default under the Indenture and any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 1998A Bonds will be qualified to the extent that the enforceability of the legal documents with respect to the Series 1998A Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

UNDERWRITING

The Bonds are being purchased for reoffering by Kinsell, O'Neal, Newcomb & DeDios, Inc. (the "Underwriter"). For its services rendered in connection with the issuance of the Series 1998A Bonds and the Subordinate Bonds, the Underwriter will earn underwriting fees of $325,000. In addition, the Underwriter expects to earn additional compensation with respect to the remarketing of the Refunded Prior Certificates. The contract of purchase pursuant to which the Underwriter is purchasing the Series 1998A Bonds provides that the Underwriter will

purchase all of the Series 1998A Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in such contract of purchase.

The Underwriter may offer and sell the Series 1998A Bonds to certain dealers and others at prices different from the prices stated on the cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

CONTINUING DISCLOSURE

The Authority has covenanted for the benefit of owners of the Series 1998A Bonds to provide certain financial information and operating data relating to the Project not later than seven months after the end of the Project's fiscal year (presently September 30) in each year commencing with its report for the 1997-98 fiscal year (the "Annual Report") and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the Authority or its designee with each Nationally Recognized Municipal Securities Information Repository. The notices of material events will be filed by the Authority or its designee with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5). The specific nature of the information to be contained in the Annual Report or the notices of material events by the Authority is summarized in "APPENDIX G - FORM OF CONTINUING DISCLOSURE CERTIFICATE."

NO RATING

The Series 1998A Bonds have not been rated by any rating agency. No such rating has been applied for and, as of the date of this Official Statement, it is the belief of the Authority that an investment grade rating could not be obtained on the Series 1998A Bonds as the issue is presently structured.

MISCELLANEOUS

At the time of delivery and payment for the Series 1998A Bonds, an authorized representative of the Authority will deliver a certificate stating that to the best of his knowledge this Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. Such certificate will also certify that to the best of his knowledge from the date of this Official Statement to the date of such delivery and payment there was no material adverse change in the information set forth herein.

The delivery of this Official Statement has been authorized by the Authority.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY

By: /s/ Calvin Ogburn
Title: Executive Director

APPENDIX A

SUMMARY OF THE INDENTURE

The following is a summary of certain provisions of the Indenture. This summary is not to be considered a complete statement of the Indenture and, accordingly, is qualified by reference thereto and is subject to the full text thereof. A copy of the Indenture may be obtained upon request from the Authority.

Certain Definitions

"Assigned Contracts" means the Management Agreement and each and every other contract or agreement to which the Authority (or the Manager on behalf of the Authority) is a party pertaining to the use, operation, or management of the Project.

"Bonds" means the Series 1998A Bonds and the Subordinate Bonds.

"Budgeted Costs of Operation and Maintenance" means the projected Costs of Operation and Maintenance for a period as established by a budget promulgated by or on behalf of the Authority for such period pursuant to the Indenture.

"Business Day" means a day (i) other than a Saturday, a Sunday, or a legal holiday or the equivalent (other than a moratorium) for banking institutions generally in the city in which the designated corporate trust office of the Trustee is located, and the City of New York, New York, or any of them, and (ii) which the New York Stock Exchange is open.

"Code" means the Internal Revenue Code of 1986, as amended by all legislation, effective on or before the Closing Date.

"Controlling Series 1998A Bondholder" means Van Kampen America Capital or any person to whom Van Kampen America Capital shall transfer its ownership interests in whole to the Series 1998A Bonds ("Van Kampen") so long as Van Kampen is the owner, as shown on the registration books of the Trustee (or in the event the Series 1998A Bonds are registered in book-entry form in the name of DTC or any successor book-entry depository, then so long as Van Kampen is the beneficial owner as set forth in writing from DTC or any successor book-entry depository which notice the Trustee will be entitled to rely upon unless and until it receives a written notice from DTC or any successor book-entry depository to the effect that Van Kampen no longer is a majority beneficial owner) of a majority in aggregate principal amount of the sum of the outstanding Series 1998A Bonds and any Parity Bonds.

"Costs of Operation and Maintenance" means the current expenses, paid or accrued, of operation, maintenance and repair of the Project, and all costs and expenses incurred in connection with the operation of the Indenture, including, without limitation, the fees and expenses of the Trustee, costs of insurance, operating expenses of the Authority in the amount of $3,000 per month, plus litigation expenses, if any, arising from the Authority's ownership and operation of the Project judgments and settlements, utility costs and costs of goods sold, as calculated in accordance with generally accepted governmental accounting principles, consistently applied. The Costs of Operation and Maintenance shall not include (i) any reserve for renewals and replacement, extraordinary repairs or any allowance for depreciation or amortization, or (ii) the payment of any amounts due with respect to the Bonds or any notes, bonds and similar obligations of the Authority.

"Default" means the occurrence and continuance of an Event of Default or an event which, after notice or lapse of time or both, would become an Event of Default.

"Determination of Taxability" means a determination that the interest on any of the Bonds is not excludable from the gross income of the owners thereof to the extent stated in the bond counsel opinion delivered on the date of issuance thereof, which determination will be deemed to have been made upon the occurrence of the first to occur of the following:

A. the date on which the Trustee receives a written notice from an Owner of Bonds that interest on a Bond owned by such Owner is not so excludable and an opinion of counsel to that effect; or

B. the date on which, in an opinion of counsel approved in writing by the Owners of a majority in principal amount of Series 1998A Bonds (or if there are no Outstanding Series 1998A Bonds, then Subordinate Bonds) and delivered to the Trustee, any change in law or regulation becomes effective with the effect, or on which the Internal Revenue Service issues any private ruling, technical advice or any written communication to the effect, that the interest on the Bonds is not excludable from the gross income of the owners thereof for Federal income tax purposes to the extent stated in the bond counsel opinion delivered on the date of issuance of the Bonds; or

C. the date on which the authority is notified in writing by the Internal Revenue Service that interest on the Bonds is not excludable from the gross income of the owners thereof for federal income tax purposes to the extent stated in the bond counsel opinion delivered on the date of issuance of the Bonds; or

D. the date on which the Trustee is notified in writing by (i) the Internal Revenue Service that the interest on the Bonds is not excludable from the gross income of the owners thereof for federal income tax purposes to the extent stated in the bond counsel opinion delivered on the date of issuance of the Bonds, or (ii) an Owner or former Owner of Bonds that the Internal Revenue Service has issued a 30-day letter or other written notice asserting that the interest on the Bonds is not excludable from the gross income of the owners thereof for Federal income tax purposes to the extent stated in the bond counsel opinion delivered on the date of issuance of the Bonds.

"Eligible Investments" means any of the following securities: (i) direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America, including evidences of a direct ownership interest in future interest or principal payments on obligations issued or guaranteed by the United States of America, which obligations are held in a custody account by a custodian satisfactory to the Trustee pursuant to the terms of a custody agreement, and municipal obligations the payment of principal of, redemption premium, if any, and interest on which is irrevocably secured by obligations of the United States of America, which obligations have been pledged to the credit deposited in an escrow account which is irrevocably pledged to the credit of such municipal obligations, and which municipal obligations are rated, at the time of investment, in the highest rating category of Standard & Poor's or Moody's Investors Service; (ii) bonds, debentures, or notes or other evidences of indebtedness or a combination of any of the following represent the full faith and credit of the United States of America: Export Import Bank of the United States, Federal Financing Bank, Farmer's Home Administration, Federal Housing Administration, Maritime Administration, Public Housing Authority, or Government National Mortgage Association; (iii) direct and general obligations of any Person if at the time of their purchase such obligations or the securities of such Person are rated in either of the two highest rating categories, without regard to rating subcategories, by Standard & Poor's or Moody's Investors Service, or, upon the discontinuance of such services, such other nationally recognized rating service as shall be determined by the Trustee, and, if issued by a Person other than the United States of America or an agency or political subdivision of the United States of America or any state thereof, with a maturity of 270 days or less; (iv) negotiable or non-negotiable certificates of deposit, time deposits, savings accounts, deposit accounts, depository receipts, or other similar banking arrangements, issued by any bank (including the Trustee in its commercial banking capacity), mutual savings bank, trust company, or savings and loan association the deposits of which are insured by the Federal Deposit Insurance Corporation, provided that to the extent such investments are not insured by the Federal Deposit Insurance Corporation, or similar corporation

chartered by the United States of America, they must be (i) secured by a perfected security interest as to principal by the securities listed in Clause (1) or (2) above and in the manner satisfactory to the Trustee and (ii) with a bank (including the Trustee in its commercial banking capacity), trust company, or savings and loan association the securities of which, or which is the largest subsidiary (by deposits) of a bank holding company the securities of which, at the time of investment, are rated in either of the two highest rating categories, without regard to rating subcategories, by Standard & Poor's or Moody's Investors Service, or, upon the discontinuance of such services, such other nationally recognized rating service as shall be determined by the Trustee; and (v) money market funds, including the One Group family of funds, "AAAm" or "AAAm-G" or better by Standard & Poor's.

"Fiscal Year" means the 12-month fiscal year period of the Authority commencing October 1 of each year or as the same may be changed from time to time by a resolution of the Authority.

"Governmental Obligations" means either (i) direct obligations of, or obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by, the United States of America, or (ii) municipal obligations rated in the highest rating category of Standard & Poor's and Moody's Investors Service (or, upon the discontinuance of either of such services, such other nationally recognized rating service as is determined by the Trustee) the payment of the principal of (and redemption premium, if any and if applicable) and interest on which are irrevocably secured by such direct or guaranteed obligations of the United States of America and which obligations have been deposited in an escrow account which is irrevocably pledged as security for such municipal obligations.

"Gross Revenues" means all income or earnings of any type derived by the Authority from the operation, subleasing or use of the Project, including, without limitation, room rent, sublease payments and food service receipts, leasing of commercial space in the Project, and proceeds from insurance or condemnation (to the extent and for the purposes provided in the Indenture), but does not include proceeds from the sale of any bonds or other obligations of the Authority.

"Issue Date" means the date of initial delivery of the Bonds.

"Management Agreement" means the Management Agreement, dated as of October 25, 1995, between the Trustee and the Manager and any successor or replacement thereof or any similar agreement providing for management services for the Project.

"Manager" means American Campus Lifestyles Management (Southgate), L.C., a Florida limited liability company, or its successor or assign, or any other Person selected pursuant to the Indenture, acting as manager of the Project under the Management Agreement and selected in accordance with the Indenture.

"Mortgage" means the Mortgage and Security Agreement dated as of May 1, 1998, between the Authority, as mortgagor, and the Trustee, as mortgagee, securing the obligations of the Authority under the Indenture.

"Outstanding", when used with respect to Bonds means, as of the date of determination, all Bonds theretofore authenticated and delivered under the Indenture, except, without duplication: (i) Bonds theretofore canceled by the Trustee or delivered to the Trustee for cancellation; (ii) Bonds for the payment or redemption of which money in the necessary amount has been theretofore deposited with the Trustee or any paying agent in trust for the Owners of such Bonds, provided that, if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture, or waived, or provision therefor satisfactory to the Trustee has been made; (iii) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Indenture; (iv) Bonds alleged to have been destroyed, lost, or stolen which have been paid as provided in the Indenture; and (v) Bonds for the payment of the principal of (and premium, if any) and interest on which money or Governmental Obligations or both are held by the Trustee or an escrow agent with the effect specified in the discharge provisions of the Indenture.

"Owner", when used with respect to any Bond, means the Person in whose name such Bond is registered in the Bond register maintained by the Trustee.

"Parity Bonds" means additional bonds issued on a parity lien with the Series 1998A Bonds pursuant to the Indenture.

"Permitted Indebtedness" means debt of the Authority that has been approved by (i) the Controlling Series 1998A Bondholder, or (ii) in the event there is no Controlling Series 1998A Bondholders, then by the Owners of the Subordinate Bonds, in either event, prior to the issuance of such Permitted Indebtedness and which is payable in accordance with its terms from Pledged Revenues subordinate to payment of the Series 1998A Bonds, but prior to the payment of the Subordinate Bonds pursuant to the Indenture.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government, or any agency or political subdivision thereof.

"Place of Payment", when used with respect to the Bonds of any series, means a city or any political subdivision thereof in which the Trustee is by the Indenture required to maintain an agency for the payment of the principal of or interest on the Bonds of such series.

"Pledged Revenues" means the Gross Revenues and income received from the investment of moneys deposited in the funds and accounts created under the Indenture (other than the Rebate Fund), the investment earnings on which are to be applied in accordance with the terms of the Indenture and any other moneys or revenues pledged by the Authority under the Indenture, less (i) in the case of Series 1998A Bonds and any Parity Bonds, deposits required to be made to the Operation and Maintenance Account; and (ii) in the case of Subordinate Bonds, certain other deposits required pursuant to the Indenture before the flow of moneys to pay Subordinate Bonds.

"Renewal and Replacement Requirement" means $100,000, or such other amount as is certified to the Trustee at least every five years by an independent architect or engineer selected by the Controlling Series 1998A Bondholder to be an appropriate amount for the purposes for which the Renewal and Replacement Account has been created.

"Reserve Fund Credit Facility" means a policy of insurance, a surety bond, a letter of credit or other comparable credit facility, or a combination thereof, which, together with money on deposit in the Reserve Fund, if any, provide an aggregate amount equal to the Reserve Requirement, so long as the provider of any such policy of insurance, surety bond, letter of credit or other comparable credit facility is rated in one of the highest rating categories by Standard & Poor's Corporation or Moody's Investors Service and A.M. Best & Company (but only if such credit facility is rated by A.M. Best & Company).

"Reserve Requirement" means the lesser of (i) $955,412.50; (ii) maximum annual debt service with respect to the Series 1998A Bonds and any Parity Bonds; (iii) 125% of the average annual debt service with respect to the Series 1998A Bonds and any Parity Bonds; or (iv) 10% of the proceeds of the Series 1998A Bonds and any Parity Bonds.

"Standard & Poor's" means Standard & Poor's Corporation, a division of The McGraw-Hill Companies, or any successor thereto.

"Stated Maturity", when used with respect to any Bond or any installment of interest thereon, means the date specified in such Bond as the fixed date on which the principal of such Bond or such installment of interest is due and payable.

"Subordinate Bond Interest Adjustment Date" means September 15 of any year through and including September 15, 2027, on which the interest rate on the Subordinate Bonds is adjusted downward pursuant to the provisions of the Indenture.

Establishment of Funds and Accounts; Disposition of Revenues

The following Funds and Accounts have been created and established by the Indenture:

(1) Proceeds Fund, which includes a Series 1998A Bonds Account, a Series 1998B Bonds Account and a Cost of Issuance Account;

(2) Gross Revenue Fund, which includes an Operation and Maintenance Account and Renewal and Replacement Account;

(3) Series A Bond Fund;

(4) Series B Bond Fund;

(5) Reserve Fund; and

(6) Rebate Fund.

Proceeds Fund. The Proceeds Fund (with three accounts: the Series 1998A Bonds Account, the Series 1998B Bonds Account and the Costs of Issuance Account) is established with the Trustee as a special fund of the Authority. *The money deposited to the credit of the Series 1998A Bonds Account and the Series 1998B Bonds Account from the* proceeds of the Series 1998A Bonds and the Subordinate Bonds, respectively, are to be disbursed as described in "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Gross Revenue Fund. A. Application of Gross Revenue Fund. All Gross Revenues are to be paid to the Trustee upon receipt by the Authority and are to be deposited by the Trustee to the Gross Revenue Fund immediately upon receipt. Moneys deposited to the Gross Revenue Fund are to be applied as follows:

(1) First, on or before the second day of each calendar month commencing August 1998, an amount equal to the Budgeted Costs of Operation and Maintenance for such month is to be deposited to the Operation and Maintenance Account; provided, however, that up to 110% of the Budgeted Costs of Operation and Maintenance may be deposited therein from the Gross Revenues as are necessary to pay the Costs of Operation and Maintenance incurred without requiring the consent of (i) the Controlling Series 1998A Bondholder, or (ii) if there is no Controlling Series 1998A Bondholder, then the Owners of the Subordinate Bonds.

(2) Next, (i) on the last day of each February and August, an amount equal to interest coming due on the Series 1998A Bonds and any Parity Bonds on the next Interest Payment Date and (ii) on the last day of August, an amount equal to the principal coming due on the Series 1998A Bonds and any Parity Bonds on the next September 1, is to be deposited to the Series A Bond Fund.

(3) Next, on each March 1 and September 1, an amount is to be deposited to the Reserve Fund as is necessary to make the balance therein equal to the Reserve Requirement.

(4) Next, on each September 1, an amount equal to debt service due on all Permitted Indebtedness (other than the Bonds) due on the first day of the next succeeding month is to be paid to the holder or holders of such Permitted Indebtedness.

(5) Next, on the first day of each month, there is to be deposited to the Renewal and Replacement Account, the lesser of (i) $10,000, or (ii) the amount necessary to make the balance therein equal to the Renewal and Replacement Requirement.

(6) Next, on each March 1 and September 1, the amount of $9,000 is to be paid over to the Authority for deposit to its general account, which amount shall increase by the same percentage as the increase, if any, in the rental rate of the Project for the most recent academic year during the term of the Indenture. In addition, the Authority shall be paid such percentage increase as an additional payment with respect to the portion of the fees paid to the Authority from the Operation and Maintenance Account (i.e., $3,000 per month).

(7) On June 15, of each year, the amount remaining in the Gross Revenue Fund on such date is to be deposited to a special fund to be held in trust by the Trustee under the Indenture and to be known as the "Holding Fund." Moneys in the Holding Fund are to be applied on September 15 of each year as follows:

(i) First, from the amount remaining, there is to be deposited to the Series B Bond Fund an amount equal to (a)the Deferred Subordinate Bonds Payments (which such moneys are to be applied to the Defeased Subordinate Bonds Payments in order of the respective dates of such deferrals);(b) the interest due on the Subordinate Bonds on the next succeeding Interest Payment Date; and (c) the sinking fund installment due with respect to the Subordinate Bonds on the next September 15;

(ii) Second, from the amount remaining, up to $25,000 is to be paid over to the Authority for deposit to a scholarship fund heretofore established by the Authority.

(iii) Third, the amount remaining is to be deposited to the Series B Bond Fund for redemption of Subordinate Bonds on the earliest date for which notice of such redemption can be given.

Notwithstanding the foregoing, moneys in the Holding Fund may be used to pay amounts due on September 1 of each year on the Series 1998A Bonds to the extent there are not sufficient moneys then on deposit in the Series A Bond Fund for such purposes.

Notwithstanding the foregoing, moneys in the Holding Fund may also be withdrawn and used to fund the Budgeted Costs of Operation and Maintenance due on the second day of July pursuant to the Indenture, which amount is to be transferred to the Holding Fund from the next moneys deposited in the Gross Revenue Fund during said July.

Notwithstanding the foregoing, the failure to make any of the deposits described in subsections (4) through (7) above because there are insufficient moneys in the Gross Revenue Fund will not be an Event of Default (as defined below) under the Indenture.

Notwithstanding the foregoing, to the extent amounts on deposit in the Rebate Fund are insufficient to pay when due the rebate amount owed to the United States of America in accordance with the provisions of the Indenture, the Authority is to direct the Trustee to use the moneys in the Series B Bond Fund, the Renewal and Replacement Account or the Reserve Fund, in that order of priority, to fund such deficiency prior to making the deposits required above.

B. Operation and Maintenance Account. Moneys on deposit in the Operation and Maintenance Account are to be used solely to pay the Costs of Operation and Maintenance. Such funds are to be paid over to the Authority or its designee, including, without limitation, the Manager.

C. Renewal and Replacement Account. The moneys in the Renewal and Replacement Account are to be applied only (i) at any time for the purpose of curing deficiencies in the Series A Bond Fund or the Reserve Fund, or both, or (ii) when no such deficiencies exist, as needed for the purpose of paying the cost of replacement of capital assets constituting a portion of the Project or any unusual or extraordinary repairs or maintenance which the Authority or its designee, including, without limitation, the Manager, certifies in writing to the Trustee are necessary for the Project, which certification must be accompanied by an estimate or invoice showing the costs thereof.

Series A Bond Fund and Series B Bond Fund. A. The Series A Bond Fund and the Series B Bond Fund are each established with the Trustee as special trust funds of the Authority. The money deposited to the Series A Bond Fund and the Series B Bond Fund, respectively, together with all investments thereof and investment income therefrom, shall be held in trust and applied to pay debt service due on the Bonds as described in the Indenture.

B. The Trustee is to deposit to the credit of the Series A Bond Fund immediately upon receipt: (1) any and all amounts transferred from the Gross Revenue Fund as described above; (2) any and all amounts transferred from the Reserve Fund as described below; (3) all transfers thereto from any other fund which may be required under the Indenture; and (4) any other amounts delivered to the Trustee specifically for deposit thereto. The Trustee is to apply the money in the Series A Bond Fund to set aside or deposit in trust with the Trustee sufficient money to pay the principal of (and premium, if any) and interest on the Series 1998A Bonds and any Parity Bonds then coming due, whether by reason of the stated maturity of such principal (and premium, if any) or interest, declaration of acceleration, or call for redemption, on the date for such payment.

C. The Trustee is to deposit to the credit of the Series B Bond Fund immediately upon receipt: (1) any and all amounts transferred from the Gross Revenue Fund as described above; and (2) any other amounts delivered to the Trustee specifically for deposit thereto. The Trustee is to apply the money (if any) in the Series B Bond Fund to set aside or deposit in trust with the Trustee sufficient money to pay the principal of (and premium, if any) and interest on the Subordinate Bonds then coming due, whether by reason of the stated maturity of such principal (and premium, if any) or interest or call for redemption, on the date for such payment. If for any reason there are not sufficient moneys on deposit in the Series A Bond Fund and the Reserve Fund on any Interest Payment Date to pay amounts due on the Series 1998A Bonds and any Parity Bonds on such Interest Payment Date, the Trustee is to transfer the amount of such insufficiency from the Series B Bond Fund, to the extent there are moneys on deposit therein (and notice of redemption has not been sent to Owners of the Subordinate Bonds with respect thereto) to the Series A Bond Fund.

Reserve Fund. A. The Reserve Fund is established with the Trustee as a special fund of the Authority. The money deposited to the Reserve Fund, together with all investment income therefrom, is to be held in trust and applied to pay debt service due on the Bonds as described in the Indenture.

B. On July 15 (or the next Business Day if July 15 is not a Business Day) of each year, commencing July 15, 1998, the Trustee is to determine and report to the Authority the value of the money and Eligible Investments in the Reserve Fund based on Net Amortized Cost (as defined in the Indenture).

C. All amounts on deposit in the Reserve Fund in excess of the Reserve Requirement on the Business Day prior to each July 15 are to be transferred to the Gross Revenue Fund.

D. The Trustee is to transfer from the Reserve Fund to the Series A Bond Fund on or before each Interest Payment Date money sufficient, together with the money provided for such purpose by the Authority, to pay the principal (and premium, if any) and interest on the Outstanding Series 1998A Bonds and any Parity Bonds on the Interest Payment Date, whether by reason of the stated maturity of the principal (and premium, if any) and interest thereon, or call for redemption to the extent that the amount transferred from the Gross Revenue Fund is insufficient for such purpose. Such a transfer is not a default event under the Indenture.

E. On the date no Series 1998A Bond or any Parity Bond is Outstanding, the Trustee is to transfer all amounts remaining in Reserve Fund to the Series B Bond Fund to the extent any amount of principal of or interest thereon remains unpaid. If any amount in the Reserve Fund on such date is not so required for payment of unpaid principal and interest on the Subordinate Bonds, the Trustee is to pay such amount to the Authority.

F. The Reserve Requirement may be satisfied by crediting to the Reserve Fund a Reserve Fund Credit Facility which makes funds available in the Reserve Fund in an amount equal to the Reserve Requirement. Upon the deposit with the Trustee of a Reserve Credit Facility, the Trustee is to transfer moneys then on hand in the Reserve Fund in excess of the Reserve Requirement (after giving effect to the Reserve Fund Credit Facility) to the Authority to be applied for any lawful purposes of the Authority. In the event any such Reserve Fund Credit Facility is so acquired, the Trustee is to draw on it in accordance with its terms (i) when and if moneys are needed pursuant to the provisions described above.

Rebate Fund. The Indenture establishes the Rebate Fund in order to collect and pay any excess earnings required to be paid to the United States of America. Amounts in the Rebate Fund are not pledged as security for the Series 1998A Bonds.

Investment of Funds

Money held for the credit of the Gross Revenue Fund, the Series A Bond Fund, the Series B Bond Fund, the Reserve Fund, and the Proceeds Fund, is, as nearly as may to be practicable, to be continuously invested and reinvested by the Trustee at the direction of the Authority confirmed in writing in Eligible Investments. Such Eligible Investments are to mature, or are to be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates when money is expected to be required for the purpose intended. Obligations so purchased as an investment of any money credited to any such Fund or any account thereof will be deemed at all times to be a part of such Fund or account. Investment earnings on obligations so purchased or on such interest-bearing time deposits and any profit realized from such investment will be credited to such Fund or account, and any loss resulting from such investment will be charged to such Fund or account. The Trustee will not be liable for any loss resulting from any investment excepting only such losses as may have resulted from willful disregard or negligent implementation of any permitted direction by the Authority.

Defeasance; Satisfaction and Discharge of Indenture

Whenever the following conditions exist,

A. all Bonds theretofore authenticated and delivered have been canceled by the Trustee or delivered to the Trustee for cancellation, excluding, however:

(1) Bonds for the payment of which money has theretofore been deposited in trust with the Trustee as provided in the Indenture,

(2) Bonds alleged to have been destroyed, lost or stolen which have been replaced or paid as provided in the Indenture, except for any Bond which, prior to the satisfaction and discharge of the Indenture, has been presented to the Trustee with a claim of ownership and enforceability by the Owner thereof and where enforceability has not been determined adversely against such Owner by a court of competent jurisdiction,

(3) Bonds, other than those referred to in Subparagraphs (1) and (2) above, for the payment or redemption (under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name and expense of the Authority) of which the Authority has deposited or caused to be deposited with the Trustee in trust for such purpose an amount (to be immediately available for payment,

except in the case of Bonds excepted from the foregoing Subparagraph (2) prior to the time the ownership and enforceability of such Bonds has been established) sufficient to pay and discharge the entire indebtedness on such Bonds for principal (and premium, if any) and interest to the date of maturity thereof which have become due and payable or to the stated maturity or redemption date, as the may be, and

(4) Bonds deemed no longer Outstanding as a result of the deposit or escrow of money or Governmental Obligations or both as described below;

B. the Authority has paid or caused to be paid all other sums payable under the Indenture by the Authority, including amounts owing to the Trustee; and

C. the Authority has delivered to the Trustee an officers' certificate and an opinion of counsel, each of which must state that all conditions precedent relating to the satisfaction and discharge of the Indenture have been complied with;

then, upon the request of the Authority, the Indenture and the lien, rights, and interests created thereby shall cease, terminate, and become null and void (except as to any surviving rights of conversion, transfer, or exchange of Bonds therein provided for) and the Trustee and each co-trustee and separate trustee, if any, then acting as such under the Indenture shall, at the expense of the Authority, execute and deliver a termination statement and such instruments of satisfaction and discharge as may be necessary and pay, assign, transfer, and deliver to the Authority or upon direction of the Authority all securities, and other personal property then held by it under the Indenture.

In the absence of the request of the Authority as aforesaid, the payment of all Outstanding Bonds will not render the Indenture inoperative.

Any Bond will be deemed to be no longer Outstanding when payment of the principal of (and premium, if any, on) such Bond, plus interest thereon to the maturity thereof (whether such maturity be by reason of the stated maturity thereof or call for redemption, if notice of such call has been given or such notice has been waived or irrevocable arrangements therefor satisfactory to the Trustee have been made) shall have been provided for by depositing for such payment under the terms described in this paragraph money sufficient to make such payment, (2) Governmental Obligations certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of money and such Governmental Obligations, provided that all necessary and proper fees, compensation, and expenses of the Trustee and any paying agents pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. In the event such deposit is made with respect to some but not all of the Bonds then Outstanding, the Authority is to designate the series and maturities or sinking fund payments of Bonds with respect to which such deposit is made; provided that, if such deposit will be sufficient so as to provide for the payment of the principal of (and premium, if any) and interest on some but not all Outstanding Bonds within a particular series of Bonds so designated, the Trustee is to select the Outstanding Bonds within such series with respect to which such deposit is made in the same manner as provided in the Indenture for the selection of Bonds to be redeemed. Notwithstanding anything described herein to the contrary, however, no such deposit will have the effect described in this paragraph (1) if made during the existence of an Event of Default, unless made with respect to all of the Bonds then Outstanding, and (2) unless there shall be delivered to the Trustee an opinion of counsel to the effect that such deposit will not adversely affect any exclusion from federal income taxation of interest on any Bond.

Events of Default

"Event of Default" means any one of the following events (whatever the reason for such event and whether it is voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree, or order of any order, rule, or regulation of any administrative or governmental body):

A. default in the payment of any interest upon any Series 1998A Bond or any Parity Bond as such interest becomes due and payable; or

B. default in the payment of the principal of (or premium, if any, on) any Series 1998A Bond or any Parity Bond when such payment is due and payable; or

C. default in the payment of any interest upon or principal of the Subordinate Bonds at their maturity; or

D. default in the performance, or breach, of any covenant or warranty of the Authority in the Indenture (other than a covenant or warranty a default in the performance or breach of which is elsewhere in the Indenture specifically dealt with), or the Mortgage, and continuance of such default or breach for a period of 30 days after there has been given, by registered or certified mail, to the Authority by the Trustee, or by the Owners of at least a majority in principal amount of the Outstanding Series 1998A Bonds and any Parity Bonds (or if no Series 1998A Bonds or any Parity Bonds are Outstanding, then Outstanding Subordinate Bonds) with a copy to the Trustee, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" under the Indenture; provided, however, that if the default or breach stated in such notice cannot be corrected within such 30-day period, but can be corrected with due diligence, it will not constitute an Event of Default if corrective action is instituted by the Authority within such 30-day period and diligently pursued until such default or breach is corrected; provided, such period of cure shall in no event extend beyond a 180-day period; or

E. the entry of a decree or order by a court having jurisdiction in the premises for relief in respect of the Authority under the Federal Bankruptcy Code, as now or hereafter constituted, or any other applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator, or other similar official of or for the Authority, the trust estate pledged under the Indenture, or any substantial part of the properties of the Authority, or ordering the winding up or liquidation of the affairs of the Authority, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days, unless, in the case of any such decree or order in respect of the Authority, such decree or order has been limited so as to remove the Trust Estate pledged under the Indenture, from the control, supervision, and jurisdiction of the court entering such decree or order in respect of the Authority, such decree or order has been limited so as to remove the Trust Estate pledged under the Indenture, from the control, supervision, and jurisdiction of the court entering such decree or order and of such custodian, receiver, liquidator, assignee, trustee, sequestrator, or other similar official by the end of such period; or

F. the commencement by the Authority of a voluntary case under the Federal Bankruptcy Code, as now or hereafter constituted, or any other applicable federal or state law of similar import, or the consent or acquiescence by the Authority to the commencement of a case under such Code or law or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator, or other similar official of the Authority, the Trust Estate pledged under the Indenture, or any substantial part of the properties of the Authority, or the making by the Authority of an assignment for the benefit of creditors, or the admission by the Authority in writing of its inability to pay its debts generally as they become due, or the taking of action by the Authority in furtherance of any such action and, in the case of any such event with respect to the Authority, a court shall not have limited such case, petition, or possession so as to remove the Trust Estate pledged under the Indenture, from the control, supervision, and jurisdiction of such court or custodian, receiver, liquidator, assignee, trustee, sequestrator, or other similar official within 60 days after such commencement, consent, or acquiescence.

If an Event of Default occurs and is continuing, then and in every such case the Trustee may, or upon written request of the Owners of not less than a majority in principal amount of the Series 1998A Bonds and any Parity Bonds Outstanding (or if no Series 1998A Bonds or any Parity Bonds are Outstanding, then a majority in principal amount of the Subordinate Bonds Outstanding) must declare the principal of all the Series 1998A Bonds and any Parity Bonds (or the Subordinate Bonds if there are no Series 1998A Bonds or any Parity Bonds Outstanding) to be due and payable immediately, by a notice in writing to the Authority (and to the Trustee, if given by the Owners of the Series 1998A Bonds and any Parity Bonds (or to the Owners of the Subordinate Bonds if there are no Series 1998A Bonds or any Parity Bonds Outstanding) as provided above), and upon any such declaration such principal will become immediately due and payable. The Trustee may not declare an Event of Default pursuant to the Indenture or exercise any remedies resultant thereto without the consent of a majority in principal amount of the Series 1998A Bonds and any Parity Bonds.

Upon the occurrence of an Event of Default, the Trustee shall comply with the applicable provisions of the Indenture relating thereto, and the Trustee is to take such actions as may in its sole discretion be appropriate to direct, consent to or exercise, remedies under the Mortgage. So long as an Event of Default is continuing, the Trustee may take all actions required or appropriate to exercise the rights of the Authority under the Assigned Contracts, including the right to enforce the same in its own name or in the name of the Authority.

At any time after such a declaration of acceleration has been made, but before any sale of any of the Trust Estate pledged under the Indenture has been made or any judgment or decree for payment of money due on any Series 1998A Bonds and any Parity Bonds (or the Subordinate Bonds if there are no Series 1998A Bonds or Parity Bonds Outstanding) has been obtained by the Trustee as provided in the Indenture, the Owners of at least a majority in principal amount of the Series 1998A Bonds and any Parity Bonds Outstanding (or if no Series 1998A Bonds or any Parity Bonds are Outstanding, then a majority in principal amount of the Subordinate Bonds Outstanding) may, by written notice to the Authority and the Trustee, rescind and annul such declaration and its consequences if:

A. the Authority has deposited with the Trustee a sum sufficient to pay

(1) all overdue installments of interest on all Series 1998A Bonds and any Parity Bonds (or the Subordinate Bonds if there are no Series 1998A Bonds or any Parity Bonds Outstanding),

(2) the principal of (and premium, if any, on) any Series 1998A Bond or any Parity Bond (or the Subordinate Bonds if there are no Series 1998A Bonds or any Parity Bonds Outstanding) which have become due otherwise than by such declaration of , and interest thereon at the rate or rates prescribed therefor in such Series 1998A Bonds and any Parity Bonds (or the Subordinate Bonds if there are no Series 1998A Bonds or any Parity Bonds Outstanding),

(3) to the extent that payment of such interest is lawful, interest upon overdue installments of interest at the rate or rates prescribed therefor in the Series 1998A Bonds and any Parity Bonds (or the Subordinate Bonds if there are no Series 1998A Bonds or any Parity Bonds Outstanding), and

(4) all sums paid or advanced by the Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee and its agents and counsel; and

B. all Events of Default, other than the non-payment of the principal of Series 1998A Bonds and any Parity Bonds (or the Subordinate Bonds if there are no Series 1998A Bonds or any Parity Bonds Outstanding) which have become due solely by such declaration of acceleration, have been cured or have been waived as provided in the Indenture.

The Indenture provides that such rescission and annulment will not affect any subsequent default or impair right consequent thereon.

Any money collected by the Trustee following an Event of Default, including any proceeds of any sale of the Trust Estate pledged to the Bonds (after deducting the costs and expenses of such sale, including a reasonable compensation to the Trustee, its agents and counsel, and any taxes, assessments, or liens prior to the lien of the Indenture, except any thereof subject to which such sale shall have been made), whether made under any power of sale granted under the Indenture or pursuant to judicial proceedings, together with, in the case of a sale or as otherwise provided in the Indenture, any other sums then held by the Trustee as part of the Trust Estate, shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Series 1998A Bonds and any Parity Bonds (or the Subordinate Bonds if the Series 1998A Bonds and any Parity Bonds are not Outstanding) and the notation thereon of the surrender thereof if fully paid:

A. First: To the payment of all unpaid amounts due the Trustee under the Indenture;

B. Second: To the payment of the whole amount then due and unpaid upon the Outstanding Series 1998A Bonds and any Parity Bonds for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected by the Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the rate prescribed therefor in the Series 1998A Bonds and any Parity Bonds on overdue principal (and premium, if any) and on overdue installments of interest; and in case such proceeds are insufficient to pay in full the whole amount due and unpaid upon such Series 1998A Bonds and any Parity Bonds, then to the payment of such principal and interest, without preference or priority, ratably according to the aggregate amount so due, with interest paid first then principal;

C. Third: If the Series 1998A Bonds and any Parity Bonds are not Outstanding, then to the payment for the whole amount then due and unpaid upon the Subordinate Bonds for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected; and

D. Fourth: To the payment of the remainder, if any, to the Authority or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

No owner of any Bond has any right to institute any proceeding, judicial or otherwise, under or with respect to the Indenture, or for the appointment of a receiver or trustee or for any other remedy under the Indenture, unless: (a) such Owner has previously given written notice to the Trustee of a continuing Event of Default; (b) the Owners of a not less than a majority in principal amount of the Outstanding Series 1998A Bonds and any Parity Bonds (or a majority of the Subordinate Bonds if no Series 1998A Bonds or any Parity Bonds are then Outstanding), have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee; (c) such Owner or Owners have offered to the Trustee reasonable indemnity against the costs, expenses, and liabilities to be incurred in compliance with such request; (d) the Trustee for 60 days after the receipt of such notice, request, and offer of indemnity has failed to institute any such proceeding, and (e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a majority in principal amount of the Outstanding Series 1998A Bonds and any Parity Bonds (or a majority of the Subordinate Bonds if no Series 1998A Bonds or any Parity Bonds are then Outstanding); it being understood and intended that no one or more Owners of Series 1998A Bonds and any Parity Bonds (or Owners of the Subordinate Bonds if there are no Outstanding Series 1998A Bonds or any Parity Bonds) will have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb, or prejudice the lien of the Indenture or the rights of any other Owners of Series 1998A Bonds and any Parity Bonds, or to obtain or to seek to obtain priority or preference over any other Owners, except as provided in the Indenture; and it being further understood that so long as the Series 1998A Bonds or any Parity Bonds are Outstanding, the Owners of Subordinate Bonds will not have the right to pursue any remedies set forth in the Indenture and described herein.

The Owners of at least a majority in aggregate principal amount of the Series 1998A Bonds and any Parity Bonds have the following rights, during the continuance of an Event of Default: (a) to require the Trustee to proceed

to enforce the Indenture, either by judicial proceedings for the enforcement of the payment of the Series 1998A Bonds and any Parity Bonds and the foreclosure of the Indenture, foreclosure of the Mortgage, the sale of the Trust Estate pledged under the Indenture, or otherwise or, at the election of the Trustee, by the exercise of the power of sale thereby conferred; and (b) to direct the time and method of conducting any proceeding for remedy available to the Trustee, or exercising any trust under the Indenture, provided that (i) such direction shall not be in conflict with any rule of law or the Indenture, (ii) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and (iii) venue for any such action will be Leon County, Florida.

The provisions described in the immediately preceding paragraph are subject to the provision by the Owners of the Series 1998A Bonds and any Parity Bonds to the Trustee of appropriate indemnification to the Trustee for any costs, expenses and liabilities incurred by the Trustee in connection therewith.

Supplemental Indentures

Without the consent of the Owners of any Bonds, the Authority, when authorized by a resolution of its Board, and the Trustee may from time to time enter into one or more indentures supplemental to the Indenture, in form satisfactory to the Trustee, for any of the following purposes: (a) to correct or amplify the description of any property at any time subject to the lien of the Indenture, or better to assure, convey, and confirm unto the Trustee any property subject or required to be subjected to the lien of the Indenture, or to subject to the lien of the Indenture additional property; or (b) to add, modify or eliminate the terms or provisions of the Indenture which, in the opinion of the Trustee, does not materially adversely affect the Owner of any Bond; provided, however, that the Trustee may, in its discretion, decline to enter into any such supplemental indenture which, in its opinion, may not afford adequate protection to the Trustee when the same becomes operative; or (c) to evidence the succession of another entity to the Authority and the assumption by any such successor of the covenants of the Authority in the Indenture and in the Bonds contained; or (d) to add to the covenants of the Authority for the benefit of the Owners of all or either series of Bonds or to surrender any right or power herein conferred upon the Authority; or (e) to cure any ambiguity, to correct or supplement any provision of the Indenture which may be defective or inconsistent with any other provision of the Indenture, or to make any provisions, with respect to matters or questions arising under the Indenture, which are not inconsistent with the provisions of the Indenture, provided such action may not adversely affect the interests of the Owners of the Bonds.

With the consent of the Controlling Series 1998A Bondholder so long as there is a Controlling Series 1998A Bondholder, and thereafter with the consent of the Owners of not less than a majority in principal amount of each class of Bonds affected by such supplemental indenture (voting by classes, with the Series 1998A Bonds and any Parity Bonds being one class for this purpose and the Subordinate Bonds being another class) affected by such supplemental indenture, by act of such Owners delivered to the Authority and the Trustee, the Authority, when authorized by a resolution of its Board, and the Trustee may enter into an indenture or indentures supplemental to the Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of modifying in any manner the rights of the Owners of the Bonds under the Indenture; provided, however, that no such supplemental indenture may, without the consent of the Owner of each Outstanding Bond affected thereby: (a) change the stated maturity of the principal of, or any installment of interest on, any Bond, or reduce the principal amount redemption thereof or the interest thereon or any premium payable upon the redemption thereof, or change any Place of Payment where, or the coin or currency in which, any Bond or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date); or (b) reduce the percentage in principal amount of the Outstanding Bonds the consent of the Owners of which is required for any such supplemental indenture, or the consent of Owners of which is required for any waiver provided for in this Indenture of compliance with certain provisions of the Indenture or certain defaults under the Indenture and their consequences; or (c) modify or alter the provisions of the Bonds or the Indenture with respect to the definition of the term "Outstanding"; or (d) modify any of the provisions described in this paragraph, except to increase any percentage provided thereby or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the Owner of each Bond

affected thereby; or (e) permit the creation of any lien ranking prior to the lien of the Indenture, permit the creation of any lien ranking on a parity with the lien of the Indenture with respect to any of the Trust Estate pledged thereunder or terminate the lien of the Indenture on any property at any time subject thereto or, except as permitted in the Indenture, deprive the Owner of any Bond of the security afforded by the lien of the Indenture; or (f) modify, in the case of Bonds of any series for which a mandatory sinking fund is provided, any of the provisions of the Indenture in such manner as to affect the rights of the Owners of such Bonds to the benefits of such sinking fund.

The Trustee may in its discretion determine whether or not any Bond may be affected by any supplemental indenture and any such determination will be conclusive upon every Owner of Bonds, whether theretofore or thereafter authenticated and delivered under the Indenture. The Trustee shall not be liable for any such determination made in good faith.

Certain Covenants; Limits on Debt; Parity Bonds

The Indenture contains, among others, the following respective covenants of the Authority.

(1) Payment of Principal, Premium and Interest. The Authority will duly and punctually pay the principal of (and premium, if any) and interest on the Bonds in accordance with the terms of (but solely from the sources described in) the respective Bonds and the Indenture.

(2) To Insure. A. Generally, the Authority will at all times keep all its property and operations, including but not limited to the Project, of an insurable nature and of the character usually insured, insured under policies issued by financially responsible insurers of recognized standing, in amounts customarily carried, and against loss or damage from such causes as are customarily insured against, by similar public bodies.

B. General Liability Insurance; Business Interruption Insurance. The Authority shall maintain or cause to be maintained, a standard comprehensive general liability insurance policy or policies in protection of the Authority and the Trustee and their respective members, officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by the operation or ownership of any components of the Project. Said policy or policies shall provide coverage in the minimum liability limits of $2,000,000 for personal injury or death of each person and $10,000,000 for personal injury or deaths of two or more persons in a single accident or event (or such higher statutory limits of liability of the Authority if same are raised), and in a minimum amount of $500,000 for damage to property (subject to a deductible clause of not to exceed $10,000) resulting from a single accident or event. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried or required to be carried by the Authority.

The Authority shall also maintain or cause to be maintained, so long as the Bonds are Outstanding, a policy of business interruption insurance or rent interruption insurance providing for payment, for each period during which the operation might be interrupted, at least sufficient to pay the scheduled debt service on the Series 1998A Bonds and any Parity Bonds for 24 months plus the cost of supervisory and other expenses during such period necessary to maintain the capability to readily resume operations after such period.

C. Comprehensive Coverage Insurance. The Authority shall procure and maintain, or cause to be procured and maintained, insurance against loss or damage to any part of the Project by theft, fire or lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance shall, as nearly as practicable, also cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance or the aggregate coverage of all such policies on the Project shall be in an amount equal to the greater of (i) 100% of the replacement cost of the Project, or (ii) the aggregate amount of the Series 1998A Bonds and any Parity Bonds (except that such insurance may be subject to

deductible clauses of not to exceed $500 for any one loss). Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried or required to be carried by the Authority.

(3) Application of Insurance and Condemnation Proceeds.

A. Condemnation or insurance proceeds shall be paid by the Authority to the Trustee upon receipt and held in trust, invested in Eligible Investments in a special fund (the "Loss Proceeds Fund") established for such purpose, to be disbursed as provided in the Indenture.

B. If the replacement value of property damaged, destroyed or taken in any casualty loss or condemnation, as certified by an independent appraiser appointed by the Authority,

(1) is less than or equal to 25% of the fair market value of the Project, the proceeds are to be transferred from the Loss Proceeds Fund to a special account designated as the "Construction Fund" to be used, and the Authority hereby covenants to use such funds, to repair, rebuild, or replace the property so damaged, destroyed or lost; or

(2) is more than 25% of the fair market value of the Project, the proceeds are to be transferred from the Loss Proceeds Fund to the Series A Bond Fund, if a certificate of an independent consultant is not provided by the Authority to the Trustee within 30 days certifying that the proceeds will be sufficient to timely rebuild the Project such that debt service on the Bonds can be timely paid, then the Trustee is to use the same to redeem first, Outstanding Series 1998A Bonds and any Parity Bonds and then Outstanding Subordinate Bonds; provided however, if within 60 days from the receipt of such proceeds, the Trustee has received the written approval of the Owners of a majority in aggregate principal amount of Outstanding Series 1998A Bonds and any Parity Bonds (or, if there are no Series 1998A Bonds and any Parity Bonds then Outstanding, of Subordinate Bonds Outstanding), the Trustee is to deposit such proceeds to a temporary account to be created in the Loss Proceeds Fund and to be called the "Reconstruction Account" and to be used, and the Authority covenants to use such funds, to repair, rebuild or replace the property so damaged, destroyed or lost; or if a certificate of an independent consultant is provided by the Authority to the Trustee certifying that the proceeds will be sufficient to timely rebuild the Project such that debt service on the Bonds can be timely paid, then the Trustee is to transfer such proceeds to the Reconstruction Account to be used to repair, rebuild or replace the property so damaged, destroyed or lost.

C. Any money held for the credit of the Construction Fund which constitutes proceeds of insurance or condemnation and which is not applied as hereinabove described within three years after the receipt thereof by the Trustee (except money required for the purposes of approved requests of the Authority filed within such three-year period or for expenditures and costs to be made or incurred pursuant to a contract awarded during such three-year period) shall on the next practicable Interest Payment Date be applied by the Trustee to the prepayment of Outstanding Series 1998A Bonds and any Parity Bonds, Subordinate Bonds, in either case as designated for such purpose by the Authority if the Authority be not then in default, otherwise in amounts proportionate to the principal amount of such Series 1998A Bonds and any Parity Bonds, Subordinate Bonds, all in accordance with the provisions applicable to prepayment at the option of the Authority contained in such Series 1998A Bonds and any Parity Bonds and Subordinate Bonds and with the premium applicable thereto, if any.

(4) Use and Operation of Project; Scholarship Fund.

A. Use of Project. The Authority shall allow the portions of the Project constituting a dormitory and dining facility to be utilized only by, and shall make such portions available only to, the students, faculty, staff and employees of accredited, non-profit universities, colleges, community colleges, or other institutions for education beyond the high school level, or by Persons taking part in activities sponsored by, endorsed by or related to such accredited, non-profit universities, colleges, community colleges, or other institutions for education beyond the high

school level. The Authority shall allow the portion of the Project constituting a parking garage to be utilized only by staff of the Project, residents of the dormitory portion of the Project, visitors of residents of the dormitory portion, and students, faculty, staff and employees of accredited, non-profit universities, colleges, community colleges, or other institutions for education beyond the high school level.

B. Scholarship Fund. The Authority has heretofore established a scholarship fund into which it shall deposit moneys received by it and designated for deposit to such fund. Moneys in such scholarship fund shall be applied exclusively to award scholarships to students residing in the Project to pay such students' room and board in the Project. Such scholarship fund shall not be held by the Trustee under the terms of the Indenture and shall not for any purposes be considered to be a fund or account created under the Indenture.

5. Management Agreements: Manager. Except as specifically described below, the Authority is required to employ a qualified management company to manage and operate the Project. Any management agreement that the Authority may enter into subsequent to the Management Agreement described herein for purposes of this section, the ("Current Management Agreement") must comply with the terms of the Indenture relating to maintaining the tax exempt status of the Bonds, and may not enter into any management agreement which is inconsistent with terms of the Indenture. No management agreement may be terminated by the Authority except at the recommendation of the Owners of a majority in Outstanding principal amount of the Subordinate Bonds, without cause without (i) the prior written consent of the Controlling Series 1998A Bondholder so long as there is a Controlling Series 1998A Bondholder, or (ii) if there is no Controlling Series 1998A Bondholder, then without the prior written consent of the Owners of a majority in Outstanding principal amount of the Subordinate Bonds; provided that the Controlling Series 1998A Bondholder is not obligated to accept the recommendation of the Owners of a majority in Outstanding principal amount of Subordinate Bonds.

If there occurs a vacancy in the position of Manager for any reason and there is a Controlling Series 1998A Bondholder, then the appointment of a new Manager will be at the recommendation of the Owners of a majority in Outstanding principal amount of the Subordinate Bonds and will be subject to the written approval of the Controlling Series 1998A Bondholder; provided that the Controlling Series 1998A Bondholder is not obligated to accept the recommendation of the Owners of a majority in Outstanding principal amount of Subordinate Bonds. If there is no Controlling Series 1998A Bondholder and there occurs a vacancy in the position of Manager for any reason, the Manager selected by a majority in aggregate principal amount of the Outstanding Subordinate Bonds will be deemed to have been selected by the Authority.

(6) Limitations on Debt; Parity Debt.

Except as specifically provided below, the Authority shall not incur or otherwise become liable in respect of any Debt other than the Series 1998A Bonds and the Subordinate Bonds. The definition of "Debt", as used in the Indenture, excludes, and thus permits the incurrence of certain debt including (i) unsecured debt payable on demand or which matures not more than one year from the date of incurrence or, in case such debt is extended or renewed (other than pursuant to the option of the borrower to extend or renew) from the date of such extension or renewal thereof, if such unsecured debt is incurred in the ordinary course of business and not as a result of borrowing or in respect of obligations of others and (ii) debt that is secured solely by revenues of an asset of the Authority that is not a part of the Trust Estate pledged under the Indenture and which is not a general obligation or general fund obligation of the Authority. The Authority shall also be permitted to incur or otherwise become liable in respect of the following Debt:

Parity Bonds. If at any time the Authority determines it needs to do so, the Authority may provide for the issuance of, and sell, Parity Bonds in such principal amounts as it estimates will be needed. The issuance and sale of any Parity Bonds shall be subject to the following conditions precedent:

(1) The Authority shall be in compliance with all covenants in the Indenture;

(2) The Parity Bonds shall be on such terms and conditions as may be set forth in a supplemental indenture, which shall provide for (i) bonds substantially in accordance with the Indenture, and (ii) the deposit of moneys into the Reserve Fund in an amount sufficient, together with the balance of the Reserve Fund, to equal the Reserve Requirement on all Bonds expected to be outstanding including the Outstanding Series 1998A Bonds and Parity Bonds;

(3) Receipt of a certificate or opinion of an independent financial consultant showing:

(i) For the current and each future Bond Year the debt service for each such Bond Year with respect to all Series 1998A and Parity Bonds reasonably expected to be outstanding following the issuance of the Parity Bonds; and

(ii) That for the then current Fiscal Year, the Pledged Revenues to be received by the Authority are at least equal to the sum of 130% of the maximum annual debt service referred to in item (i) above and 100% of annual debt service with respect to the Subordinate Bonds and any other Debt;

(4) The Parity Bonds shall mature on and interest shall be payable on the same dates as the Series 1998A Bonds;

(5) So long as any Subordinate Bonds remain Outstanding, Parity Bonds may only be issued for any of the following purposes; (i) to refund all Outstanding Series 1998A Bonds, provided the Parity Bonds represent a present value debt service savings when compared to the Series 1998A Bonds or (ii) if no Series 1998A Bonds will be Outstanding following the issuance of such Parity Bonds, with the consent of the Owners of the Subordinate Bonds, to finance additions to the Project or for any other valid purpose of the Authority.

The Trustee

Unless an Event of Default has occurred and is continuing, the Trustee is to perform only such duties as are specifically set forth in the Indenture. During the existence of an Event of Default, the Trustee is to exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a reasonably prudent person would exercise or use under the circumstances in the conduct of his own affairs. The Trustee is not liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct. The Trustee may become the owner of the Bonds with the same rights it would have if it were not Trustee. The Trustee may resign or be removed as set forth in the Indenture.

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APPENDIX B

MORTGAGE AND SECURITY AGREEMENT

This is a Mortgage and Security Agreement dated as of the 1st day of May, 1998, executed by Leon County Educational Facilities Authority, a public body corporate and politic of the State of Florida, whose address is 3263 Robinhood Road, Tallahassee, Florida, 32312, as mortgagor (the "Mortgagor"), and delivered to SunTrust Bank, Central Florida, National Association, whose address is 225 E. Robinson Street, Orlando, Florida, as trustee under the Indenture (hereinafter defined), as mortgagee (the "Mortgagee"). All terms used herein in capitalized form and not otherwise defined herein shall have the same meanings as ascribed to those terms in the Indenture.

1. Definitions. The following additional capitalized terms shall be used in this Mortgage for the meanings set forth adjacent to such terms:

"Authority" means the Leon County Educational Facilities Authority, a public body corporate and politic.

"Indebtedness" means the Indebtedness secured by this Mortgage consisting of all of the obligations of the Mortgagor pursuant to the Indenture, including the Series 1998A Bonds, any Parity Bonds and the Series 1998B Bonds (which rank on a subordinate basis).

"Indenture" means the Indenture of Trust, dated as of May 1, 1998 between the Mortgagor, as issuer, and the Mortgage, as trustee.

"Maximum Principal Indebtedness" means $32,500,000, being the initial principal amount of the Series 1998A Bonds and the Series 1998B Bonds.

"Mortgaged Property" means the Mortgagor's interest in the real property described in Exhibit "A" hereto and the buildings, fixtures and improvements thereon, including the Project, and all rents, receipts, issues, profits, proceeds (including insurance proceeds and condemnation awards) and products thereof.

"Mortgagee" means SunTrust Bank, Central Florida, National Association, as Trustee under the Indenture for the benefit of the Owners of the Bonds issued thereunder.

"Mortgagor" means Leon County Educational Facilities Authority, a public body corporate and politic of the State of Florida.

Any other terms used herein in capitalized form and not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

2. Mortgage. In consideration of ten dollars and other valuable considerations received by the Mortgagor, receipt of which is hereby acknowledged, the Mortgagor hereby mortgages to the Mortgagee and grants, bargains and sells the Mortgagee a security interest in the following described real and personal property, rights, titles, interest and estates:

(a) The Mortgaged Property, including, but not limited to, all structures, buildings, improvements, equipment, machinery and fixtures now or hereafter located on the Mortgaged Property on the date hereof, and all components and parts thereof, the electrical, heating, cooling, ventilating, gas distribution, compressed air, air conditioning, water, sewer and waste disposal, elevators and sprinkler systems incorporated into or located on the Mortgaged Property, together with all substitutions therefor or renewals or replacements thereof or accessions thereto, whether now existing or hereafter arising, and the proceeds and products of any of the foregoing.

(b) Any and all rights and appurtenances belonging, incident or appertaining to said real property, improvements, fixtures, machinery and equipment, or any part thereof.

3. Secured Indebtedness; Future Advances; Maximum Amount and Time. This Mortgage shall secure the Indebtedness as specified above. The total amount of Indebtedness secured hereby may decrease or increase from time to time, but the total unpaid balance so secured at any one time shall not exceed the Maximum Principal Indebtedness, plus (i) interest thereon, (ii) any disbursements made for the payment of taxes, levies or insurance on the Mortgaged Property, (iii) payments made for maintenance, repair, protection and preservation of the Mortgaged Property, and (iv) interest on all such disbursements, all as provided in this Mortgage and the Indenture. This Mortgage shall not secure any future advances beyond [twenty (20) years] from the date hereof.

4. Payment of Indebtedness. The Mortgagor shall pay all Indebtedness and perform all obligations secured hereby promptly when due and shall perform all obligations hereunder and under the Indenture at the times and in the manner herein and therein required.

5. Title Covenants. The Mortgagor covenants that the Mortgaged Property is free from all encumbrances, other than Permitted Encumbrances, that lawful seisin of and good right to encumber the Mortgaged Property are vested in the Mortgagor, and that the Mortgagor hereby fully warrants the title to the Mortgaged Property and will defend the same against the lawful claims of all persons whomsoever.

6. After-Acquired Property. All buildings, structures, improvements, furnishings, fixtures, machinery, equipment or other property now or hereafter constructed, installed or placed on the Mortgaged Property, and all substitutions and replacements of or for such property or accessions thereto, are subject to the terms and conditions of this Mortgage and the security interest created hereby.

7. Covenant Against Unauthorized Removal. During any term hereof, the Mortgagor shall not remove or sell any of the Mortgaged Property or the Project, or any part thereof.

8. Maintenance and Repair. The Mortgagor shall permit, commit or suffer no waste, impairment or deterioration of the Mortgaged Property. The Mortgagor shall, during the term of this Mortgage, keep and maintain or cause to be kept and maintained the Mortgaged Property in a good state of repair and preservation, ordinary wear and tear, obsolescence in spite of repair and acts of God excepted. If the Mortgagor fails to do so or cause the same to be done, then the Mortgagee, without waiving the option to foreclose, may take some or all measures that the Mortgagee reasonably deems necessary or desirable for the maintenance, repair, preservation or protection of the Mortgaged Property, and any expenses reasonably incurred by the Mortgagee in so doing shall become part of the Indebtedness secured hereby, shall become immediately due and payable, and shall bear interest at a rate equal to the maximum lawful rate. The Mortgagee shall have no obligation to care for and maintain the Mortgaged Property or, having taken some measures therefor, to continue the same or take other measures.

9. Casualty Insurance. The Mortgagor shall, throughout the term of this Mortgage, keep or cause to be kept the Mortgaged Property continuously insured as provided in the Indenture. All insurance policies carried pursuant to the foregoing shall name the Mortgagor and the Mortgagee as parties insured thereunder as the respective interest of each such party may appear, and proceeds thereunder shall be made payable and shall be applied as provided in the Indenture. Copies of each such policy shall be filed with the Mortgagee.

10. Insurance Proceeds and Condemnation Awards. If, prior to the payment in full or satisfaction of the Indebtedness (or provisions for payment of the Bonds having been made in accordance with the provisions of the Indenture) the Mortgaged Property, or any part or component thereof, shall be damaged, lost or destroyed, by whatever cause, or if any public authority or entity, in the exercise of its power of eminent domain, takes or damages the Mortgaged Property, or any part or component thereof and all of the insurance proceeds, and any award or compensation resulting from such taking or damage by condemnation shall be applied in the manner required by the Indenture, the terms of which are incorporated herein by reference.

This Mortgage extends to and shall encumber any insurance proceeds payable on account of the Mortgaged Property and any judgments, awards, damages, and settlements hereafter rendered or paid and resulting from condemnation proceedings with respect to the Mortgaged Property or the taking of the Mortgaged Property under the power of eminent domain, and the Mortgagee may require that any sums payable to the Mortgagor and arising out of the power of eminent domain with respect to the property and any proceeds of casualty insurance on the Mortgaged Property shall be applied to the Indebtedness secured hereby to the extent consistent with the terms of the Indenture.

11. Taxes, Assessments and Liens. Subject to the provisions of this Mortgage, the Mortgagor shall pay or cause to be paid, as the same respectively come due, all fees, taxes, charges and assessments of any kind or nature whatsoever that may at any time become due or be lawfully assessed or levied against the Mortgaged Property, the Mortgagor or the Mortgagee with respect to the ownership, use or operation of the Mortgaged Property or any portion thereof, including without limitation all ad valorem taxes lawfully assessed thereon, all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep thereof, all assessments and charges lawfully

made by any governmental body against the Mortgagor or the Mortgagee for or on account of the Mortgaged Property, all excise taxes, sales and use taxes, documentary stamp taxes, and intangible taxes levied against the Mortgagor or the Mortgagee on or with respect to the Indenture and the amounts payable by the Mortgagor hereunder or thereunder, and the assignment of and the granting of the mortgages and security interests in the aforementioned collateral, and all other lawful taxes, impositions, fees, assessments and charges of every kind or nature, ordinary or extraordinary, general or special, foreseen or unforeseen, whether similar or dissimilar to any of the foregoing, and all applicable interest and penalties thereon, if any, that shall be or become due and payable and that shall be lawfully levied, assessed or imposed. Nothing contained herein shall be deemed to constitute an admission by the Mortgagor to any third party other than the Mortgagee that the Mortgagor is liable for, or its properties are subject to, any tax, charge, fee, rate, imposition or assessment.

12. Events of Mortgage Default. Each of the following events is hereby declared an "Event of Mortgage Default":

(a) The occurrence of an Event of Default under the Indenture; or

(b) The Mortgagor shall fail to make full and punctual payment of any sum due under the Indenture or this Mortgage when due, or to fully perform any of its other obligations under the Indenture or this Mortgage and such failure to perform its other obligations shall continue for thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Mortgagor by the Mortgagee.

Before the entry of final judgment or decree in any suit, action or proceeding instituted by the Mortgagee under the provisions of this Mortgage or the Indenture or before the completion of the enforcement of any other remedy under this Mortgage or the Indenture, the Mortgagee shall be permitted (with the consent of fifty-one percent (51%) of the Owners of Series 1998A Bonds and any Parity Bonds then Outstanding, or if no Series 1998A Bonds and any Parity Bonds are then Outstanding, fifty-one percent (51%) of the Owners of Series 1998B Bonds then Outstanding) to discontinue such suit, action, proceeding or enforcement of any remedy if, in its opinion, any default forming the basis of such suit, action, proceeding or enforcement of any remedy shall have been remedied.

13. Remedies on Default. In the event any of the Indebtedness shall at the time be outstanding and unpaid and provision for the payment thereof shall not have been made in accordance with the provisions of the Indenture or whenever any Event of Mortgage Default shall have happened and be subsisting, the Mortgagee may take any one or more of the following remedial steps, and shall take one or more of the following remedial steps if (1) directed by the Controlling Series 1998A Bondholder or the Holders of a majority in aggregate principal amount of the Series 1998A Bonds, or (2) if the Series 1998A Bonds and any Parity Bonds are no longer outstanding, directed by the Owners of the majority in aggregate principal amount of the Series 1998B Bonds:

(a) Declare all amounts payable under the Indenture (provided that any such declaration shall be consistent with the provisions of the Indenture with respect to the Series

1998A Bonds, any Parity Bonds and the Series 1998B Bonds), to be immediately due and payable, whereupon the same shall become immediately due and payable;

(b) Foreclose on this Mortgage, enter into possession of the Mortgaged Property or any part thereof without notice or demand and sell or lease the Mortgaged Property or any part thereof for the account of the Mortgagor, holding the Mortgagor liable for the difference between the amounts received and the amounts payable by the Mortgagor under the Indenture and hereunder;

(c) Inspect, examine and make copies of the books and records and any and all accounts and data of the Mortgagor relating to the use and operation of the Mortgaged Property;

(d) Take all other actions and pursue all other remedies available under any other contract or agreement or otherwise by statute, at law or in equity, whether or not inconsistent with the foregoing, that may appear necessary or appropriate to collect the sums then due and thereafter to become due from the Mortgagor by reason of this Mortgage or the Indenture, or to enforce specific performance and observance of any obligation, agreement or covenant of the Mortgagor thereunder; and

(e) Take or exercise all rights and remedies granted a secured party by the Florida Uniform Commercial Code.

14. Power and Authority. In order to further and more fully secure the payment of the Indebtedness upon the happening of any Event of Mortgage Default as herein provided, the Mortgage hereby authorizes and permits the Mortgagee for and on its behalf and on behalf of and in the name of the Owners of the Series 1998A Bonds, to foreclose the Mortgagor's interest in the Mortgaged Property by foreclosure in the manner provided by the Florida Statues, which remedy shall be in addition to the other remedies provided in any other applicable provisions of this Mortgage and the Indenture.

15. No Remedy Exclusive; Etc. No remedy herein conferred upon or reserved to the Mortgagee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Mortgage and the Indenture now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time; and as often as may be deemed expedient. In order to entitle the Mortgagee to exercise any remedy reserved to it, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. Such rights and remedies given hereunder shall extend fully to the Mortgagee, and the Owners of the Series 1998A Bonds and any Parity Bonds and the Series 1998B Bonds (to the extent provided in the Indenture) shall be deemed third party beneficiaries of all covenants and agreements herein contained, the enforcement of which is subject, however, to all of the terms and conditions set forth in this Mortgage and the Indenture. In the event any agreement

contained in this Mortgage should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

16. Agreement to Pay Attorneys' Fees and Expenses. If the Mortgagor defaults under any of the provisions of this Mortgage and the Mortgagee should employ attorneys or incur other expenses for the collection of the Indebtedness or the enforcement of performance or observance of any obligation or agreement of the Mortgagor herein contained, or enforcement of the Mortgagee's rights hereunder (including foreclosure or other litigation expenses), the amount thereof shall become part of the Indebtedness secured hereby, shall become immediately due and payable, and shall bear interest at the maximum lawful rate, and the Mortgagor agrees that it will on demand therefor pay to the Mortgagee all other expenses incurred by the Mortgagee and the reasonable fees of such attorneys (including fees on appeal and in connection with any bankruptcy proceedings).

17. Release or Satisfaction. Whenever there is no outstanding Indebtedness secured hereby , the Mortgagee shall, on written demand by the Mortgagor, give a release or satisfaction hereof in recordable form.

18. Further Assurances. The Mortgagor shall, at its expense, promptly and duly execute, acknowledge and deliver to the Mortgagee such further documents, and take such further action as may from time to time be reasonably required or requested by the Mortgagee in order more effectively to carry out the intent and purposes of this Mortgage, the Indenture and other instruments contemplated thereby or hereby.

19. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given (i) on the day given if hand delivered to the address below, or (ii) on the third day following the day on which the same have been mailed by certified or registered mail, postage prepaid, addressed as follows:

If to the Mortgagor: Leon County Educational Facilities Authority
3263 Robinhood Road
Tallahassee, Florida 32312
Attention: Executive Director

If to the Mortgagee: SunTrust Bank, Central Florida, National Association, as trustee
225 E. Robinson Street, Suite 350
Orlando, Florida 32801
Attention: Corporate Trust Department

The Mortgagor and the Mortgagee may, by notice given hereunder, designate any further or different addresses to which subsequent notice, certificates or other communications shall be sent.

20. General Provisions. The singular shall include the plural and any gender shall be applicable to all genders when the context permits or implies. If the Mortgagor sells or transfers the Mortgaged Property, the Mortgagee may deal with the successor or successors in interest without in any way discharging or reducing the Mortgagor's liability for the Mortgagor's obligations secured hereby. The terms Mortgagor and Mortgagee shall extend to and include their respective legal representatives, successors and assigns. Any agreement hereafter made by the Mortgagor and the Mortgagee pursuant to this Mortgage shall be superior to the rights of the holder of any intervening lien or encumbrance. Time is of the essence.

IN WITNESS WHEREOF, the Mortgagor has executed this Mortgage as of the 1st day of May, 1998.

MORTGAGOR:

Signed in the presence of:

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY

_____
(name) _____

By: _____
Bob Kellam
Chairman
3263 Robinhood Road
Tallahassee, FL 32312

_____
(name) _____
Two Witnesses

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APPENDIX C

SOUTHGATE RESIDENCE HALL

TALLAHASSEE, FLORIDA

Marshall & Stevens Incorporated

Marshall & Stevens
INCORPORATED
Valuation and Financial Consultants
13902 N. Dale Mabry, Suite 122, Tampa, FL 33618-2424 • 813.962.7888 • FAX 813.963.2251

November 12, 1997

File Reference: 40-1240-RE.doc

Leon County Educational Facilities Authority
3263 Robin Hood Road
Tallahassee, Florida 32312

Gentlemen:

On September 8, 1997, we were engaged by William R. Hough & Company, the financial advisor to the Leon County Educational Facilities Authority, to review the cash flow projections for the Southgate Residence Hall project at Florida State University. This review was to issue our opinion of the fairness of the cash flows in relation to issuance of tax-exempt development bonds.

Marshall & Stevens, Incorporated has provided consulting and expert opinion of college and university campus properties, and multi-family and general-purpose properties, to name a few. The scope of our analysis consisted of the following:

1. Consulting with American Campus Lifestyles Companies, L.L.C. (ACLC) in Austin, Texas to review their financial projections and the assumptions with regard to each category;

2. Inspection of the land and improvements and to assess the condition of the improvements;

3. Inspection of comparable residence hall/dining facility properties and consulting with on-site management;

4. Review of the Florida State University 20-year Plan;

5. Meeting with Florida State University Registrar and Admissions counselors, the Office of Housing and Residence Life, the university foodservice contractor (Marriott), and Physical Plant Department;

6. Research and analysis of historical and projected trends with regard to enrollment, tuition, and on- and off-campus housing at Florida State University;

Atlanta • Boston • Chicago • Dallas • Detroit • Fairfield • Houston • Los Angeles • Minneapolis • New York • Philadelphia • San Francisco • St. Louis • Tampa

7. Analysis of the demographics of Tallahassee City, Leon County, and State of Florida in relation to Florida public high school graduates from 1969 and projected through 2010;

8. Review of American Campus Lifestyles Companies projections to their assumptions, and the market place.

The analysis of the cash flow projections has been made considering the following assumptions:

1. The total rent at Southgate Hall is a bulk rate which does not distinguish between room and foodservice revenue; the cash flow distribution of room and foodservice revenue appears to be reasonable and is consistent with industry trends and surveys;

2. Revenue will grow at 5% annually during the 30-year projection period. This growth rate is based upon 1) a historical reduction in on- and off-campus housing in relationship to the number of incoming freshmen, 2) only one new residence hall planned within the next ten years, 3) 36% projected increase in the number of high school graduates in the State of Florida between 1997 and 2007, 4) historical and projected increase in the overall population for Tallahassee, Leon County, and the State of Florida, 5) surveyed industry trends;

3. Expenses are projected to grow at 3% annually during the projection period. This rate is based upon 1) competitive market surveys 2) historical operating trends, and 3) projected growth in CPI;

4. Our field investigation, which included an inspection of the subject property, occurred on September 29 and 30, 1997. By analyzing observed trends, we have projected conditions as of today for the next 30 years; however, we assume no responsibility for changes in the subject property or in market conditions subsequent to, or unforeseen at, the time of our field investigation.

With respect to the assumptions described herein and financial projections attached hereto, we are of the opinion that they are a reasonable and fair reflection of the potential cash flow for Southgate Residence Hall over the period projected.

Possession of this opinion letter, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by a person other than the party to whom it is addressed without the written consent of Marshall & Stevens Incorporated, and in any event, only with proper written qualification; it must also appear in its entirety. This opinion letter may be relied upon by the parties to which it is addressed and may be cited or referred to by those parties for purposes stated herein.

Very truly yours,

MARSHALL & STEVENS INCORPORATED

Marshall & Stevens Incorporated

WFS/sp

PR 31

Southlake Campus Centre
Thirty Year Projection of Income & Expenses

	1	2	3	4	5	6	7	8	9	10
RENTAL DEPARTMENT	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007
REVENUE	2,952,103	3,099,708	3,365,613	3,533,894	3,710,588	3,896,118	4,090,924	4,295,470	4,510,243	4,735,756
PAYROLL EXPENSE	237,714	244,845	252,191	259,756	267,549	275,576	283,843	292,358	301,129	310,163
OTHER EXPENSE	189,700	195,391	204,801	210,945	217,274	223,792	230,506	237,421	244,544	251,880
TOTAL RENTAL EXPENSE	427,414	440,237	456,992	470,702	484,823	499,368	514,349	529,779	545,672	562,043
TOTAL RENTAL PROFIT	2,524,689	2,659,472	2,908,621	3,063,192	3,225,766	3,396,750	3,576,575	3,765,691	3,964,571	4,173,713
FOOD DEPARTMENT										
REVENUE	1,090,553	1,145,081	1,244,146	1,306,353	1,371,671	1,440,254	1,512,267	1,587,880	1,667,274	1,750,638
FOOD COST	503,337	518,437	556,693	573,393	590,595	608,313	626,562	645,359	664,720	684,662
PAYROLL EXPENSE	410,662	422,982	420,259	432,867	445,853	459,228	473,005	487,196	501,811	516,866
OTHER EXPENSE	41,425	42,668	43,948	45,266	46,624	48,023	49,464	50,948	52,476	54,050
TOTAL FOOD DEPT EXP	955,424	984,087	1,020,899	1,051,526	1,083,072	1,115,564	1,149,031	1,183,502	1,219,007	1,255,578
TOTAL FOOD DEPT PROF	135,129	160,994	223,246	254,827	288,598	324,690	363,236	404,378	448,267	495,061
OTHER REVENUE										
REVENUE	46,725	49,061	51,514	54,090	56,795	59,634	62,616	65,747	69,034	72,486
TL OTHER DEPT PROFIT	46,725	49,061	51,514	54,090	56,795	59,634	62,616	65,747	69,034	72,486
TOTAL REVENUE	4,089,381	4,293,850	4,661,273	4,894,337	5,139,054	5,396,006	5,665,807	5,949,097	6,246,552	6,558,080
DEPT. OPERATING EXP	1,382,838	1,424,323	1,477,892	1,522,228	1,567,895	1,614,932	1,663,380	1,713,281	1,764,680	1,817,620
DEPT. INCOME	2,706,543	2,869,527	3,183,382	3,372,109	3,571,159	3,781,074	4,002,427	4,235,816	4,481,872	4,741,259
UNDIST OPERATING EXP										
GEN&ADMN PAYROLL EXP	189,084	194,756	200,599	206,617	212,815	219,200	225,776	232,549	239,525	246,711
GEN&ADMN OTHER EXP	384,875	396,421	412,748	425,131	437,885	451,021	464,552	478,488	492,843	507,628
MANAGEMENT FEES	216,733	222,733	229,415	236,298	243,387	250,688	258,209	265,955	273,934	282,152
LCEFA ADMIN FEE	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000
MARKETING PAYROLL	46,829	48,234	49,681	51,171	52,707	54,288	55,916	57,594	59,322	61,101
MARKETING EXPENSE	97,520	100,446	103,459	106,563	109,760	113,052	116,444	119,937	123,535	127,241
UTILITY/ENERGY EXP	318,869	328,435	349,803	360,297	371,106	382,239	393,706	405,517	417,683	430,213
REPAIR/MAINT PAYROLL	104,677	107,817	111,052	114,383	117,815	121,349	124,990	128,739	132,602	136,580
REP/MAINT OTHER EXP	119,350	122,931	126,618	130,417	134,329	138,359	142,510	146,785	151,189	155,725
TOTAL UNDIST EXPENSE	1,513,936	1,557,773	1,619,375	1,666,876	1,715,803	1,766,197	1,818,103	1,871,566	1,926,633	1,983,352
NET OPERATING INCOME	**1,192,607**	**1,311,755**	**1,564,007**	**1,705,232**	**1,855,356**	**2,014,878**	**2,184,324**	**2,364,250**	**2,555,240**	**2,757,908**
INCENTIVE MGMNT FEE	79,981	108,235	168,542	202,101	237,796	250,688	258,209	265,955	273,934	282,152
RESERVES	122,681	128,816	139,838	146,830	154,172	161,880	169,974	178,473	187,397	196,766
INCOME AFTER RESERVES	**989,944**	**1,074,704**	**1,255,626**	**1,356,302**	**1,463,388**	**1,602,309**	**1,756,141**	**1,919,822**	**2,093,909**	**2,278,989**

NOTE: Because these financial projections are based upon estimates and assumptions which are inherently subject to uncertainty and variation depending upon evolving events, we do not represent them as results which will actually be achieved

Marshall & Stevens Incorporated

SouthGate Campus Centre
Thirty Year Projection of Income & Expenses

RENTAL DEPARTMENT	11 2007/2008	12 2008/2009	13 2009/2010	14 2010/2011	15 20011/2012	16 2012/2013	17 2014/2015	18 2015/2016	19 2014/2015	20 2015/2016
REVENUE	4,972,543	5,221,171	5,482,229	5,756,341	6,044,158	6,346,365	6,663,684	6,996,868	7,346,711	7,714,047
PAYROLL EXPENSE	319,468	329,052	338,923	349,091	359,564	370,350	381,461	392,905	404,692	416,833
OTHER EXPENSE	259,436	267,219	275,236	283,493	291,998	300,758	309,780	319,074	328,646	338,506
TOTAL RENTAL EXPENS	578,904	596,271	614,159	632,584	651,561	671,108	691,241	711,979	733,338	755,338
TOTAL RENTAL PROFIT	4,393,640	4,624,900	4,868,070	5,123,757	5,392,596	5,675,257	5,972,442	6,284,889	6,613,373	6,958,709
FOOD DEPARTMENT										
REVENUE	1,838,170	1,930,079	2,026,582	2,127,912	2,234,307	2,346,022	2,463,324	2,586,490	2,715,814	2,851,605
FOOD COST	705,202	726,358	748,148	770,593	793,711	817,522	842,047	867,309	893,328	920,128
PAYROLL EXPENSE	532,372	548,343	564,793	581,737	599,189	617,165	635,680	654,750	674,393	694,624
OTHER EXPENSE	55,672	57,342	59,062	60,834	62,659	64,539	66,475	68,469	70,523	72,639
TOTAL FOOD DEPT EXP	1,293,245	1,332,042	1,372,004	1,413,164	1,455,559	1,499,225	1,544,202	1,590,528	1,638,244	1,687,391
TOTAL FOOD DEPT PRO	544,925	598,036	654,579	714,748	778,749	846,797	919,122	995,962	1,077,570	1,164,214
OTHER REVENUE										
REVENUE	76,110	79,916	83,911	88,107	92,512	97,138	101,995	107,095	112,449	118,072
TL OTHER DEPT PROFIT	76,110	79,916	83,911	88,107	92,512	97,138	101,995	107,095	112,449	118,072
TOTAL REVENUE	6,886,824	7,231,165	7,592,723	7,972,359	8,370,977	8,789,526	9,229,002	9,690,452	10,174,975	10,683,724
DEPT. OPERATING EXP	1,872,149	1,928,313	1,986,163	2,045,748	2,107,120	2,170,334	2,235,444	2,302,507	2,371,582	2,442,730
DEPT. INCOME	5,014,675	5,302,851	5,606,560	5,926,612	6,263,857	6,619,192	6,993,559	7,387,945	7,803,393	8,240,994
UNDIST OPERATING EXP										
GEN&ADMN PAYROLL EX	254,113	261,736	269,588	277,676	286,006	294,586	303,424	312,526	321,902	331,559
GEN&ADMN OTHER EXP	522,857	538,543	554,699	571,340	588,480	606,135	624,319	643,048	662,340	682,210
MANAGEMENT FEES	290,616	299,335	308,315	317,564	327,091	336,904	347,011	357,422	368,144	379,189
LCEFA ADMIN FEE	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000
MARKETING PAYROLL	62,934	64,823	66,767	68,770	70,833	72,958	75,147	77,401	79,724	82,115
MARKETING EXPENSE	131,059	134,990	139,040	143,211	147,508	151,933	156,491	161,186	166,021	171,002
UTILITY/ENERGY EXP	443,119	456,413	470,105	484,209	498,735	513,697	529,108	544,981	561,330	578,170
REPAIR/MAINT PAYROLL	140,677	144,897	149,244	153,722	158,333	163,083	167,976	173,015	178,205	183,552
REP/MAINT OTHER EXP	160,398	165,208	170,165	175,269	180,528	185,943	191,522	197,267	203,185	209,281
TOTAL UNDIST EXPENSE	2,041,772	2,101,945	2,163,924	2,227,761	2,293,514	2,361,240	2,430,997	2,502,847	2,576,852	2,653,070
NET OPERATING INCOM	2,972,903	3,200,906	3,442,637	3,698,850	3,970,343	4,257,953	4,562,562	4,885,099	5,226,541	5,587,916
INCENTIVE MGMNT FEE	290,616	299,335	308,315	317,564	327,091	336,904	347,011	357,422	368,144	379,189
RESERVES	206,605	216,935	227,782	239,171	251,129	263,686	276,870	290,714	305,249	320,512
INCOME AFTER RESERV	2,475,681	2,684,636	2,906,540	3,142,115	3,392,122	3,657,363	3,938,680	4,236,963	4,553,147	4,888,216

NOTE: Because these financial projections are based upon estimates and assumptions which are inherently subject to uncertainty and variation depending upon evolving events, we do not represent them as results which will actually be achieved.

SouthGate Campus Centre
Thirty Year Projection of Income & Expenses

RENTAL DEPARTMENT	21 2016/2017	22 2017/2018	23 2018/2019	24 2019/2020	25 2020/2021	26 20021/2022	27 2022/2023	28 2024/2025	29 2025/2026	30 2024/2025
REVENUE	8,099,749	8,504,737	8,929,974	9,376,472	9,845,296	10,337,561	10,854,439	11,397,161	11,967,019	12,565,370
PAYROLL EXPENSE	429,338	442,218	455,484	469,149	483,223	497,720	512,652	528,031	543,872	560,188
OTHER EXPENSE	348,661	359,121	369,894	380,991	392,421	404,193	416,319	428,809	441,673	454,923
TOTAL RENTAL EXPENS	777,998	801,338	825,378	850,140	875,644	901,913	928,971	956,840	985,545	1,015,111
TOTAL RENTAL PROFIT	7,321,751	7,703,398	8,104,595	8,526,332	8,969,652	9,435,647	9,925,468	10,440,321	10,981,474	11,550,258
FOOD DEPARTMENT										
REVENUE	2,994,185	3,143,895	3,301,089	3,466,144	3,639,451	3,821,423	4,012,495	4,213,119	4,423,775	4,644,964
FOOD COST	947,732	976,164	1,005,449	1,035,612	1,066,681	1,098,681	1,131,641	1,165,591	1,200,558	1,236,575
PAYROLL EXPENSE	715,463	736,927	759,035	781,806	805,260	829,418	854,300	879,929	906,327	933,517
OTHER EXPENSE	74,818	77,063	79,375	81,756	84,208	86,735	89,337	92,017	94,777	97,621
TOTAL FOOD DEPT EXP	1,738,013	1,790,153	1,843,858	1,899,174	1,956,149	2,014,833	2,075,278	2,137,537	2,201,663	2,267,713
TOTAL FOOD DEPT PRO	1,256,172	1,353,741	1,457,231	1,566,970	1,683,302	1,806,590	1,937,216	2,075,583	2,222,112	2,377,251
OTHER REVENUE										
REVENUE	123,975	130,174	136,683	143,517	150,693	158,227	166,139	174,446	183,168	192,326
TL OTHER DEPT PROFIT	123,975	130,174	136,683	143,517	150,693	158,227	166,139	174,446	183,168	192,326
TOTAL REVENUE	11,217,910	11,776,605	12,367,746	12,986,133	13,635,439	14,317,211	15,033,072	15,784,726	16,573,962	17,402,660
DEPT. OPERATING EXP	2,516,011	2,591,492	2,669,236	2,749,314	2,831,793	2,916,747	3,004,249	3,094,377	3,187,208	3,282,824
DEPT. INCOME	8,701,898	9,187,314	9,698,509	10,236,819	10,803,647	11,400,465	12,028,823	12,690,349	13,386,754	14,119,836
UNDIST OPERATING EXP										
GEN&ADMN PAYROLL EX	341,506	351,751	362,304	373,173	384,368	395,899	407,776	420,009	432,610	445,588
GEN&ADMN OTHER EXP	702,676	723,756	745,469	767,833	790,868	814,594	839,032	864,203	890,129	916,833
MANAGEMENT FEES	390,564	402,281	414,350	426,780	439,584	452,771	466,354	480,345	494,755	509,598
LCEFA ADMIN FEE	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000
MARKETING PAYROLL	84,579	87,116	89,730	92,421	95,194	98,050	100,991	104,021	107,142	110,356
MARKETING EXPENSE	176,132	181,416	186,858	192,464	198,238	204,185	210,311	216,620	223,119	229,812
UTILITY/ENERGY EXP	595,516	613,381	631,782	650,736	670,258	690,366	711,077	732,409	754,381	777,013
REPAIR/MAINT PAYROLL	189,058	194,730	200,572	206,589	212,787	219,170	225,745	232,518	239,493	246,678
REP/MAINT OTHER EXP	215,559	222,026	228,687	235,548	242,614	249,892	257,389	265,111	273,064	281,256
TOTAL UNDIST EXPENSE	2,731,590	2,812,458	2,895,752	2,981,544	3,069,910	3,160,928	3,254,676	3,351,236	3,450,693	3,553,134
NET OPERATING INCOM	5,970,308	6,374,856	6,802,758	7,255,275	7,733,736	8,239,537	8,774,147	9,339,113	9,936,061	10,566,702
INCENTIVE MGMNT FEE	390,564	402,281	414,350	426,780	439,584	452,771	466,354	480,345	494,755	509,598
RESERVES	336,537	353,364	371,032	389,584	409,063	429,516	450,992	473,542	497,219	522,080
INCOME AFTER RESERV	5,243,207	5,619,210	6,017,376	6,438,911	6,885,089	7,357,250	7,856,801	8,385,227	8,944,087	9,535,025

NOTE: Because these financial projections are based upon estimates and assumptions which are inherently subject to uncertainty and variation depending upon evolving events, we do not represent them as results which will actually be achieved.

Marshall & Stevens Incorporated

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APPENDIX D

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY

SOUTHGATE FUND FINANCIAL STATEMENTS

SEPTEMBER 30, 1997

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
SOUTHGATE FUND
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SEPTEMBER 30, 1997

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INDEPENDENT AUDITORS' REPORT

To the Authority Members,
Leon County Educational Facilities Authority:

We have audited the accompanying balance sheet of the Southgate Fund - Enterprise Fund of Leon County Educational Facilities Authority as of September 30, 1997, and the related statements of revenues, expenses, and changes in retained deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Leon County Educational Facilities Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note I.A, the financial statements referred to above present only the financial activities of the Southgate Fund and are not intended to present fairly the financial position of Leon County Educational Facilities Authority, and the results of its operations and cash flows in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Southgate Fund - Enterprise Fund of Leon County Educational Facilities Authority as of September 30, 1997, and the changes in its retained deficit and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with ***Government Auditing Standards***, we have also issued our report dated February 13, 1998, on our consideration of Leon County Educational Facilities Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

As discussed in Note II.F, the Southgate Fund of Leon County Educational Facilities Authority has sustained substantial losses since the Fund's inception. In addition to these losses, the Fund has been unable to make the required interest payments due on the 1991 Certificates of Participation. The financial statements do not include any adjustments relating to the amounts and classification of assets and liabilities (except for the classification of the 1991 and 1993 Certificates of Participation as discussed in Note II.C) that might be necessary if the Southgate Fund of Leon County Educational Facilities Authority is not able to develop a management plan, acceptable to its creditors and/or bond refunding, that is successful in meeting its debt obligations as they come due.

James Moore & Co.

Tallahassee, Florida
February 13, 1998

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LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
SOUTHGATE FUND
BALANCE SHEET
SEPTEMBER 30, 1997

ASSETS, SUBSTANTIALLY PLEDGED

Current assets	
Cash and cash equivalents	$ 12,933
Investments	118,610
Accounts receivable, less allowance for doubtful accounts $133,726	1,517,202
Inventories	23,762
Total current assets	1,672,507
Fixed assets, net of accumulated depreciation and amortization of $2,667,498	20,436,004
Other assets	
Debt issue costs, net of accumulated amortization of $555,938	203,661
Organizational costs, net of accumulated amortization of $817	-
Utility deposit	1,000
Prepaid expenses	579
Total other assets	205,240
Total Assets	$ 22,313,751

LIABILITIES AND RETAINED DEFICIT AND OTHER CREDITS

Current liabilities	
Accounts payable and accrued expenses	$ 295,641
Current portion of lease contract payable	8,952
Deferred revenue	2,457,892
Accrued interest payable	8,350,171
Security deposits payable	66,033
Certificates of Participation, Series 1991	24,235,000
Certificates of Participation, Series 1993	1,200,000
Total current liabilities	36,613,689
Long-term debt	
Lease contract payable	2,425
Retained deficit and other credits	
Contributed capital	584,517
Retained deficit	(14,886,880)
Total retained deficit and other credits	(14,302,363)
Total Liabilities and Retained Deficit and Other Credits	$ 22,313,751

The accompanying notes to financial statements are an integral part of this statement.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
SOUTHGATE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED DEFICIT
FOR THE YEAR ENDED SEPTEMBER 30, 1997

	Enterprise Fund
Operating revenues	$ 3,156,040
Operating expenses	
Administrative fee	36,000
Advertising	79,328
Amortization	222,759
Bad debts	133,726
Cleaning and supplies	36,718
Commissions	8,001
Cost of food	473,284
Depreciation	584,737
Employee benefits	222,875
Equipment rental	2,498
Licenses, taxes and fees	112,924
Management fee	208,405
Miscellaneous	5,421
Office expense	40,120
Payroll	722,226
Professional and legal	155,170
Property insurance	35,643
Repairs and maintenance	113,791
Security	66,767
Telephone	209,465
Travel and relocation	7,686
Utilities	375,501
Total operating expenses	3,853,045
Operating loss	(697,005)
Nonoperating expenses	
Interest expense	(2,228,198)
Net loss	(2,925,203)
Retained deficit, beginning of year, as previously reported	(11,814,657)
Prior-period adjustment	(147,020)
Retained deficit, beginning of year, as restated	(11,961,677)
Retained deficit, end of year	$ (14,886,880)

The accompanying notes to financial statements are an integral part of this statement.

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LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
SOUTHGATE FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 1997
Increase (Decrease) in Cash and Cash Equivalents

	Enterprise Fund
Cash flows from operating activities	
Cash received from residents	$ 3,311,459
Cash paid to suppliers	(2,717,763)
Net cash provided by operating activities	593,696
Cash flows from capital and related financing activities	
Contributed capital	256,434
Purchases and construction of fixed assets	(538,097)
Principal payments on lease contract payable	(7,862)
Interest paid	(587,047)
Net cash used in capital and related financing activities	(876,572)
Cash flows from investing activities	
Proceeds from sale of investments	290,514
Net increase in cash and cash equivalents	7,638
Cash and cash equivalents, beginning of year	5,295
Cash and cash equivalents, end of year	$ 12,933
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	$ (697,005)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Amortization	222,759
Depreciation	584,737
Changes in assets and liabilities:	
Decrease in inventories	585
Increase in accounts payable and accrued expenses	208,285
Increase in security deposits payable	15,804
Increase in deferred revenue	468,693
Decrease in tenant refunds	(21,442)
Decrease in prepaid assets	24,554
Increase in accounts receivable	(213,274)
Total adjustments	1,290,701
Net cash provided by operating activities	$ 593,696

The accompanying notes to financial statements are an integral part of this statement.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
SOUTHGATE FUND
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1997

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Leon County Educational Facilities Authority (the "Authority") is a public instrumentality created by the Higher Educational Facilities Authorities Law, Chapter 69-345, Laws of Florida, 1969 (Chapter 243, Part II, Florida Statutes), as revised and amended, to assist institutions of higher education within Leon County in the construction, financing or refinancing of projects (structures and machinery and equipment related to the operation of the structure) required or useful for the instruction of students or the operation of an institution of higher education.

The Southgate Fund was created to record the transactions related to the purchase and operation of a student housing project (Southgate Campus Centre) that was constructed under financing provided by the issuance of Certificates of Participation. The financial statements present only the financial position and results of operations of the Southgate Fund - Enterprise Fund and do not include the Townhouses Fund - Enterprise Fund nor the Administrative Fund - Enterprise Fund. Information related to the omitted funds is as follows:

	Townhouses Fund As of and for the Year Ended September 30, 1997	Administrative Fund As of and for the Year Ended September 30, 1997
Assets	$ 3,558,526	$ 67,677
Liabilities	3,880,489	-
Revenues	447,603	41,969
Expenses, including depreciation and amortization of $85,865 and $-, respectively	506,754	48,429

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Authority are organized and operated on the fund basis. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The Authority has the following fund type:

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Authority applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations. Proprietary funds include the following fund types:

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
SOUTHGATE FUND
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1997

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

C. Assets, Liabilities and Equity

1. *Deposits and Investments*

The Southgate Fund cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Southgate Fund to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and State Investment Pools.

Investments are stated at amortized cost.

2. *Inventories and Prepaid Expenses*

Inventories are valued at cost using the first-in/first-out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

3. *Fixed Assets*

Fixed assets are recorded at cost. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Fixed assets are depreciated using the straight-line method, over the following estimated useful lives:

Assets	Years
Building	40
Furniture, fixtures and equipment	5 - 10

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
SOUTHGATE FUND
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1997

4. *Long-term Debt*

Certificates of participation premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the certificates of participation using the effective interest method. Certificates of participation are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges.

5. *Other Assets*

Other assets include $203,661 of unamoritized certificates of participation costs which relate to the issuance of the Certificates of Participation, Series 1991 and Series 1993. The original certificates of participation issue costs of $720,513 and $39,086, respectively are being amortized using the straight-line method over the term of the certificates of participation issue (23 and 20 years, respectively).

II. DETAILED NOTES ON ALL FUND AND ACCOUNT GROUPS

A. Deposits and Investments

At year end, the Southgate Fund's carrying amount of deposits was $9,883 and the bank balance was $115,759. Of the bank balance, the Southgate Fund's deposits are entirely covered by Federal depository insurance or by collateral held by the Southgate Fund's custodial bank which is pledged to a state trust fund that provides security for amounts held in excess of FDIC coverage.

B. Fixed Assets

The following is a summary of fixed assets at September 30, 1997:

Land, at cost	$ 2,400,000
Buildings, at cost	15,927,055
Furniture, fixtures and equipment, at cost	4,776,447
	23,103,502
Less: Accumulated depreciation and amortization	(2,667,498)
Totals	$ 20,436,004

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
SOUTHGATE FUND
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1997

C. Certificates of Participation (Also See Note D.)

In July, 1991, the Authority issued $24,235,000 in Senior Certificates of Participation (COPS) with respect to a Lease-Purchase Agreement entered into between SRH, Inc. (a Florida nonprofit corporation) and the Authority for purposes of financing the construction of a dormitory and parking garage know as Southgate Campus Centre (Southgate). The Trustee has entered into a Management Agreement with American Campus Lifestyles Management (Southgate), L.C. to operate the facility. SRH, Inc. has assigned all rights under the Lease-Purchase Agreement to SunBank, N.A. as Trustee. The Trustee holds funds from the issuance of the COPS and is responsible for handling all funds associated with Southgate including payment of principal and interest to certificate holders, collection and payment of operating expenses and maintenance of required reserve accounts pursuant to a Trustee Agreement between SRH, Inc., SunBank, N.A. and the Authority.

As security for the Certificates of Participation, the Authority irrevocably and unconditionally assigned all revenues from the operation of the facility to the Trustee for the benefit of the certificate holders until the COPS are paid in full. The COPS are not general obligations of the Authority, Leon County or the State of Florida but are limited obligations payable solely and only from revenues and other amounts derived from the operation of the facility. When the COPS are paid in full, the property will be owned unencumbered by the Authority. Should revenue from operations not be sufficient to make required principal and interest payments on the COPS, the Trustee can liquidate all assets of the Southgate Fund and distribute proceeds to the certificate holders.

The nature of this transaction is essentially the same as issuing revenue bonds to finance a construction project; and, accordingly, the COPS are accounted for as obligations and corresponding assets reflected under fixed assets in the accompanying balance sheet.

In order to ensure that the project's construction would be completed, the Authority issued $1,200,000 in supplemental 1993 Senior Certificates of Participation in January 1994. The proceeds of this issue are being handled in the same manner as the 1991 COPS, with SunBank, N.A., acting as Trustee.

The 1991 and 1993 Senior Certificates are not a general debt, liability or obligation of the Authority, the State of Florida, or any political subdivision or agency thereof, or a pledge of the faith and credit of the Authority, the State of Florida, or an political subdivision or agency thereof. The COPS are limited obligations payable solely from the revenues and assets of the Southgate Fund.

At September 30, 1997, the Southgate Fund had failed to make the required payments for the 1991 Senior Certificates and the 1993 Senior Certificate and was therefore in default. The terms of the indenture allow for an acceleration of the payment of the principal of the COPS if the Southgate Fund is in default. The certificate holders have neither called for such an acceleration nor have they issued a written waiver of the event of default. **Since no written waiver has been given, the 1991 and 1993 Senior Certificates have been classified as a current liability in the accompanying balance sheet.**

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
SOUTHGATE FUND
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1997

C. Certificates of Participation (Continued)

COPS payable consist of the following at September 30, 1997:

Certificates of participation Series 1991 (Southgate Residence Hall Project), dated July 25, 1991, (1991 Senior Certificates), with a maturity date of September 1, 2014, with interest at 9.00% due semiannually on March 1 and September 1 of each year commencing March 1, 1992. These COPS are subject to optional prepayment on any date on or after September 1, 2001, in whole or in part at the following redemption prices:

September 1, 2001 to August 31, 2004	105%
September 1, 2004 to August 31, 2007	104%
September 1, 2007 to August 31, 2010	103%
September 1, 2010 to August 31, 2012	102%
September 1, 2012 and thereafter	101%

The 1991 Senior Certificates are subject to mandatory prepayments at par on September 1 of each year beginning on September 1, 1995	$ 24,235,000
Certificates of Participation, Series 1993, (Southgate Residence Hall Project), dated January 12, 1994, (1993 Senior Certificates), with a maturity date of December 1, 1995, with interest at 3.75% due at maturity. These COPS are not subject to optional redemption.	1,200,000
Total COPS payable	$ 25,435,000

Maturities of long-term debt at September 30, 1997, were $25,435,000.

D. Contingencies

Subordinate Certificates of Participation

In connection with the 1991 Senior Certificates, the Authority issued $4,500,000 in Subordinate Certificates of Participation (COPS), Series 1991, bearing interest at 8.5%. These COPS were issued for services to the developer (Southgate Residence Hall, Inc.) in the amount of $4,000,000 and its financial advisors in the amount of $500,000.

The 1991 Subordinate Certificates will be paid only if revenues are sufficient after meeting all other obligations under the 1991 Senior Certificates and the 1993 Senior Certificates. Interest on the 1991 Subordinate Certificates was payable beginning September 1, 1993, with principal due at maturity on September 1, 2017. The Southgate Fund has not had funds available to make any payments as of September 30, 1997, nor does it appear that funds will become available in the near future. Accordingly, the 1991 Subordinate Certificates have not been recorded in these financial statements.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
SOUTHGATE FUND
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1997

D. Contingencies (Continued)

Should funds ever become available, the potential payments under the 1991 Subordinate Certificates would be:

Principal	$ 4,500,000
Interest	10,391,250
	$ 14,891,250

The 1991 Subordinate Certificates are not general obligations of the Authority, Leon County, or the State of Florida, but are limited obligations payable solely and only from revenues and other amounts derived from the operation of the facility.

E. Lease Contract Payable

The Southgate Fund has entered into a lease agreement as lessee to finance the acquisition of office equipment. This qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the net minimum lease payments at September 30, 1997:

Fiscal Year Ending September 30,	
1998	$ 9,911
1999	2,477
2000	-
2001	-
2002	-
Thereafter	-
Total minimum lease payments	12,388
Less: Amount representing interest	1,011
Present value of future minimum lease payments	$ 11,377

F. Going Concern

As shown in the accompanying financial statements, the Southgate Fund has incurred losses of $14,886,880 since inception. At September 30, 1997, the Fund's current liabilities exceeded its current assets by $34,941,182. Those factors, as well as the uncertain conditions that the Fund faces regarding its 1991 Senior Certificates (as discussed in Note II.C), create an uncertainty about the Fund's ability to continue as a going concern. The Authority is discussing strategies for addressing these problems with the company that manages the facility and with bond counsel. The ability of the Fund to continue as a going concern is dependent on the development of a management plan, its acceptance by the Fund's creditors the success of the plan and/or a refunding bond issue.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
SOUTHGATE FUND
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1997

G. Management Agreement

The Trustee, acting for the bondholder entered into an agreement with a company to provide dormitory management, retail space management, parking garage management and manual food services for the Southgate Fund. The agreement is for a term of 5 years commencing June 17, 1995, and terminating June 16, 2000, except that the Trustee has been granted the right and option to terminate the Agreement at any time on or after June 16, 1998, upon providing the Manager thirty days prior written notice of the Trustee's election to so terminate the Agreement. Within thirty days prior to the expiration of the original term, the Trustee may, at its election, renew the term of the Agreement for an additional five-year term, subject to the Trustee's right and option to terminate such additional five-year term after the three years thereof, in the same manner as stated above.

The management company shall be compensated in the form of a base compensation fee ("Based Management Fee") for management of the Property equal to (1) $8,500 per month for the period from August 1, 1995 to June 16, 1997, (2) $15,500 per month for the period from June 17, 1997 to June 16, 1997, (3) $18,000 per month for the period from June 17, 1997 to June 16, 1998, (4) $18,500 per month for the period from June 17, 1998 to June 16, 1999; and (5) $19,000 per month for the period from June 16, 1999 to June 16, 2000, with partial month's fees prorated on a per diem basis. Payment of the Base Management Fee will be made from the Operating Account monthly on or before the first day of each succeeding month during the term of the Agreement. Upon the termination of the Agreement on a day other than the last day of the calendar month, the Base Management Fee shall be prorated on a per diem basis for the remainder of the calendar month. In addition to the Base Management Fee, the Trustee has agreed to pay the Manager incentive fees ("Incentive Fees") in the following manner: The Incentive Fee for each academic year at the Property (i.e., from August 1 of each year through July 31 of the following year) shall be equal to five percent of the gross receipts derived from the operation of the Property during such academic year, but no event shall each academic year's Incentive Fee be greater than (1) an amount equal to the Base Management Fees paid to the Manager during such academic year, or (2) twenty-five percent of the Distributable Cash Flow for the Property during such applicable academic year. Incentive Fees shall be paid to the Manager annually upon completion of the annual audit on the date on or before 60 days after the end of the applicable academic year (or portion thereof) during the term of the Agreement.
The aggregate of the Base Management Fee and Incentive Fee paid to the Manager during such applicable period will not exceed the following amounts:

Period	Maximum Amount
• June 17, 1997 to June 16, 1998	$ 429,665
• June 17, 1998 to June 16, 1999	$ 443,532
• June 17, 1999 to June 16, 2000	$ 455,532

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LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
SOUTHGATE FUND
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1997

G. Management Agreement (Continued)

With respect to any construction/restoration projects at the Property equal to or exceeding $150,000 per project, the Manager shall be compensated for the supervision and coordination of the construction of improvements to the Property as well as for restoration activities due to fire, flood, hurricane, tornado, or other like occurrences and rehabilitation/renovation of the Property, including but not limited to roof repairs or replacement; major HVAC repair or replacement; major electrical system repair or replacement; and major parking lot and/or landscape improvement or repair, such compensation to be in an amount equal to 6% of gross construction and/or restoration expenditures, including fees of architects and engineers. In consideration for any additional services other than the services described above, and with the Trustee's prior approval, the Manager's time will be billed at $50.00 per hour.

H. Leases

Operating Leases. The Authority is committed under various leases for equipment. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended September 30, 1997, amounted to $5,522.

I. Contributed Capital

The changes in the Authority's contributed capital account is as follows:

Beginning balance, contributed capital	$	328,083
Contributing sources:		
Bondholder		256,434
Ending balance, contributed capital	$	584,517

J. Prior-Period Adjustment

Retained Deficit at October 1, 1996, has been adjusted to correct an error in recording capital contributions. Had the error not been made, net loss for 1996 would have been increased $147,020.

K. Litigation

The Authority is involved in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management these claims would not materially effect the financial position of the Authority.

JAMES MOORE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Authority Members,
Leon County Educational Facilities Authority:

We have audited the financial statements of Leon County Educational Facilities Authority, as of and for the year ended September 30, 1997, and have issued our report thereon dated February 13, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Leon County Educational Facilities Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Leon County Educational Facilities Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Leon County Educational Facilities Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe all of the reportable conditions described in the accompanying schedule of findings and questioned costs are material weaknesses.

This report is intended for the information of the audit committee, management, the Board of Directors, and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

James Moore & Co.

Tallahassee, Florida
February 13, 1998

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LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY
SOUTHGATE FUND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 1997

CURRENT YEAR FINDINGS

Security Deposits

The Southgate Campus Centre requires residents to pay security deposits prior to moving into the Centre. These security deposits are required by Florida Statutes 83.49 to be held separate from operating funds. During the 1997 fiscal year, the security deposit account was used to fund operations. This left an unfunded amount of $46,137 in the security deposit account.

STATUS OF PRIOR YEAR FINDINGS

The following findings from the prior year are still unresolved:

Trust Required Funds

Section 5.01 of the trust agreement authorizes the creation of a number of funds to be maintained by the Trustee. One fund is called the Rent Payment Fund, which is supposed to consist of six smaller funds: Unearned Portion, Earned Portion, Operation and Maintenance Account, Basic Rent Payment Account (with a 1993 subaccount), Subordinate Rent Payment Account, and Operation and Maintenance Reserve Account. The Trustee only established two of these accounts: the Rent Payment and Reserve accounts. The smaller subaccounts have not been created.

Trust Required Payments

Section 5.04.3 of the trust agreement sets forth a number of payments that are required to be made from the Earned Portion of the Rent Account to other accounts. These payments are scheduled on a regular monthly basis and involve a number of the subaccounts under the Rent Payment Fund. Since most of these subaccounts were never established and since the Southgate Fund has been operating under financial deficits, these required payments were not made.

Certificates of Participation Reserve Requirements

The Southgate Fund is required to maintain three separate reserve accounts called the Reserve account, the Operation and Maintenance Reserve Account and the Renewal and Replacement Reserve Account. Each reserve account has a different required level of funding. The Southgate Fund has been unable to maintain these reserve funds at the required levels because of the significant losses sustained to date.

1991 and 1993 Senior Certificates of Participation Default

Since September 30, 1994, the Southgate Fund has failed to make required payments on the 1991 and 1993 Senior Certificates and is therefore in default. The terms of the indenture allow for an acceleration of the payment of the principal of the Certificates of Participation if the Southgate Fund is in default. The certificate-holders have neither called for such an acceleration nor have they issued a written waiver of the event of default.

Detailed Asset Records

A detailed fixed asset ledger in support of values recorded in the general ledger provides effective accounting control over these assets, and provides information which is extremely helpful for insurance, and other accounting purposes. In addition, these ledgers give management the complete details for any item of fixed assets by reference to the asset card. Moreover, assets can be conveniently grouped by location, type of equipment, responsibility of custody, methods of depreciation, etc. We believe that once the detailed fixed asset ledger has been set up, time required to maintain it thereafter will not add appreciably to the present work load and will improve asset management and utilization.

Periodic Check of Physical Existence of Fixed Assets

Our review indicated a physical inventory of equipment had been taken but was not reconciled to general ledger. To provide effective accountability over fixed assets owned and assure reliability of records, a physical inventory of equipment should be taken at least biannually and reconciled back to the general ledger. An inventory of fixed assets can be scheduled on a rotating basis so each location is inventoried at reasonable time intervals and appropriate disposition made of account balance representing lost or abandoned equipment.

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APPENDIX E

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APPENDIX F

FORM OF OPINION OF CO-BOND COUNSEL

[Closing Date]

Leon County Educational Facilities Authority
Tallahassee, Florida

Re: $12,000,000 Leon County Educational Facilities Authority Revenue Refunding Bonds (Southgate Residence Hall Project) Series 1998A

Ladies and Gentlemen:

We have examined certified copies of proceedings of the Leon County Educational Facilities Authority (the "Authority") and other information and documents submitted to us relative to the issuance and sale by the Authority of its Leon County Educational Facilities Authority Revenue Refunding Bonds (Southgate Residence Hall Project), Series 1998A in the aggregate principal amount of $12,000,000 (the "Bonds") and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we also have relied upon certain representations of fact and certificates made by the Authority, the Trustee and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us and have assumed the genuineness of the signatures on all documents reviewed by us.

The Bonds have been issued pursuant to the authority contained in Part II, Chapter 243, Florida Statutes, a resolution of the Board of Commissioners of Leon County adopted on July 17, 1990 establishing the Authority and an Indenture of Trust dated as of May 1, 1998 (the "Indenture"), by and between the Authority and SunTrust Bank, Central Florida, National Association, as Trustee. All capitalized terms not defined herein have the meaning set forth in the Indenture. Simultaneous with the issuance of the Bonds, the Authority is also issuing its $20,500,000 Leon County Educational Facilities Authority Subordinated Revenue Refunding Bonds (Southgate Residence Hall Project) Series 1998B under the Indenture secured by a pledge of Pledged Revenues (as defined in the Indenture) subordinate to that of the Bonds.

Based upon our examination of all of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

(1) The Bonds have been duly and validly authorized, executed and delivered by the Authority and are legal, valid and binding special obligations of the Authority, secured and payable solely from Pledged Revenues and other sources as and to the extent provided for in the Indenture.

(2) The Indenture has been duly authorized by the Authority and constitutes the valid and legally binding obligation of the Authority and is enforceable against the Authority in accordance with its terms.

(3) The Indenture creates a valid pledge of that which the Indenture purports to pledge, in accordance with the provisions of the Indenture.

(4) The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain investment, rebate and related requirements which must be met subsequent to the delivery of the Bonds for the interest received by the owners of the Bonds to be and remain excluded from gross income for purposes of federal income taxation. Noncompliance with such requirements could cause the interest on the Bonds to be subject to federal income taxation retroactive to the date of delivery of the Bonds. The Authority has covenanted to comply with the requirements of the Code. Assuming compliance with the aforementioned covenant, we are of the opinion that, under existing statutes, regulations, rulings and court decisions, the interest on the Bonds is excluded from the gross income of the owners thereof for purposes of federal income taxation. We are further of the opinion that under existing statutes, regulations, rulings and court decisions, the Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code, and therefore, interest on the Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. We observe, however, that interest on the Bonds received by corporations will be included in corporate adjusted current earnings, a portion of which may increase the alternative minimum taxable income of such corporations to the extent that such interest is taken into account in determining the adjusted current earnings of such corporations (75 percent of the excess, if any, of such adjusted current earnings over the alternative minimum taxable income being an adjustment to alternative minimum taxable income (determined without regard to such adjustment or to the alternative tax net operating loss deduction)). Although the interest on the Bonds is excluded from gross income for purposes of federal income taxation, the accrual or receipt of interest on the Bonds, or any portion thereof, may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend on the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

(5) The Bonds and the interest thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations as defined therein.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,

APPENDIX G

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered as of May 1, 1998 by the Leon County Educational Facilities Authority (the "Authority") in connection with the issuance of its $12,000,000 Leon County Educational Facilities Authority Revenue Refunding Bonds (Southgate Residence Hall Project) Series 1998A (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust dated as of May 1, 1998 (the "Indenture"), by and between the Authority and SunTrust Bank, Central Florida, National Association, as trustee (the "Trustee").

The Authority covenants and agrees as follows:

Section 1. Purpose of Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Authority for the benefit of the holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (defined below).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized terms used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any Person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including Persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the Authority, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Authority and the Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the event listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Participating Underwriter" shall mean, collectively, the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Person" means an individual, corporation, partnership, association, joint stock company, limited liability company, trust, any unincorporated organization or a government or political subdivision thereof, or any other governmental or nongovernmental entity.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Florida.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The Authority shall, or shall upon written direction to the Dissemination Agent and the furnishing of the Annual Report to the Dissemination Agent, cause the Dissemination Agent to, not later than June 1 of each year, commencing June 1, 1999, provide to each Repository and the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Authority may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Authority's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f) of this Disclosure Certificate.

(b) If the Authority is unable to provide an Annual Report to the Repositories by the date required in subsection (a) of this Section 3, the Authority shall send a notice to each Repository and the Municipal Securities Rulemaking Board in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) if the Dissemination Agent is other than the Authority, upon compliance by the Authority and to the extent known to the Dissemination Agent file a report with the Authority certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided, and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Authority for the prior fiscal year, prepared in accordance with generally accepted accounting principles. If the Authority's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) of this Disclosure Certificate, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Updated tabular information relating to the Project of the sort presented in the following sections of the Official Statement: "HISTORIC AND PROJECTED REVENUES, EXPENSES, DEBT SERVICE AND COVERAGE" and "THE PROJECT," for the current Fiscal Year and, to the extent available, the four previous Fiscal Years.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Authority is an "Obligated Person" (as defined by the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Authority shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Authority shall give, or cause to be given, notice to the entities set forth in subsection (f) of this Section 5, of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. modifications to rights of Bondholders;
4. optional, contingent or unscheduled bond calls;
5. defeasances;
6. rating changes;
7. adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds;
8. unscheduled draws on debt service reserves reflecting financial difficulties;
9. unscheduled draws on credit enhancements reflecting financial difficulties;
10. substitution of credit or liquidity providers, or their failure to perform; and
11. release, substitution or sale of property securing repayment of the Bonds.

(b) Whenever the Authority obtains knowledge of the occurrence of a Listed Event, the Authority shall promptly determine if such event would be material under applicable federal securities laws. The Dissemination Agent, of other than the Authority, shall

have no responsibility for such determination and shall be entitled to conclusively rely on the Authority's determination.

(c) If the Authority has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Authority shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f) of this Section 5.

(d) If the Authority determines that the Listed Event would be material under applicable federal securities laws, the Authority shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board, each State Repository and the Repositories. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (a)(5) of this Section 5 need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Owners of affected Bonds pursuant to the Indenture.

Section 6. Termination and Assumption of Reporting Obligation. The Authority's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds, or upon the delivery to the Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is not longer required. If such termination occurs prior to the final maturity of the Bonds, the Authority shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Authority pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination Agent, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of Dissemination Agent hereunder, the Authority shall be the Dissemination Agent. The initial Dissemination Agent shall be the Authority. The Dissemination Agent, if other than the Authority, may resign by providing thirty (30) days written notice to the Authority. The Dissemination Agent shall be paid compensation by the Authority for its services provided herein in accordance with its schedule of fees as agreed to between the Dissemination Agent and the Authority from time to time and all reasonable expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act. The Dissemination Agent, if other than the Authority, shall not be responsible for the content of any report or notice prepared by the Authority. The Dissemination Agent, if other than the Authority, shall have no duty to prepare any information report nor shall the Dissemination Agent, if other than the Authority, be responsible for filing any report not provided to it by the Authority in a timely manner and in a form suitable for filing.

Section 8. Amendment Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Authority may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be amended or waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a) of this Disclosure Certificate, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated Person with respect to the Bonds, or the type of business conducted;

(b) The Disclosure Certificate, as amended or taking into account such waiver, would in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or wavier of a provision of this Disclosure Certificate, the Authority shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c) of this Disclosure Certificate, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Disclosure Certificate. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Authority shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Authority to comply with any provision of this Disclosure Certificate, any Participating Underwriter or any Beneficial Owner or holder of the Bonds may take such actions as may be necessary and appropriate, including seeking a mandate or

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party:	Leon County Educational Facilities Authority
Name of Bonds:	Leon County Educational Facilities Authority Revenue Refunding Bonds (Southgate Residence Hall Project) Series 1998A
Date of Delivery:	May 29, 1998

NOTICE IS HEREBY GIVEN that the Authority has not provided an Annual Report with respect to the above-named Bonds, as required by Section 3 of the Continuing Disclosure Certificate of the Authority dated as of May 1, 1998. The Authority anticipates that the Annual Report will be filed by _____.

Dated: _____

_____
By: Leon County Educational Facilities Authority

Attachment #20

Southgate Campus Centre
Tallahassee, Florida

2009 Budget & Marketing Calendar

INVESTMENT • MANAGEMENT • DEVELOPMENT

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2. 2009 Marketing Calendar.....

SECTION 1
2009 BUDGET

Operating Budget - Detail

Revenues

Revenues	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	TOTAL	%
Contract - Room	80,460	414,187	427,994	386,575	193,287	358,431	415,781	358,431	358,431	15,530	20,349	119,695	3,149,153	65.8%
Contract - Food	15,355	77,312	79,889	72,158	36,079	66,904	77,609	66,904	66,904	3,811	4,968	27,067	594,959	12.4%
Parking Lot - Contract	5,832	30,875	31,904	28,817	14,408	26,719	30,994	26,719	26,719	250	599	7,063	230,898	4.8%
Conference/Camp - Food	0	0	0	0	0	0	0	0	0	4,800	151,206	105,340	261,346	5.5%
Conference/Camp - Room	0	0	0	0	0	0	0	0	0	3,600	119,163	70,274	193,037	4.0%
Telephone - Ld	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
Retail Rental	8,179	8,179	8,179	8,179	8,179	8,179	8,179	8,179	8,179	8,179	8,179	8,179	98,148	2.1%
Outside Board Contracts	521	3,123	3,228	2,915	1,458	2,703	3,136	1,883	1,883	0	0	0	20,849	0.4%
Cash Food Sales	1,183	11,288	11,664	10,535	5,268	9,406	10,911	9,406	9,406	9,030	11,288	3,225	102,609	2.1%
Vending Commissions	800	800	800	800	800	800	800	800	800	800	800	800	9,600	0.2%
Wash Mach Commissions	1,000	1,500	1,500	1,500	1,200	1,500	1,500	1,500	1,500	1,000	500	500	14,700	0.3%
Telephone Commissions	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
Interest Income	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	60,000	1.3%
Catering	0	511	511	2,526	511	511	511	511	1,854	0	0	0	7,444	0.2%
Returned Check/Late Fees	100	100	100	100	100	200	100	100	100	100	100	100	1,300	0.0%
Banquets	0	0	0	0	0	0	0	0	0	0	3,041	3,041	6,082	0.1%
Application Fees	0	0	0	0	0	1,000	11,000	11,000	10,000	0	0	0	33,000	0.7%
Total Revenue	**118,429**	**552,875**	**570,768**	**519,105**	**266,289**	**481,353**	**565,520**	**490,434**	**490,777**	**52,100**	**325,192**	**350,284**	**4,783,125**	**100.0%**

Budget on a "college year"

Operating Budget - Detail

Food Department

Food Cost	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	TOTAL	%
Beverages	2,466	4,091	4,231	3,874	1,998	3,451	3,948	3,421	3,470	757	5,282	4,022	**41,011**	**0.9%**
Baked Goods	1,411	2,341	2,421	2,217	1,143	1,975	2,259	1,958	1,986	433	3,023	2,302	**23,470**	**0.5%**
Dairy	2,902	4,813	4,978	4,558	2,351	4,061	4,645	4,025	4,083	891	6,215	4,732	**48,254**	**1.0%**
Milk	761	1,263	1,306	1,196	617	1,065	1,219	1,056	1,071	234	1,631	1,242	**12,661**	**0.3%**
Meats	12,579	20,867	21,582	19,761	10,190	17,604	20,138	17,449	17,701	3,861	26,945	20,515	**209,192**	**4.4%**
Frozen Goods	2,448	4,060	4,200	3,845	1,983	3,425	3,918	3,395	3,444	751	5,243	3,992	**40,706**	**0.9%**
Accompaniments	6,136	10,179	10,528	9,640	4,971	8,587	9,823	8,511	8,635	1,884	13,144	10,007	**102,044**	**2.1%**
Produce	2,700	4,479	4,633	4,242	2,187	3,779	4,323	3,745	3,800	829	5,784	4,403	**44,903**	**0.9%**
Total Food Cost	31,404	52,093	53,879	49,334	25,439	43,947	50,273	43,560	44,191	9,640	67,267	51,214	**522,241**	**10.9%**
Food Cost %	184.1%	56.5%	56.5%	56.0%	58.7%	55.3%	54.5%	55.3%	55.2%	54.6%	39.5%	36.9%	52.6%	

Food Department

Payroll	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	TOTAL	%
Salaries/Wages	22,059	33,168	34,463	29,893	21,573	30,888	32,323	27,941	33,809	26,513	32,928	34,814	**360,374**	**7.5%**
Benefits & Taxes	9,484	11,571	11,726	11,004	9,882	11,246	11,224	10,989	11,556	10,069	11,360	11,946	**132,057**	**2.8%**
Vacation Pay.	2,420	0	0	0	3,350	0	0	3,350	0	0	0	0	**9,120**	**0.2%**
Holiday Pay	0	654	0	1,340	1,225	1,462	0	0	0	539	0	788	**6,008**	**0.1%**
Sick Pay	126	272	334	284	267	264	194	155	218	216	207	198	**2,737**	**0.1%**
Total Payroll	34,089	45,665	46,522	42,522	36,297	43,860	43,742	42,435	45,584	37,338	44,496	47,747	**510,296**	**10.7%**

Operating Budget - Detail

Food Department

Other Expenses	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	TOTAL	%
Pest Control	300	300	300	300	300	300	300	300	300	300	300	300	3,600	0.1%
Linen Laundry/Rental	125	150	150	150	100	150	150	125	150	50	125	125	1,550	0.0%
Uniforms	1,000					500					250		1,750	0.0%
Dining Room Supplies	600	250	250	250	150	500	250	250	250	250	250	250	3,500	0.1%
Decorations	500				400								900	0.0%
Kitchen Supplies	500	400	400	400	400	700	400	400	400	400	400	400	5,200	0.1%
China/Glass/Silver	1,000					1,000							2,000	0.0%
Cleaning Supplies	850	850	850	850	850	850	850	850	850	500	750	800	9,700	0.2%
Paper	700	500	500	500	250	500	500	300	500	700	2,100	2,450	9,500	0.2%
Total Other Expense	5,575	2,450	2,450	2,450	2,450	4,500	2,450	2,225	2,450	2,200	4,175	4,325	37,700	0.8%
Total Food Expense	**71,067**	**100,209**	**102,851**	**94,306**	**64,186**	**92,307**	**96,465**	**88,220**	**92,225**	**49,178**	**115,938**	**103,286**	**1,070,237**	**22.4%**

Operating Budget - Detail

Gen & Admn Dept

Payroll	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	TOTAL	%
Salaries/Wages	7,416	7,416	7,416	7,416	7,416	7,416	7,416	7,416	7,416	7,416	7,416	7,416	88,992	1.9%
Benefits & Taxes	2,446	2,446	2,446	2,446	2,446	2,446	2,446	2,446	2,446	2,446	2,446	2,446	29,347	0.6%
Vacation Pay	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
Holiday Pay	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
Sick Pay	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
Total Payroll	9,862	9,862	9,862	9,862	9,862	9,862	9,862	9,862	9,862	9,862	9,862	9,862	118,339	2.5%

Operating Budget - Detail

Gen & Admn Dept

Other Expense	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	TOTAL	%
Equipment Lease	500	200	200	200	500	200	200	200	500	200	200	200	3,300	0.1%
Computer & Software Maint	100	100	100	100	100	100	100	100	100	100	100	100	1,200	0.0%
Legal	300	300	300	300	300	300	300	300	300	300	300	300	3,600	0.1%
Audit	0	0	9,100	0	0	0	0	0	0	0	0	0	9,100	0.2%
Other Professional Expense	250	250	250	250	250	250	250	250	250	250	250	250	3,000	0.1%
Taxes, Licenses & Fees	1,500	0	0	0	0	1,500	0	0	0	0	0	0	3,000	0.1%
Sales Tax	2,269	9,729	10,034	9,261	4,857	8,474	9,735	8,413	8,507	1,493	1,890	5,754	80,415	1.7%
Hotel Tax Expense	0	0	0	0	0	0	0	0	0	0	0	2,574	2,574	0.1%
Property Insurance	18,387	18,387	18,387	18,387	18,387	18,387	18,387	18,387	18,387	0	18,387	18,387	202,257	4.2%
Telephone - Ld	165	165	165	165	165	165	165	165	165	165	165	165	1,980	0.0%
Telephone - Local	500	500	500	500	500	500	500	500	500	500	500	500	6,000	0.1%
Office Supplies	1,000	250	500	500	300	600	600	500	600	600	500	900	6,850	0.1%
Postage	500	750	1,200	1,500	250	250	1,000	1,000	300	300	300	300	7,650	0.2%
Dues/Subscriptions	0	400	0	400	0	0	400	0	0	0	0	0	1,200	0.0%
Travel-Local Supervision	350	175	175	175	175	175	175	175	175	175	175	350	2,450	0.1%
Management Fee	3,553	16,586	17,123	15,573	7,989	14,441	16,966	14,713	14,723	1,563	9,756	10,509	143,494	3.0%
Travel-Field Supervision	750	750	750	750	750	750	750	750	750	750	750	750	9,000	0.2%
Meals/Entertainment	0	0	0	0	1,000	0	0	0	0	0	0	0	1,000	0.0%
Recruiting Expense	200	200	0	200	0	200	0	200	0	200	0	200	1,400	0.0%
Training Expense	500	0	0	0	0	500	0	0	0	0	0	0	1,000	0.0%
Security Service	5,000	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	43,500	0.9%
Bad Debt Expense	132	640	661	598	304	556	643	555	555	43	365	405	5,458	0.1%
Other G&A Expense	50	50	50	50	50	50	50	50	50	50	50	50	600	0.0%
Bank Service Charges	250	250	250	250	250	250	250	250	2,000	7,500	250	250	12,000	0.3%
Credit Card Fees	10,000	2,073	2,140	1,947	999	1,805	2,121	1,839	1,840	195	1,219	1,314	27,493	0.6%
Total Other Expense	46,256	55,256	65,386	54,606	40,625	52,953	56,091	51,847	53,202	17,884	38,658	46,757	579,521	12.1%
Total G&A Expenses	56,117	65,118	75,247	64,468	50,487	62,814	65,953	61,708	63,063	27,746	48,519	56,619	697,860	14.6%

Operating Budget - Detail

Marketing Dept

Payroll	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	TOTAL	%
Salaries/Wages	4,840	1,760	1,840	1,600	1,840	1,760	1,600	1,760	1,680	1,600	1,680	1,760	23,720	0.5%
Benefits & Taxes	1,336	659	676	623	676	659	623	659	641	623	641	659	8,475	0.2%
Vacation Pay	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
Holiday Pay	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
Sick Pay	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
Total Payroll	6,176	2,419	2,516	2,223	2,516	2,419	2,223	2,419	2,321	2,223	2,321	2,419	32,195	0.7%

Marketing Dept

Other Expense	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	TOTAL	%
Signage	500	0	0	0	0	0	0	0	0	0	0	0	500	0.0%
News/Magazines	600	0	0	0	0	500	1,000	500	500	0	500	650	4,250	0.1%
Brochures	0	500	500	9,000	0	0	0	0	0	0	0	0	10,000	0.2%
Promotion - External	0	1,800	0	0	2,200	0	0	1,000	0	0	0	0	5,000	0.1%
Lease Comm. - Residential	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
Web Adv/Presence	3,500	0	0	0	0	0	0	0	0	0	0	0	3,500	0.1%
Other Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
Total Other Expense	4,600	2,300	500	9,000	2,200	500	1,000	1,500	500	0	500	650	23,250	0.5%
Total Marketing Expense	10,776	4,719	3,016	11,223	4,716	2,919	3,223	3,919	2,821	2,223	2,821	3,069	55,445	1.2%

Operating Budget - Detail

Residence Life & Front Desk

Payroll	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	TOTAL	%
Salaries/Wages	4,184	4,120	4,184	4,120	4,184	4,184	3,992	4,184	4,120	4,184	4,120	4,184	49,760	1.0%
Benefits & Taxes	920	906	920	906	920	920	878	920	906	920	906	920	10,947	0.2%
Vacation Pay	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
Holiday Pay	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
Sick Pay	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
Total Payroll	5,104	5,026	5,104	5,026	5,104	5,104	4,870	5,104	5,026	5,104	5,026	5,104	60,707	1.3%

Residence Life & Student Development

Other Expense	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	TOTAL	%
Res. Life & Dev.	1,000	1,000	1,000	1,000	500	1,000	3,000	1,000	1,000	500	500	500	12,000	0.3%
Total Res. Life	1,000	1,000	1,000	1,000	500	1,000	3,000	1,000	1,000	500	500	500	12,000	0.3%

Operating Budget - Detail

Residential Telecom

Expenses	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	TOTAL	%
Telephone - Ld	700	700	700	700	700	700	700	700	700	350	350	350	**7,350**	**0.2%**
Local Telephone & Data	*7,000*	*7,000*	*7,000*	*7,000*	*7,000*	*7,000*	*7,000*	*7,000*	*7,000*	*7,000*	*7,000*	*7,000*	**84,000**	**1.8%**
Telephone Equip Lease	0	0	0	0	0	0	0	0	0	0	0	0	**0**	**0.0%**
Cable TV	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	**34,800**	**0.7%**
Total Res.I Telecom Expense	10,600	10,600	10,600	10,600	10,600	10,600	10,600	10,600	10,600	10,250	10,250	10,250	**126,150**	**2.6%**

Utility/Energy

Expenses	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	TOTAL	%
Electric	42,466	39,534	36,960	30,581	30,401	23,477	25,886	27,768	24,801	26,700	32,130	40,216	**380,920**	**8.0%**
Fuel (Gas)	10,354	13,604	14,058	11,481	9,588	10,348	10,940	8,456	11,271	7,877	13,580	14,839	**136,393**	**2.9%**
Sewer	2,139	2,861	2,665	2,709	4,017	4,203	2,579	4,452	2,543	993	2,868	4,481	**36,512**	**0.8%**
Waste Removal	1,465	1,465	1,465	1,465	965	1,315	1,180	965	1,215	1,215	1,215	1,215	**15,145**	**0.3%**
Water	800	1,894	1,903	1,875	1,852	1,514	1,854	2,073	1,726	1,054	2,621	3,227	**22,395**	**0.5%**
Fire Services Charge	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	**15,600**	**0.3%**
Total Utility Expense	58,524	60,658	58,351	49,411	48,123	42,157	43,739	45,014	42,856	39,140	53,714	65,279	**606,965**	**12.7%**

Operating Budget - Detail

Maintenance & Housekeeping Payroll	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	TOTAL	%
Salaries/Wages	13,532	11,084	11,662	11,044	8,806	11,166	11,540	11,166	10,914	12,048	12,036	11,288	136,286	2.8%
Benefits & Taxes	5,691	5,170	5,279	5,308	5,227	5,335	5,252	5,417	5,362	5,417	5,362	5,279	64,098	1.3%
Vacation Pay	0	0	0	0	1,870	0	0	1,122	1,122	160	0	0	4,274	0.1%
Holiday Pay	0	80	0	748	748	748	0	0	0	80	0	374	2,778	0.1%
Total Payroll	19,223	16,334	16,941	17,100	16,651	17,249	16,792	17,705	17,398	17,705	17,398	16,941	207,436	4.3%

Operating Budget - Detail

Maintenance & Housekeeping

Other Expenses	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	TOTAL	%
Buildings Maintenance	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	**30,000**	**0.6%**
Food Service Equip Repair	2,500	2,000	2,000	2,000	2,500	2,000	2,000	2,000	2,000	2,000	2,000	2,000	**25,000**	**0.5%**
Drive/Park Lot Maint.	75	75	75	75	1,800	75	75	75	75	75	75	75	**2,625**	**0.1%**
Elevator Maintenance	2,000	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	**15,750**	**0.3%**
Laundry Equip. Maint.	200	0	0	200	0	0	200	0	0	200	0	0	**800**	**0.0%**
Hvac Maintenance	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	**18,000**	**0.4%**
Carpet/Drapery Cleaning	5,000	0	0	0	0	0	0	0	0	1,500	1,500	0	**8,000**	**0.2%**
Grounds/Landscaping	500	300	300	300	300	300	500	300	300	300	300	300	**4,000**	**0.1%**
Furniture Rep/Replace	1,000	0	0	0	400	0	0	0	0	400	0	0	**1,800**	**0.0%**
Maint. Equip. Repair	300	0	0	0	300	0	0	0	0	0	0	0	**600**	**0.0%**
Fire Equipment Repair	200	200	200	200	3,400	200	600	200	200	2,170	200	200	**7,970**	**0.2%**
Carpet Repl./Repair	0	0	0	0	0	0	0	0	0	0	0	0	**0**	**0.0%**
Rec. Equip. Repair	1,000	0	0	0	0	500	0	0	0	0	0	0	**1,500**	**0.0%**
Maintenance Supplies	750	750	750	750	750	750	750	750	750	750	750	750	**9,000**	**0.2%**
Light Bulbs	200	200	200	200	200	200	200	200	200	200	200	200	**2,400**	**0.1%**
Paint/Decorating	15,000	0	0	0	500	0	0	0	1,000	10,000	0	0	**26,500**	**0.6%**
Cleaning & Rooms Supplies	1,500	750	750	750	750	750	750	750	1,000	1,000	800	1,000	**10,550**	**0.2%**
Pest Control	450	450	450	450	450	450	450	450	450	450	450	450	**5,400**	**0.1%**
Damages Recovered	-500	0	0	0	0	0	0	0	0	-500	0	0	**-1,000**	**0.0%**
Other Expense	25	25	25	25	25	25	25	25	25	25	25	25	**300**	**0.0%**
Uniforms	500	0	0	0	250	0	0	0	0	0	0	0	**750**	**0.0%**
Total Other Expenses	34,700	10,000	10,000	10,200	16,875	10,500	10,800	10,000	11,250	23,820	11,550	10,250	**169,945**	**3.6%**
Total Maint. Expenses	53,923	26,334	26,941	27,300	33,526	27,749	27,592	27,705	28,648	41,525	28,948	27,191	**377,381**	**7.9%**

Operating Budget - Detail

Leon County Expenses													TOTAL	%
* LCEFA Monthly Fee	3,129	3,129	3,129	3,129	3,129	3,129	3,129	3,129	3,129	3,129	3,129	3,129	**37,543**	**0.8%**
LCEFA Bi-Annual Fee													**0**	**0.0%**
Total Leon County Expenses	3,129	3,129	3,129	3,129	3,129	3,129	3,129	3,129	3,129	3,129	3,129	3,129	**37,543**	**0.8%**

Operating Budget - Detail → based on 85% Occupancy

Summary	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	TOTAL	%
Total Revenue	118,429	552,875	570,768	519,105	266,289	481,353	565,520	490,434	490,777	52,100	325,192	350,284	4,783,125	100.0%
Total Expenses	270,241	276,792	286,240	266,462	220,370	247,778	258,572	246,399	249,368	178,794	268,844	274,426	3,044,287	63.6%
Net Operating Income	-151,812	276,083	284,527	252,642	45,919	233,575	306,948	244,035	241,409	-126,694	56,348	75,858	1,738,838	36.4%

Non-Operating Expenses													TOTAL	%
Capital Reserves	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000			100,000	2.1%
Management Incentives												0	0	0.0%
Series A - Bond Payments		580,406						363,319					943,725	19.7%
Total Non Operating Expenses	10,000	590,406	10,000	10,000	10,000	10,000	10,000	373,319	10,000	10,000	0	0	1,043,725	21.8%
														0.0%
Net Inc Before Dep & Amort	-161,812	-314,323	274,527	242,642	35,919	223,575	296,948	-129,284	231,409	-136,694	56,348	75,858	695,113	14.5%
Non - Cash Expenses														
Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
Amortization	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
Total Non - Cash	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0%
Net Income	-161,812	-314,323	274,527	242,642	35,919	223,575	296,948	-129,284	231,409	-136,694	56,348	75,858	695,113	14.5%

5A

SouthGate Campus Centre

2009 / 2010 Side by Side Rate Comparision

Floorplan	Meal Plan	2009/2010 Single Payment *	2008/2009 Single Payment *	2009/2010 Price Increase / Decrease	2009/2010 Semester Payments (3.4%)	2008/2009 Semester Payments (3.39%)	2009/2010 Price Increase / Decrease	2009/2010 10 Installments (6.5%)	2008/2009 10 Installments (6.50%)	2009/2010 Price Increase / Decrease
Loft	Unlimited	$ 10,030	$ 10,030	$ -	$ 5,191	$ 5,191	$ -	$ 1,073	$ 1,073	$ -
	14 Meals	$ 9,805	$ 9,805	$ -	$ 5,075	$ 5,075	$ -	$ 1,049	$ 1,049	$ -
	7 Meals	$ 9,580	$ 9,580	$ -	$ 4,958	$ 4,958	$ -	$ 1,025	$ 1,025	$ -
Efficiency *Single Occ*	Unlimited			$ -	$ -	$ -	$ -	$ -	$ -	$ -
	14 Meals			$ -	$ -	$ -	$ -	$ -	$ -	$ -
	7 Meals			$ -	$ -	$ -	$ -	$ -	$ -	$ -
Efficiency *Triple Occ*	Unlimited	$ 6,685	$ 7,950	$ (1,265)	$ 3,460	$ 4,114	$ (655)	$ 715	$ 850	$ (135)
	14 Meals	$ 6,460	$ 7,725	$ (1,265)	$ 3,343	$ 3,998	$ (655)	$ 691	$ 826	$ (135)
	7 Meals	$ 6,235	$ 7,500	$ (1,265)	$ 3,227	$ 3,882	$ (655)	$ 667	$ 802	$ (135)
1 bdrm *Single Occ*	Unlimited	$ 10,400	$ 10,400	$ -	$ 5,382	$ 5,382	$ -	$ 1,112	$ 1,112	$ -
	14 Meals	$ 10,175	$ 10,175	$ -	$ 5,266	$ 5,266	$ -	$ 1,088	$ 1,088	$ -
	7 Meals	$ 9,950	$ 9,950	$ -	$ 5,150	$ 5,150	$ -	$ 1,064	$ 1,064	$ -
1 bdrm *Double Occ*	Unlimited	$ 7,950	$ 9,215	$ (1,265)	$ 4,114	$ 4,769	$ (655)	$ 850	$ 986	$ (135)
	14 Meals	$ 7,725	$ 8,990	$ (1,265)	$ 3,998	$ 4,653	$ (655)	$ 826	$ 961	$ (135)
	7 Meals	$ 7,500	$ 8,765	$ (1,265)	$ 3,882	$ 4,536	$ (655)	$ 802	$ 937	$ (135)

** Rates do not reflect the premiums for parking charges*

2009 / 2010 Academic Year Side by Side Rate Comparision

		SouthGate Campus Centre			Sudio Green						FSU Campus 08/09 Rates					
			35%	55%												
Floorplan	Meal Plan	2009/2010 Single Payment	2009/2010 Semester Payments	2009/2010 10 Installments	2008/2009 Single Payment	2008/2009 Semester Payments	2008/2009 10 Installments	2008/2009 Difference Single Payment	2008/2009 Difference Semesterly	2008/2009 Difference Monthly	2008/2009 Single Payment	2008/2009 Semester Payments	2008/2009 10 Installments	2008/2009 Difference Single Payment	2008/2009 Difference Semesterly	2008/2009 Difference Monthly
4 bdrm	Unlimited							$ -	$ -	$ -						
	14 Meals							$ -	$ -	$ -						
	7 Meals							$ -	$ -	$ -						
3 bdrm *Private Bath*	Unlimited															
	14 Meals															
	7 Meals															
3 bdrm *Shared Bath*	Unlimited	$10,030	$5,115	$1,070												
	14 Meals	$9,805	$5,000	$1,015												
	7 Meals	$9,580	$4,885	$1,020												
2 bdrm *Single Occ*	Unlimited							$ -	$ -	$ -				$0	$0	$0
	14 Meals							$ -	$ -	$ -				$0	$0	$0
	7 Meals							$ -	$ -	$ -				$0	$0	$0
2 bdrm *Double Occ*	Unlimited							$ -	$ -	$ -						
	14 Meals							$ -	$ -	$ -						
	7 Meals							$ -	$ -	$ -						
1 bdrm *Single Occ*	Unlimited	$10,400	$5,295	$1,105			$938	$ 10,400	$ 5,295	$ 165		$ 4,494.00		$10,400	$801	$1,105
	14 Meals	$10,175	$5,180	$1,080			$870	$ 10,175	$ 5,180	$ 210		$ 4,494.00		$10,175	$686	$1,080
	7 Meals	$9,950	$5,065	$1,055			$855	$ 9,950	$ 5,065	$ 200		$ 4,294.00		$9,950	$771	$1,055
1 bdrm *Double Occ*	Unlimited	$7,975	$4,105	$840			$710	$ 7,975	$ 4,105	$ 130		$ 4,389.00		$7,975	-$284	$840
	14 Meals	$7,725	$3,990	$815			$640	$ 7,725	$ 3,990	$ 175		$ 4,389.00		$7,725	-$399	$815
	7 Meals	$7,500	$3,875	$790			$625	$ 7,500	$ 3,875	$ 165		$ 4,189.00		$7,500	-$314	$790
Efficiency *Triple Occ*	Unlimited	$6,685	$3,445	$715				$ 6,685	$ 3,445	$ 715				$6,685	$3,445	$715
	14 Meals	$6,460	$3,345	$690				$ 6,460	$ 3,345	$ 690				$6,460	$3,345	$690
	7 Meals	$6,235	$3,245	$665				$ 6,235	$ 3,245	$ 665				$6,235	$3,245	$665
Efficiency *Double Occ*	Unlimited							$ -	$ -	$ -						
	14 Meals							$ -	$ -	$ -						
	7 Meals							$ -	$ -	$ -						

Sudio Green and FSU have not released 2009/2010 rates

$7,975

$ ~~1,400~~ 1265 Double Occ

9,215

7,950

NOTICE OF MEETING

EDUCATIONAL FACILITIES AUTHORITY

Thursday, December 11, 2008

*****11:00 a.m.*****

This meeting will be held at the Southgate Campus Center, 675 W. Jefferson St. Parking is available in the parking garage acress the street from the facility. The gate will be open. Park in any unoccupied space.

AGENDA

✓ **Call to Order – Chairman Kellam**

✓ **Action on Minutes of October 8, 2008 – Chairman Kellam**

✓ **CREATE, Inc.**

✓ **Status of Defeasance at Heritage Grove**

✓ **University Courtyard** – South Adams
MMA
FAMU - Revisionary Interest

✓ **Scholarships**
Dean Lewis

Break for Lunch in the SouthGate Cafeteria – Meeting to resume promptly at 12:15 p.m.

Southgate

Audit – FY Ending 9-08

SECTION 2
MARKETING CALENDAR

Daily Marketing Activity Calendar
Southgate Campus Center
Spring 2009

541 Beds — at 85% 460

	Date		Scheduled University or Community Events	Scheduled Staff Marketing Activity	Completed	Scheduled Print Advertising	Completed	Other Scheduled Marketing Activity (direct mail, radio, internet, etc.)	Completed	Other Scheduled Activity (shops, training)	Completed	Benchmark/Goals	Benchmark% Preleased	Pre-Leased Stats: Traffic	Leases	Renewals	Cancels	Net Daily Leases	Total Leases	Preleased %	Forecast: Leases Needed	Traffic Needed
January	1/5/2009	Monday	First Day of Class-FSU/ FAMU vs Nebraska	Welcome Back Table and Decorations in Lobby		Campus Rentals Internet Ad							0.00%	0	0	0	0	0	0	0%	460	1533.3
January	1/6/2009	Tuesday	New Student Orientation-TCC/TCC vs Gulf Coast					Email Viral Welcoming Back the students					0.00%	0	0	0	0	0	0	0%	460	1533.3
January	1/7/2009	Wednesday	TCC Classes A begin TCC Market Day	Post Flyers for Next Weeks events				Update website for Specials and Events		Leasing Meeting			0.00%	0	0	0	0	0	0	0%	460	1533.3
January	1/8/2009	Thursday	FSU vs. Virginia Tech							CA Comp Shop			0.00%	0	0	0	0	0	0	0%	460	1533.3
January	1/9/2009	Friday											0.00%	0	0	0	0	0	0	0%	460	1533.3
January	1/10/2009	Saturday	FSU vs. Duke/FAMU vs Howard										0.00%	0	0	0	0	0	0	0%	460	1533.3
January	1/11/2009	Sunday											0.00%	0	0	0	0	0	0	0%	460	1533.3
January	1/12/2009	Monday	FAMU vs Hampton	Theme Dinner				Renewal Letter sent to Parents		Leasing Meeting			0.00%	0	0	0	0	0	0	0%	460	1533.3
January	1/13/2009	Tuesday	FSU vs NC State					Create Craigslist, Facebook, and MySpace page with Specials				2	0.370%	0	0	0	0	0	0	0%	460	1533.3
January	1/14/2009	Wednesday	TCC Market Day	Post Flyers for Renewal Specials						CA Comp Shop			0.37%	0	0	0	0	0	0	0%	460	1533.3
January	1/15/2009	Thursday	FSU Marketplace									2	0.74%	0	0	0	0	0	0	0%	460	1533.3
January	1/16/2009	Friday		Post Flyers for Renewal Specials				Supply/Replenish TCC Counseling Center with property info packets					0.74%	0	0	0	0	0	0	0%	460	1533.3
January	1/17/2009	Saturday	FSU vs Maryland/FAMU vs. Morgan ST/TCC vs Northwest FL ST	Movie Night									0.74%	0	0	0	0	0	0	0%	460	1533.3
January	1/18/2009	Sunday											0.74%	0	0	0	0	0	0	0%	460	1533.3
January	1/19/2009	Monday	FAMU vs Coppin ST	Resident Appreciation Week				Mail High school Guidance Counselors of top 100 feeder schools in FL property info packets					0.74%	0	0	0	0	0	0	0%	460	1533.3
January	1/20/2009	Tuesday		Resident Appreciation Week				Email Viral Sent to Residents and Prospects		CA Comp Shop		2	1.11%	0	0	0	0	0	0	0%	460	1533.3

Daily Marketing Activity Calendar
Southgate Campus Center
Spring 2009

at 85%
541 Beds 460

Date		Scheduled University or Community Events	Scheduled Staff Marketing Activity	Completed	Scheduled Print Advertising	Completed	Other Scheduled Marketing Activity (direct mail, radio, internet, etc.)	Completed	Other Scheduled Activity (shops, training)	Completed	Benchmark/Goals	Benchmark% Preleased	Pre-Leased Stats: Traffic	Leases	Renewals	Cancels	Net Daily Leases	Total Leases	Preleased %	Forecast: Leases Needed	Traffic Needed
1/21/2009	Wednesday	TCC Market Day	Post Flyers for Renewal Specials. Resident Appreciation Week				Email Viral Sent to all on-line applications and opt-ins with current specials					1.11%	0	0	0	0	0	0	0%	460	1533.3
1/22/2009	Thursday	FSU Marketplace					Visit Apartment Locators				2	1.48%	0	0	0	0	0	0	0%	460	1533.3
1/23/2009	Friday						Direct Mail postcards to all applied students to FSU					1.48%	0	0	0	0	0	0	0%	460	1533.3
1/24/2009	Saturday	FSU vs. Virginia/FAMU March "100" Battle of the bands/FAMU vs. Md. Estrn Shore/TCC vs. Chipola	Movie Night									1.48%	0	0	0	0	0	0	0%	460	1533.3
1/25/2009	Sunday											1.48%	0	0	0	0	0	0	0%	460	1533.3
1/26/2009	Monday	FAMU vs. Delaware/ Chinese New Year	Theme Dinner/Decorate the Lobby for Superbowl				Contact Center for Intensive English to see if they have any international students that need housing		Leasing Meeting			1.48%	0	0	0	0	0	0	0%	460	1533.3
1/27/2009	Tuesday	TCC vs. Pensacola JC	National Chocolate Day				Flyer FAMU for Super Bowl Party		CA prospect calls for Super Bowl Weekend		2	1.85%	0	0	0	0	0	0	0%	460	1533.3
1/28/2009	Wednesday	FSU vs. North Carolina/Open Mic Night TCC. TCC Market Day	Post Flyers for Renewal Special first deadline				Contact FSU athletics concerning any housing needs for Fall 2009		CA Comp Shop		2	2.22%	0	0	0	0	0	0	0%	460	1533.3
1/29/2009	Thursday	FSU Marketplace	National Kazoo Day				Direct Mail FSU Dorms with postcards		CA prospect calls for Super Bowl Weekend		2	2.59%	0	0	0	0	0	0	0%	460	1533.3
1/30/2009	Friday		First Renewal Deadline				Update Website for Specials and Events					2.59%	0	0	0	0	0	0	0%	460	1533.3
1/31/2009	Saturday	FAMU vs. Winston-Salem St	Movie Night									2.59%	0	0	0	0	0	0	0%	460	1533.3
2/1/2009	Sunday	Super Bowl Sunday	Super Bowl Party									2.59%	0	0	0	0	0	0	0%	460	1533.3
2/2/2009	Monday	FAMU vs. South Carolina ST	Decorate the Lobby for Valentine/Singles-Awareness Day		FSView Ad for Preview Day, College Rentals Internet Ad		Direct mail previous tenants and guarantors for referral program		Leasing Meeting			2.59%	0	0	0	0	0	0	0%	460	1533.3
2/3/2009	Tuesday		Post Flyers for February Renewal Special		FSView Ad for Preview Day		Email Viral Sent to Residents and Prospects for Southgate of Luv Week				1	2.77%	0	0	0	0	0	0	0%	460	1533.3
2/4/2009	Wednesday	TCC Market Day TCC vs. Northwest FL ST	Connection Newsletter Printed		FSView Ad for Preview Day		Contact FSU Graduate programs concerning any housing needs for Fall 2009		CA Comp Shop		3	3.33%	0	0	0	0	0	0	0%	460	1533.3
2/5/2009	Thursday	FSU Marketplace			FSView Ad for Preview Day		Flyer FSU Campus for Preview Days				1	3.51%	0	0	0	0	0	0	0%	460	1533.3

Daily Marketing Activity Calendar
Southgate Campus Center
Spring 2009

541 Beds — at 85% 460

	Date		Scheduled University or Community Events	Scheduled Staff Marketing Activity	Completed	Scheduled Print Advertising	Completed	Other Scheduled Marketing Activity (direct mail, radio, internet, etc.)	Completed	Other Scheduled Activity (shops, training)	Completed	BenchmarkGoals	Benchmark% Preleased	Pre-Leased Stats: Traffic	Leases	Renewals	Cancels	Net Daily Leases	Total Leases	Preleased %	Forecast: Leases Needed	Traffic Needed
February	2/6/2009	Friday				FSView Ad for Preview Day		Flyer FSU Campus for Preview Days		CA Interview Process		1	3.70%	0	0	0	0	0	0	0%	460	1533.3
	2/7/2009	Saturday	FSU vs. Clemson(a)/FAMU vs. North Carolina A&T/TCC vs. Chipola	Movie Night				Email Viral Sent to all on-line applications and opt-ins with current specials					3.70%	0	0	0	0	0	0	0%	460	1533.3
	2/8/2009	Sunday											3.70%	0	0	0	0	0	0	0%	460	1533.3
	2/9/2009	Monday	FSU Preview Day	Theme Dinner/Decorate the lobby for Sweethearts week		FSView Ad for Preview Day. College Rentals Internet Ad		Flyer FSU Campus for Preview Days		3 Door Knock		2	4.07%	0	0	0	0	0	0	0%	460	1533.3
	2/10/2009	Tuesday	FSU vs. Virginia/TCC vs. Gulf Coast	CA Scheduled Event		FSView Ad for Preview Day		Supply/Replenish TCC Counseling Center with property info packets		Leasing Meeting		3	4.62%	0	0	0	0	0	0	0%	460	1533.3
	2/11/2009	Wednesday	TCC Market Day	Sweets for the Sweet		FSView Ad for Preview Day		Flyer TCC Campus for Mardis Gras Week		3 Door Knock		3	5.18%	0	0	0	0	0	0	0%	460	1533.3
	2/12/2009	Thursday	FSU Marketplace	CA Scheduled Event		FSView Ad for Preview Day		Direct Mail FAMU Dorms with postcards				2	5.55%	0	0	0	0	0	0	0%	460	1533.3
	2/13/2009	Friday		Rose for You		FSView Ad for Preview Day		Flyer FSU Campus for Preview Days				3	6.10%	0	0	0	0	0	0	0%	460	1533.3
	2/14/2009	Saturday	FSU vs. Wake Forest(a)/FAMU vs. Morgan St	Movie Night									6.10%	0	0	0	0	0	0	0%	460	1533.3
	2/15/2009	Sunday											6.10%	0	0	0	0	0	0	0%	460	1533.3
	2/16/2009	Monday	FSU Preview Day	Decorate the Office for Mardi Gras		FSView Ad for Preview Day. College Rentals Internet Ad		Flyer FSU Campus for Preview Days		Leasing Meeting		3	6.65%	0	0	0	0	0	0	0%	460	1533.3
	2/17/2009	Tuesday	TCC vs. Northwest FL ST	Beads in the Lobby				Visit Locators with Mardi Gras themed snacks		3 Door Knock		2	7.02%	0	0	0	0	0	0	0%	460	1533.3
	2/18/2009	Wednesday	TCC Market Day. FSU vs. Miami	Theme Dinner CA Scheduled Event				Contact FSU student life department to see if any clubs/organizations need housing for Fall 2009		CA Comp Shop		2	7.39%	0	0	0	0	0	0	0%	460	1533.3
	2/19/2009	Thursday	FSU Marketplace	Best Decorated Door Contest				Flyer TCC for Open House Week		3 Door Knock		4	8.13%	0	0	0	0	0	0	0%	460	1533.3
	2/20/2009	Friday	Pre-view Day with FSU	Community Pride T-shirt Day on FSU, FAMU, and TCC campus				Direct Mail tri-fold all applied and accepted FSU students				3	8.69%	0	0	0	0	0	0	0%	460	1533.3
	2/21/2009	Saturday	FSU vs. Virginia Tech(a)/ FAMU vs. MD. Eastern Shore/TCC vs. Pensacola JC	Movie Night/Casino Night									8.69%	0	0	0	0	0	0	0%	460	1533.3
	2/22/2009	Sunday											8.69%	0	0	0	0	0	0	0%	460	1533.3

Daily Marketing Activity Calendar
Southgate Campus Center
Spring 2009

at 85%
541 Beds 460

Date		Scheduled University or Community Events	Scheduled Staff Marketing Activity	Completed	Scheduled Print Advertising	Completed	Other Scheduled Marketing Activity (direct mail, radio, internet, etc.)	Completed	Other Scheduled Activity (shops, training)	Completed	BenchmarkGoals	Benchmark% Preleased	Pre-Leased Stats: Traffic	Leases	Renewals	Cancels	Net Daily Leases	Total Leases	Preleased %	Forecast: Leases Needed	Traffic Needed
2/23/2009	Monday	FAMU vs. Delaware St	CA Scheduled Event. Post Flyers for February Renewal Deadline				Follow up phone call to all High school Guidance Counselors of top 100 feeder schools in FL		3 Door Knock		4	9.43%	0	0	0	0	0	0	0%	460	1533.3
2/24/2009	Tuesday	FSU vs. Boston College(a)	Mardi Gras Fat Tuesday				Flyer FAMU Dorms for Movie Night		CA Comp shop		4	10.17%	0	0	0	0	0	0	0%	460	1533.3
2/25/2009	Wednesday	Housing Fair at FSU. TCC Market Day	Open House Week				Direct FSU Mail Dorms with tri-fold piece		Leasing Meeting		10	12.01%	0	0	0	0	0	0	0%	460	1533.3
2/26/2009	Thursday	FSU Marketplace	Open House Week				Email Viral for Hawanan Luau Party		3 Door Knocks		4	12.75%	0	0	0	0	0	0	0%	460	1533.3
2/27/2009	Friday	Pre-view Day with FSU	February Renewal Deadline, Open House Week				Update Website for Specials and Events				1	12.94%	0	0	0	0	0	0	0%	460	1533.3
2/28/2009	Saturday	FSU vs. Clemson/FAMU vs Winston-Salem St										12.94%	0	0	0	0	0	0	0%	460	1533.3
3/1/2009	Sunday		Movie Night									12.94%	0	0	0	0	0	0	0%	460	1533.3
3/2/2009	Monday	FAMU vs. South Carolina ST	Decorate the Lobby for Spring Break		College Rentals Internet Ad		Flyer FSU Dorms for Hawaiian Party		3 Door Knocks		5	13.86%	0	0	0	0	0	0	0%	460	1533.3
3/3/2009	Tuesday	FSU vs. Duke(a)	Post Flyers for March Renewal Special				Supply/Replenish TCC Counseling Center with property info packets				5	14.79%	0	0	0	0	0	0	0%	460	1533.3
3/4/2009	Wednesday	TCC Market Day	Hawaiian Luau Party				Email Viral for Southgate Going Green Week, St. Paddy's Week		Leasing Meeting		5	15.71%	0	0	0	0	0	0	0%	460	1533.3
3/5/2009	Thursday	FSU Marketplace	Community Pride T-shirt Day on FSU, FAMU, and TCC campus				Update Craigslist, Facebook, and MySpace page with Specials		3 Door Knocks		5	16.64%	0	0	0	0	0	0	0%	460	1533.3
3/6/2009	Friday						Email Viral Sent to all on-line applications and opt-ins with current specials				5	17.56%	0	0	0	0	0	0	0%	460	1533.3
3/7/2009	Saturday	Spring Break	Movie Night									17.56%	0	0	0	0	0	0	0%	460	1533.3
3/8/2009	Sunday	Spring Break										17.56%	0	0	0	0	0	0	0%	460	1533.3
3/9/2009	Monday	Spring Break			FSView Ad for Preview Day.		Contact Center for Intensive English to see if they have any international students that need housing					17.56%	0	0	0	0	0	0	0%	460	1533.3
3/10/2009	Tuesday	Spring Break			FSView Ad for Preview Day							17.56%	0	0	0	0	0	0	0%	460	1533.3

Daily Marketing Activity Calendar
Southgate Campus Center
Spring 2009

541 Beds — at 85% 460

	Date		Scheduled University or Community Events	Scheduled Staff Marketing Activity	Completed	Scheduled Print Advertising	Completed	Other Scheduled Marketing Activity (direct mail, radio, internet, etc.)	Completed	Other Scheduled Activity (shops, training)	Completed	BenchmarkGoals	Benchmark% Preleased	Pre-Leased Stats: Traffic	Leases	Renewals	Cancels	Net Daily Leases	Total Leases	Preleased %	Forecast: Leases Needed	Traffic Needed
March	3/11/2009	Wednesday	Spring Break			FSView Ad for Preview Day							17.56%	0	0	0	0	0	0	0%	460	1533.3
	3/12/2009	Thursday	Spring Break			FSView Ad for Preview Day							17.56%	0	0	0	0	0	0	0%	460	1533.3
	3/13/2009	Friday	Spring Break	Decorate the Lobby and Dining area for St. Paddy's Day		FSView Ad for Preview Day		Supply/Replenish TCC Counseling Center with property info packets					17.56%	0	0	0	0	0	0	0%	460	1533.3
	3/14/2009	Saturday	Spring Break										17.56%	0	0	0	0	0	0	0%	460	1533.3
	3/15/2009	Sunday	Spring Break										17.56%	0	0	0	0	0	0	0%	460	1533.3
	3/16/2009	Monday	FSU Preview Day			FSView Ad for Preview Day		Campus Campaign for Gorn' Green Week		Leasing Meeting		4	18.30%	0	0	0	0	0	0	0%	460	1533.3
	3/17/2009	Tuesday		St. Paddy's Day/Green drinks		FSView Ad for Preview Day		Direct Mail FSU Dorms with Current Specials		3 Door Knock		4	19.04%	0	0	0	0	0	0	0%	460	1533.3
	3/18/2009	Wednesday	TCC Market Day, Admission Schedule for FSU	Theme Dinner-Creole Night		FSView Ad for Preview Day		Email Viral Sent to all on-line applications and opt-ins with current specials		CA Comp Shop		4	19.78%	0	0	0	0	0	0	0%	460	1533.3
	3/19/2009	Thursday	TCC Open Mic, FSU Marketplace	Community Pride T-shirt Day on FSU, FAMU, and TCC campus		FSView Ad for Preview Day		Direct Mail FSU accepted list		3 Door Knock		4	20.52%	0	0	0	0	0	0	0%	460	1533.3
	3/20/2009	Friday	Pre-view Day with FSU			FSView Ad for Preview Day		Visit Locators with Goody Baskets				4	21.26%	0	0	0	0	0	0	0%	460	1533.3
	3/21/2009	Saturday		Movie Night									21.26%	0	0	0	0	0	0	0%	460	1533.3
	3/22/2009	Sunday											21.26%	0	0	0	0	0	0	0%	460	1533.3
	3/23/2009	Monday	FSU Preview Day	Post Flyers for March Renewal deadline		FSView Ad for Preview Day		Email Viral sent to new prospects and residents of current specials and events		Leasing Meeting		4	22.00%	0	0	0	0	0	0	0%	460	1533.3
	3/24/2009	Tuesday		Carter Blood Drive				Call previous prospects for donation party and current specials		Flyer for Poker Tournament		3	22.55%	0	0	0	0	0	0	0%	460	1533.3
	3/25/2009	Wednesday	TCC Market Day	CA Scheduled event				Direct mail previous tenants and guarantors for referral program		CA Comp Shop		2	22.92%	0	0	0	0	0	0	0%	460	1533.3
	3/26/2009	Thursday	FSU Marketplace	National Red Cross Month Donation Party				Update Craigslist, Facebook, and MySpace page with Specials		Flyer for Poker Tournament		2	23.29%	0	0	0	0	0	0	0%	460	1533.3
	3/27/2009	Friday	Pre-view Day with FSU					Email Viral Sent to all on-line applications and opt-ins with current specials				2	23.66%	0	0	0	0	0	0	0%	460	1533.3

Daily Marketing Activity Calendar
Southgate Campus Center
Spring 2009

at 85%
541 Beds 460

Date		Scheduled University or Community Events	Scheduled Staff Marketing Activity	Completed	Scheduled Print Advertising	Completed	Other Scheduled Marketing Activity (direct mail, radio, Internet, etc.)	Completed	Other Scheduled Activity (shops, training)	Completed	Benchmark/Goals	Benchmark% Preleased	Pre-Leased Stats: Traffic	Leases	Renewals	Cancels	Net Daily Leases	Total Leases	Preleased %	Forecast: Leases Needed	Traffic Needed
3/28/2009	Saturday	Family Weekend	Movie Night									23.66%	0	0	0	0	0	0	0%	460	1533.3
3/29/2009	Sunday	Family Weekend										23.66%	0	0	0	0	0	0	0%	460	1533.3
3/30/2009	Monday		March Renewal Deadline. Theme Dinner-Creole				Direct Mail to student apt for current specials		Flyer for Poker Tournament		2	24.03%	0	0	0	0	0	0	0%	460	1533.3
3/31/2009	Tuesday		Poker Tournament				Flyer FAMU for Hot Dog eating contest		3 Door Knock		2	24.40%	0	0	0	0	0	0	0%	460	1533.3
4/1/2009	Wednesday	TCC Market Day	Fool Me Once: April Fools Game Day		College Rentals Internet Ad and Print Publication		Update Website for Specials and Events		3 Door Knock		5	25.32%	0	0	0	0	0	0	0%	460	1533.3
4/2/2009	Thursday	FSU Marketplace					Flyer TCC for Hot Dog eating contest				5	26.25%	0	0	0	0	0	0	0%	460	1533.3
4/3/2009	Friday	Pre-view Day with FSU					Supply/Replenish TCC Counseling Center with property info packets				8	27.36%	0	0	0	0	0	0	0%	460	1533.3
4/4/2009	Saturday	Family Weekend	Movie Night									27.36%	0	0	0	0	0	0	0%	460	1533.3
4/5/2009	Sunday	Family Weekend										27.36%	0	0	0	0	0	0	0%	460	1533.3
4/6/2009	Monday		Flyer TCC for Hot Dog Day		FSView Ad		Email Viral to Residents and Prospects of current specials and events		CA Comp Shop/Leasing Meeting		3	27.91%	0	0	0	0	0	0	0%	460	1533.3
4/7/2009	Tuesday		CA Scheduled Event				Flyer FSU dorms for Hot Dog eating contest		3 Door Knocks		3	28.47%	0	0	0	0	0	0	0%	460	1533.3
4/8/2009	Wednesday	TCC Market Day	Community Pride T-shirt Day on FSU, FAMU, and TCC campus				Calling past prospects for property events and specials				3	29.02%	0	0	0	0	0	0	0%	460	1533.3
4/9/2009	Thursday	FSU Marketplace	Hot Dog Chow Down Contest				Contact Center for Intensive English to see if they have any international students that need housing		3 Door Knocks		3	29.57%	0	0	0	0	0	0	0%	460	1533.3
4/10/2009	Friday	Family Weekend					Email Viral Sent to all on-line applications and opt-ins with current specials				3	30.13%	0	0	0	0	0	0	0%	460	[illegible]
4/11/2009	Saturday	Family Weekend	Theme Dinner/Movie Night									30.13%	0	0	0	0	0	0	0%	460	[illegible]
4/12/2009	Sunday	Family Weekend										30.13%	0	0	0	0	0	0	0%	460	1533.3
4/13/2009	Monday				College Rentals Ad		Flyer for Midnight Madness Party/Open House Week		Leasing Meeting		4	30.87%	0	0	0	0	0	0	0%	460	1533.3

Attachment # 1-B
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Daily Marketing Activity Calendar
Southgate Campus Center
Spring 2009

541 Beds — at 85% 460

	Date		Scheduled University or Community Events	Scheduled Staff Marketing Activity	Completed	Scheduled Print Advertising	Completed	Other Scheduled Marketing Activity (direct mail, radio, internet, etc.)	Completed	Other Scheduled Activity (shops, training)	Completed	Benchmark/Goals	Benchmark% Preleased	Pre-Leased Stats: Traffic	Leases	Renewals	Cancels	Net Daily Leases	Total Leases	Preleased %	Forecast: Leases Needed	Traffic Needed
April	4/14/2009	Tuesday		CA Scheduled Event				Flyer for Midnight Madness Party/Open House Week		3 Door Knocks		5	31.79%	0	0	0	0	0	0	0%	460	1533.3
April	4/15/2009	Wednesday	TCC Market Day					Flyer for Midnight Madness Party/Open House Week		CA Comp Shop		2	32.16%	0	0	0	0	0	0	0%	460	1533.3
April	4/16/2009	Thursday	FSU Marketplace	CA Scheduled Event				Flyer for Midnight Madness Party/Open House Week		3 Door Knocks		2	32.53%	0	0	0	0	0	0	0%	460	1533.3
April	4/17/2009	Friday						Flyer for Midnight Madness Party/Open House Week				2	32.90%	0	0	0	0	0	0	0%	460	1533.3
April	4/18/2009	Saturday		Movie Night									32.90%	0	0	0	0	0	0	0%	460	1533.3
April	4/19/2009	Sunday											32.90%	0	0	0	0	0	0	0%	460	1533.3
April	4/20/2009	Monday	Dead Week	Open House Week		College Rentals Ad		Email Viral to all Prospects and Residents on Signing Deadline		Leasing Meeting		4	33.64%	0	0	0	0	0	0	0%	460	1533.3
April	4/21/2009	Tuesday	Dead Week	Open House Week				Supply/Replenish TCC Counseling Center with property info packets		CA Scheduled Event		4	34.38%	0	0	0	0	0	0	0%	460	1533.3
April	4/22/2009	Wednesday	Dead Week. TCC Market Day	Midnight Madness Party/End of the year Party				Email Viral Sent to all on-line applications and opt-ins with current specials				4	35.12%	0	0	0	0	0	0	0%	460	1533.3
April	4/23/2009	Thursday	FSU Marketplace Dead Day	Open House Week				Update Craigslist, Facebook, and MySpace page with Specials		CA Scheduled Event		4	35.86%	0	0	0	0	0	0	0%	460	1533.3
April	4/24/2009	Friday	Dead Week	Open House Week								4	36.60%	0	0	0	0	0	0	0%	460	1533.3
April	4/25/2009	Saturday											36.60%	0	0	0	0	0	0	0%	460	1533.3
April	4/26/2009	Sunday											36.60%	0	0	0	0	0	0	0%	460	1533.3
April	4/27/2009	Monday	Finals Begin	Finals Weeks Study Break				Brain food on FSU campus		Bookstore Buyback Station		1	36.78%	0	0	0	0	0	0	0%	460	1533.3
April	4/28/2009	Tuesday	Finals Week	Finals Weeks Study Break				Brain Food on FAMU campus		CA Comp Shop		1	36.97%	0	0	0	0	0	0	0%	460	1533.3
April	4/29/2009	Wednesday	Finals Week. TCC Market Day	Finals Weeks Study Break						Bookstore Buyback Station		1	37.15%	0	0	0	0	0	0	0%	460	1533.3

Daily Marketing Activity Calendar
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Spring 2009

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Date		Scheduled University or Community Events	Scheduled Staff Marketing Activity	Completed	Scheduled Print Advertising	Completed	Other Scheduled Marketing Activity (direct mail, radio, internet, etc.)	Completed	Other Scheduled Activity (shops, training)	Completed	BenchmarkGoals	Benchmark% Preleased	Pre-Leased Stats: Traffic	Leases	Renewals	Cancels	Net Daily Leases	Total Leases	Preleased %	Forecast: Leases Needed	Traffic Needed
4/30/2009	Thursday	Finals Week FSU Marketplace	Finals Weeks Study Break						Bookstore Buyback Station		1	37.34%	0	0	0	0	0	0	0%	460	1533.3
5/1/2009	Friday	Finals Week	Finals Weeks Study Break		College Rentals Internet Ad and print publication		Update Website for Specials and Events				4	38.08%	0	0	0	0	0	0	0%	460	1533.3
5/2/2009	Saturday		Spring Move-out									38.08%	0	0	0	0	0	0	0%	460	1533.3
5/3/2009	Sunday											38.08%	0	0	0	0	0	0	0%	460	1533.3
5/4/2009	Monday	Finals Week	Finals Week Study Break		FSView Ad		Energy Drinks on FSU campus				4	38.82%	0	0	0	0	0	0	0%	460	1533.3
5/5/2009	Tuesday	Finals Week	Finals Week Study Break				Energy Drinks on FAMU campus				4	39.56%	0	0	0	0	0	0	0%	460	1533.3
5/6/2009	Wednesday	Finals Week TCC Market Day	Finals Week Study Break				Energy Drinks on FSU				3	40.11%	0	0	0	0	0	0	0%	460	1533.3
5/7/2009	Thursday	Finals Week FSU Marketplace	Finals Week Study Break				Brain Food on Campus				3	40.67%	0	0	0	0	0	0	0%	460	1533.3
5/8/2009	Friday	Finals Week					Email Viral Sent to all on-line applications and opt-ins with current specials				3	41.22%	0	0	0	0	0	0	0%	460	1533.3
5/9/2009	Saturday		Commencement									41.22%	0	0	0	0	0	0	0%	460	1533.3
5/10/2009	Sunday											41.22%	0	0	0	0	0	0	0%	460	1533.3
5/11/2009	Monday				College Rentals Ad		Update Craigslist, Facebook, and MySpace page with Specials				5	42.14%	0	0	0	0	0	0	0%	460	1533.3
5/12/2009	Tuesday		CA Scheduled Event				Supply/Replenish TCC Counseling Center with property info packets		CA Comp Shop		5	43.07%	0	0	0	0	0	0	0%	460	1533.3

Daily Marketing Activity Calendar
Southgate Campus Center
Spring 2009

at 85%
541 Beds 460

	Date		Scheduled University or Community Events	Scheduled Staff Marketing Activity	Completed	Scheduled Print Advertising	Completed	Other Scheduled Marketing Activity (direct mail, radio, internet, etc.)	Completed	Other Scheduled Activity (shops, training)	Completed	BenchmarkGoals	Benchmark% Preleased	Pre-Leased Stats: Traffic	Leases	Renewals	Cancels	Net Daily Leases	Total Leases	Preleased %	Forecast: Leases Needed	Traffic Needed
May	5/13/2009	Wednesday										4	43.81%	0	0	0	0	0	0	0%	460	1533.3
May	5/14/2009	Thursday										4	44.55%	0	0	0	0	0	0	0%	460	1533.3
May	5/15/2009	Friday						Contact Center for Intensive English to see if they have any international students that need housing				4	45.29%	0	0	0	0	0	0	0%	460	1533.3
May	5/16/2009	Saturday		Movie Night									45.29%	0	0	0	0	0	0	0%	460	1533.3
May	5/17/2009	Sunday											45.29%	0	0	0	0	0	0	0%	460	1533.3
May	5/18/2009	Monday				College Rentals Ad						4	46.03%	0	0	0	0	0	0	0%	460	1533.3
May	5/19/2009	Tuesday	Spanish Speaking Orientation for FSU									4	46.77%	0	0	0	0	0	0	0%	460	1533.3
May	5/20/2009	Wednesday	Spanish Speaking Orientation for FSU									4	47.50%	0	0	0	0	0	0	0%	460	1533.3
May	5/21/2009	Thursday										4	48.24%	0	0	0	0	0	0	0%	460	1533.3
May	5/22/2009	Friday						Email Viral Sent to all on-line applications and opt-ins with current specials				4	48.98%	0	0	0	0	0	0	0%	460	1533.3
May	5/23/2009	Saturday											48.98%	0	0	0	0	0	0	0%	460	1533.3
May	5/24/2009	Sunday											48.98%	0	0	0	0	0	0	0%	460	1533.3
May	5/25/2009	Monday				College Rentals Ad						2	49.35%	0	0	0	0	0	0	0%	460	1533.3

Daily Marketing Activity Calendar
Southgate Campus Center
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at 85%

541 Beds 460

Date		Scheduled University or Community Events	Scheduled Staff Marketing Activity	Completed	Scheduled Print Advertising	Completed	Other Scheduled Marketing Activity (direct mail, radio, internet, etc.)	Completed	Other Scheduled Activity (shops, training)	Completed	BenchmarkGoals	Benchmark% Preleased	Pre-Leased Stats: Traffic	Leases	Renewals	Cancels	Net Daily Leases	Total Leases	Preleased %	Forecast: Leases Needed	Traffic Needed
5/26/2009	Tuesday		Calling all prospects for updated specials						CA Comp Shop		2	49.72%	0	0	0	0	0	0	0%	460	1533.3
5/27/2009	Wednesday										2	50.09%	0	0	0	0	0	0	0%	460	1533.3
5/28/2009	Thursday		Calling all prospects for updated specials								2	50.46%	0	0	0	0	0	0	0%	460	1533.3
5/29/2009	Friday						Email Viral sent to residents and prospects for Ultimate Hot Dog Roast				2	50.83%	0	0	0	0	0	0	0%	460	1533.3
5/30/2009	Saturday		Movie Night									50.83%	0	0	0	0	0	0	0%	460	1533.3
5/31/2009	Sunday		Fun Station Night									50.83%	0	0	0	0	0	0	0%	460	1533.3
6/1/2009	Monday		Calling all prospects for updated specials		College Rentals Internet Ad and Print Publication		Update Website for Specials and Events				3	51.39%	0	0	0	0	0	0	0%	460	1533.3
6/2/2009	Tuesday		Calling all prospects for updated specials				Email Viral Sent to all on-line applications and opt-ins with current specials				3	51.94%	0	0	0	0	0	0	0%	460	1533.3
6/3/2009	Wednesday		Weenie Roast Wednesdays				Update Craigslist, Facebook, and MySpace page with Specials				3	52.50%	0	0	0	0	0	0	0%	460	1533.3
6/4/2009	Thursday		Calling all prospects for updated specials								3	53.05%	0	0	0	0	0	0	0%	460	1533.3
6/5/2009	Friday						Supply/Replenish TCC Counseling Center with *property info packets*				3	53.60%	0	0	0	0	0	0	0%	460	1533.3
6/6/2009	Saturday											53.60%	0	0	0	0	0	0	0%	460	1533.3
6/7/2009	Sunday											53.60%	0	0	0	0	0	0	0%	460	1533.3

Daily Marketing Activity Calendar
Southgate Campus Center

Spring 2009

541 Beds — at 85% 460

	Date		Scheduled University or Community Events	Scheduled Staff Marketing Activity	Completed	Scheduled Print Advertising	Completed	Other Scheduled Marketing Activity (direct mail, radio, internet, etc.)	Completed	Other Scheduled Activity (shops, training)	Completed	Benchmark Goals	Benchmark% Preleased	Pre-Leased Stats: Traffic	Leases	Renewals	Cancels	Net Daily Leases	Total Leases	Preleased %	Forecast: Leases Needed	Traffic Needed
June	6/8/2009	Monday				College Rentals Internet Ad and Print Publication		Contact FAMU Housing Office to see if they have any students they cannot house on campus				3	54.16%	0	0	0	0	0	0	0%	460	1533.3
	6/9/2009	Tuesday		Calling all prospects for updated specials						CA Comp Shop		4	54.90%	0	0	0	0	0	0	0%	460	1533.3
	6/10/2009	Wednesday						Contact Center for Intensive English to see if they have any international students that need housing				4	55.64%	0	0	0	0	0	0	0%	460	1533.3
	6/11/2009	Thursday		Calling all prospects for updated specials								4	56.38%	0	0	0	0	0	0	0%	460	1533.3
	6/12/2009	Friday										3	56.93%	0	0	0	0	0	0	0%	460	1533.3
	6/13/2009	Saturday											56.93%	0	0	0	0	0	0	0%	460	1533.3
	6/14/2009	Sunday											56.93%	0	0	0	0	0	0	0%	460	1533.3
	6/15/2009	Monday				College Rentals Internet Ad and Print Publication						4	57.67%	0	0	0	0	0	0	0%	460	1533.3
	6/16/2009	Tuesday						Spanish Speaking Orientation at FSU				4	58.41%	0	0	0	0	0	0	0%	460	1533.3
	6/17/2009	Wednesday						Spanish Speaking Orientation at FSU				4	59.15%	0	0	0	0	0	0	0%	460	1533.3
	6/18/2009	Thursday						Supply/Replenish TCC Counseling Center with property info packets				4	59.89%	0	0	0	0	0	0	0%	460	1533.3
	6/19/2009	Friday										3	60.44%	0	0	0	0	0	0	0%	460	1533.3
	6/20/2009	Saturday											60.44%	0	0	0	0	0	0	0%	460	1533.3

Daily Marketing Activity Calendar
Southgate Campus Center
Spring 2009

541 Beds — at 85% 460

Date		Scheduled University or Community Events	Scheduled Staff Marketing Activity	Completed	Scheduled Print Advertising	Completed	Other Scheduled Marketing Activity (direct mail, radio, internet, etc.)	Completed	Other Scheduled Activity (shops, training)	Completed	BenchmarkGoals	Benchmark% Preleased	Pre-Leased Stats: Traffic	Leases	Renewals	Cancels	Net Daily Leases	Total Leases	Preleased %	Forecast: Leases Needed	Traffic Needed
6/21/2009	Sunday											60.44%	0	0	0	0	0	0	0%	460	1533.3
6/22/2009	Monday				College Rentals Internet Ad and Print Publication		Email Viral to Residents and Prospects for Movie Night				3	61.00%	0	0	0	0	0	0	0%	460	1533.3
6/23/2009	Tuesday						Calling Prospects for Movie Night Event and current Specials				3	61.55%	0	0	0	0	0	0	0%	460	1533.3
6/24/2009	Wednesday						Email Viral Sent to all on-line applications and opt-ins with current specials		CA Comp Shop		3	62.11%	0	0	0	0	0	0	0%	460	1533.3
6/25/2009	Thursday						Calling Prospects for Movie Night and Current Specials/Spanish Speaking Orientation at FSU				3	62.66%	0	0	0	0	0	0	0%	460	1533.3
6/26/2009	Friday						Spanish Speaking Orientation at FSU				3	63.22%	0	0	0	0	0	0	0%	460	1533.3
6/27/2009	Saturday											63.22%	0	0	0	0	0	0	0%	460	1533.3
6/28/2009	Sunday											63.22%	0	0	0	0	0	0	0%	460	1533.3
6/29/2009	Monday						Contact FAMU Housing Office to see if they have any students they cannot house on campus					63.22%	0	0	0	0	0	0	0%	460	1533.3
6/30/2009	Tuesday	Summer Classes Begin	Southgate Movie Theater Night									63.22%	0	0	0	0	0	0	0%	460	1533.3
7/1/2009	Wednesday				College Rentals Internet Ad and Print Publication						2	63.59%	0	0	0	0	0	0	0%	460	1533.3
7/2/2009	Thursday										2	63.96%	0	0	0	0	0	0	0%	460	1533.3
7/3/2009	Friday										2	64.33%	0	0	0	0	0	0	0%	460	1533.3

Daily Marketing Activity Calendar
Southgate Campus Center

Spring 2009

at 85%

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Date		Scheduled University or Community Events	Scheduled Staff Marketing Activity	Completed	Scheduled Print Advertising	Completed	Other Scheduled Marketing Activity (direct mail, radio, Internet, etc.)	Completed	Other Scheduled Activity (shops, training)	Completed	BenchmarkGeals	Benchmark% Preleased	Pre-Leased Stats: Traffic	Leases	Renewals	Cancels	Net Daily Leases	Total Leases	Preleased %	Forecast: Leases Needed	Traffic Needed
7/4/2009	Saturday											64.33%	0	0	0	0	0	0	0%	460	1533.3
7/5/2009	Sunday											64.33%	0	0	0	0	0	0	0%	460	1533.3
7/6/2009	Monday				College Rentals Internet Ad and Print Publication		Email Viral Sent to all on-line applications and opt-ins with current specials				2	64.70%	0	0	0	0	0	0	0%	460	1533.3
7/7/2009	Tuesday						Update Craigslist, Facebook, and MySpace page with Specials				2	65.08%	0	0	0	0	0	0	0%	460	1533.3
7/8/2009	Wednesday						Supply/Replenish TCC Counseling Center with property info packets				2	65.43%	0	0	0	0	0	0	0%	460	1533.3
7/9/2009	Thursday	FAMU New Student Orientation	Open House Week				Contact Center for Intensive English to see if they have any international students that need housing				4	66.17%	0	0	0	0	0	0	0%	460	1533.3
7/10/2009	Friday	FAMU New Student Orientation	Open House Week								4	66.91%	0	0	0	0	0	0	0%	460	1533.3
7/11/2009	Saturday	FAMU New Student Orientation										66.91%	0	0	0	0	0	0	0%	460	1533.3
7/12/2009	Sunday											66.91%	0	0	0	0	0	0	0%	460	1533.3
7/13/2009	Monday	FAMU New Student Orientation	Flyer FSU Campus for Karaoke Night/Open House Week		College Rentals Internet Ad and Print Publication		Email Viral sent to residents and unsigned prospects for Karaoke night				4	67.65%	0	0	0	0	0	0	0%	460	1533.3
7/14/2009	Tuesday	FAMU New Student Orientation	Flyer FAMU for Karaoke Night/Open House Week								4	68.39%	0	0	0	0	0	0	0%	460	1533.3
7/15/2009	Wednesday	FAMU New Student Orientation	Flyer TCC for Karaoke Night/Open House Week				Contact FAMU Housing Office to see if they have any students they cannot house on campus				4	69.13%	0	0	0	0	0	0	0%	460	1533.3
7/16/2009	Thursday	FAMU New Student Orientation	Open House Week								4	69.87%	0	0	0	0	0	0	0%	460	1533.3

July

Daily Marketing Activity Calendar
Southgate Campus Center
Spring 2009

at 85%
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Date		Scheduled University or Community Events	Scheduled Staff Marketing Activity	Completed	Scheduled Print Advertising	Completed	Other Scheduled Marketing Activity (direct mail, radio, internet, etc.)	Completed	Other Scheduled Activity (shops, training)	Completed	BenchmarkGoals	Benchmark% Preleased	Pre-Leased Stats: Traffic	Leases	Renewals	Cancels	Net Daily Leases	Total Leases	Preleased %	Forecast: Leases Needed	Traffic Needed
7/17/2009	Friday	FAMU New Student Orientation	Open House Week				Email Viral Sent to all on-line applications and opt-ins with current specials				4	70.61%	0	0	0	0	0	0	0%	460	1533.3
7/18/2009	Saturday	FAMU New Student Orientation	Karaoke Night									70.61%	0	0	0	0	0	0	0%	460	1533.3
7/19/2009	Sunday											70.61%	0	0	0	0	0	0	0%	460	1533.3
7/20/2009	Monday	FAMU New Student Orientation	Open House Week								2	70.98%	0	0	0	0	0	0	0%	460	1533.3
7/21/2009	Tuesday	FAMU New Student Orientation	Open House Week		College Rentals Internet Ad and Print Publication		Supply/Replenish TCC Counseling Center with property info packets				2	71.35%	0	0	0	0	0	0	0%	460	1533.3
7/22/2009	Wednesday	FAMU New Student Orientation	Open House Week								3	71.90%	0	0	0	0	0	0	0%	460	1533.3
7/23/2009	Thursday	FAMU New Student Orientation	Open House Week								2	72.27%	0	0	0	0	0	0	0%	460	1533.3
7/24/2009	Friday	FAMU New Student Orientation	Open House Week								2	72.64%	0	0	0	0	0	0	0%	460	1533.3
7/25/2009	Saturday	FAMU New Student Orientation										72.64%	0	0	0	0	0	0	0%	460	1533.3
7/26/2009	Sunday											72.64%	0	0	0	0	0	0	0%	460	1533.3
7/27/2009	Monday				College Rentals Internet Ad and Print Publication		Contact FAMU Housing Office to see if they have any students they cannot house on campus				3	73.20%	0	0	0	0	0	0	0%	460	1533.3
7/28/2009	Tuesday										3	73.75%	0	0	0	0	0	0	0%	460	1533.3
7/29/2009	Wednesday						Email Viral Sent to all on-line applications and opt-ins with current specials				3	74.31%	0	0	0	0	0	0	0%	460	1533.3

Daily Marketing Activity Calendar
Southgate Campus Center
Spring 2009

541 Beds — at 86% 460

Date		Scheduled University or Community Events	Scheduled Staff Marketing Activity	Completed	Scheduled Print Advertising	Completed	Other Scheduled Marketing Activity (direct mail, radio, Internet, etc.)	Completed	Other Scheduled Activity (shops, training)	Completed	BenchmarkGoals	Benchmark% Preleased	Pre-Leased Stats: Traffic	Leases	Renewals	Cancels	Net Daily Leases	Total Leases	Preleased %	Forecast: Leases Needed	Traffic Needed
7/30/2009	Thursday										2	74.68%	0	0	0	0	0	0	0%	460	1533.3
7/31/2009	Friday										2	75.05%	0	0	0	0	0	0	0%	460	1533.3
8/1/2009	Saturday											75.05%	0	0	0	0	0	0	0%	460	1533.3
8/2/2009	Sunday											75.05%	0	0	0	0	0	0	0%	460	1533.3
8/3/2009	Monday				College Rentals Print Publication and Internet Ad		Contact FAMU Housing Office to see if they have any students they cannot house on campus				4	75.79%	0	0	0	0	0	0	0%	460	1533.3
8/4/2009	Tuesday						Update Craigslist, Facebook, and MySpace page for Southgate				4	76.52%	0	0	0	0	0	0	0%	460	1533.3
8/5/2009	Wednesday						Contact Center for Intensive English to see if they have any international students that need housing				4	77.26%	0	0	0	0	0	0	0%	460	1533.3
8/6/2009	Thursday										4	78.00%	0	0	0	0	0	0	0%	460	1533.3
8/7/2009	Friday						Email Viral Sent to all on-line applications and opt-ins with current specials				3	78.56%	0	0	0	0	0	0	0%	460	1533.3
8/8/2009	Saturday											78.56%	0	0	0	0	0	0	0%	460	1533.3
8/9/2009	Sunday											78.56%	0	0	0	0	0	0	0%	460	1533.3
8/10/2009	Monday				College Rentals Internet Ad and Print Publication						3	79.11%	0	0	0	0	0	0	0%	460	1533.3
8/11/2009	Tuesday						Contact FAMU Housing Office to see if they have any students they cannot house on campus				3	79.67%	0	0	0	0	0	0	0%	460	1533.3

Daily Marketing Activity Calendar
Southgate Campus Center

Spring 2009

541 Beds — at 85% 460

	Date		Scheduled University or Community Events	Scheduled Staff Marketing Activity	Completed	Scheduled Print Advertising	Completed	Other Scheduled Marketing Activity (direct mail, radio, internet, etc.)	Completed	*Other Scheduled* Activity (shops, training)	Completed	BenchmarkGoals	Benchmark% Preleased	Pre-Leased Stats: Traffic	Leases	Renewals	Cancels	Net Daily Leases	Total Leases	Preleased %	Forecast: Leases Needed	Traffic Needed
August	8/12/2009	Wednesday						One Week FSU Orientation				3	80.22%	0	0	0	0	0	0	0%	460	1533.3
	8/13/2009	Thursday						One Week FSU Orientation				2	80.59%	0	0	0	0	0	0	0%	460	1533.3
	8/14/2009	Friday						One Week FSU Orientation				2	80.96%	0	0	0	0	0	0	0%	460	1533.3
	8/15/2009	Saturday		Fall Move-in Day				One Week FSU Orientation					80.96%	0	0	0	0	0	0	0%	460	1533.3
	8/16/2009	Sunday						One Week FSU Orientation					80.96%	0	0	0	0	0	0	0%	460	1533.3
	8/17/2009	Monday	Fraternity and Sorority Rush Week			College Rentals Internet Ad and Print Publication		One Week FSU Orientation				2	81.33%	0	0	0	0	0	0	0%	460	1533.3
	8/18/2009	Tuesday	Fraternity and Sorority Rush Week					One Week FSU Orientation				2	81.70%	0	0	0	0	0	0	0%	460	1533.3
	8/19/2009	Wednesday	Fraternity and Sorority Rush Week					First-Year Orientation FSU				2	82.07%	0	0	0	0	0	0	0%	460	1533.3
	8/20/2009	Thursday	Fraternity and Sorority Rush Week					First-Year Orientation FSU				2	82.44%	0	0	0	0	0	0	0%	460	1533.3
	8/21/2009	Friday	Fraternity and Sorority Rush Week									2	82.81%	0	0	0	0	0	0	0%	460	1533.3
	8/22/2009	Saturday											82.81%	0	0	0	0	0	0	0%	460	1533.3
	8/23/2009	Sunday											82.81%	0	0	0	0	0	0	0%	460	1533.3
	8/24/2009	Monday	Fall Classes Begin			College Rentals Internet Ad and Print Publication						2	83.18%	0	0	0	0	0	0	0%	460	1533.3

Daily Marketing Activity Calendar
Southgate Campus Center

Spring 2009

at 85%

541 Beds 460

Date		Scheduled University or Community Events	Scheduled Staff Marketing Activity	Completed	Scheduled Print Advertising	Completed	Other Scheduled Marketing Activity (direct mail, radio, internet, etc.)	Completed	Other Scheduled Activity (shops, training)	Completed	BenchmarkGoals	Benchmark% Preleased	Pre-Leased Stats: Traffic	Leases	Renewals	Cancels	Net Daily Leases	Total Leases	Preleased %	Forecast: Leases Needed	Traffic Needed
8/25/2009	Tuesday										2	83.55%	0	0	0	0	0	0	0%	460	1533.3
8/26/2009	Wednesday										2	83.92%	0	0	0	0	0	0	0%	460	1533.3
8/27/2009	Thursday										2	84.29%	0	0	0	0	0	0	0%	460	1533.3
8/28/2009	Friday										2	84.66%	0	0	0	0	0	0	0%	460	1533.3
8/29/2009	Saturday											84.66%	0	0	0	0	0	0	0%	460	1533.3
8/30/2009	Sunday											84.66%	0	0	0	0	0	0	0%	460	1533.3
8/31/2009	Monday										2	85.03%	0	0	0	0	0	0	0%	460	1533.3

Attachment #21

ARTICLES OF ORGANIZATION
OF
LCEFA OCALA ROAD, LLC

FILED
03 NOV 18 PM 2:15
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

These Articles of Organization are made for the purpose of organizing a Florida Limited Liability Company under the Florida Limited Liability Company Act (Florida Statutes Chapter 608).

1. Name. The name of the this limited liability company is LCEFA OCALA ROAD, LLC ("Company").

2. Duration. The Company shall exist from the date of filing these Articles with the Florida Department of State, and shall thereafter have a perpetual existence and duration.

3. Mailing Address. The Company's mailing address is: 3263 Robinhood Road, Tallahassee, Florida 32312.

4. Members and Additional Members. The Company is a single member entity; its sole member being the Leon County Educational Facilities Authority, a body politic and corporate created under the laws of the State of Florida and resolution of the Board of County Commissioners of Leon County, Florida. No additional members to the Company are anticipated to be admitted, but such may be admitted if the sole member determines same to be consistent with its purposes of organizing the Company.

5. Termination of Membership. The sole member of the Company, the Leon County Educational Facilities Authority, is composed of seven appointed individuals. The death, resignation, removal or expulsion of any of these individuals, shall not be deemed as a termination of any membership in the Company; the Company shall survive for so long as the sole member shall lawfully be in existence, and any successor to the sole member and all of its rights and privileges, by operation of law, resolution of the Board of County Commissioners of Leon County, Florida, or the like, shall be deemed to continue the business of the Company, and not a termination or dissolution.

6. Management of the Company. The management of the limited liability company is reserved to the Leon County Educational Facilities Authority, the sole member.

7. Operating Agreement. The sole member shall have the power to adopt, alter, amend, or repeal any Operating Agreement of the Company containing provisions for the regulation and management of the affairs of the Company.

8. Date of Existence of the Company. The existence of the Company shall commence on the date of filing the Articles of Organization by the Florida Department of State.

9. Registered Agent and Office. The name and street address of the initial registered agent of the Company is:

Calvin Ogburn, 3263 Robinhood Road, Tallahassee, Florida 32312.

LEON COUNTY EDUCATIONAL FACILITIES AUTHORITY

By: _____
Robert E. Kellam, its Chairman

FILED
03 NOV 18 AM 2:18
SECRETARY OF STATE
TALLAHASSEE FLORIDA

ATTEST: _____
Calvin Ogburn, Executive Director
Leon County Educational Facilities Authority

CERTIFICATE OF DESIGNATION
OF REGISTERED AGENT/REGISTERED OFFICE
AND
ACCEPTANCE OF APPOINTMENT OF REGISTERED AGENT

PURSUANT TO THE PROVISIONS OF SECTION 608.415, FLORIDA STATUTES, THE UNDERSIGNED LIMITED LIABILITY COMPANY SUBMITS THE FOLLOWING STATEMENT IN DESIGNATING THE REGISTERED OFFICE/REGISTERED AGENT, IN THE STATE OF FLORIDA.

1. The name of the limited liability company is LCEFA OCALA ROAD, LLC

2. The name and address of the registered agent and office is:

   Calvin Ogburn, 3263 Robinhood Road, Tallahassee, Florida 32312

Having been named as registered agent and to accept service of process for the above stated limited liability company at the place designated in this certificate, I hereby accept the appointment as registered agent and agree to act in this capacity. I further agree to comply with the provisions of all statutes relating to the proper and complete performance of my duties, and I am familiar with and accept the obligations of my position as registered agent.

FILED
03 NOV 18 AM 2:18
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

Calvin Ogburn,
Registered Agent

Date: November 18, 2003

Attachment #22

BOARD OF COUNTY COMMISSIONERS

301 South Monroe Street
Tallahassee, Florida 32301
(850) 488-4710

Commissioners:
WILLIAM C. PROCTOR, JR.
District 1
JANE G. SAULS
District 2
DAN WINCHESTER
District 3
TONY GRIPPA
District 4
BOB RACKLEFF
District 5
ED DEPUY
At-Large
CLIFF THAELL
At-Large
PARWEZ ALAM
County Administrator
(850) 488-9962
HERBERT W.A. THIELE
County Attorney
(850) 487-1008

September 9, 2002

RECEIVED
02 SEP -9 PM 12:44
LEON COUNTY
ATTORNEY'S OFFICE

Mr. Calvin Ogburn
Executive Director
Educational Facilities Authority
3263 Robinhood Road
Tallahassee, Florida 32312

Dear Mr. Ogburn:

The County's Financial Advisor, William R. Hough & Co., has advised me that the Education Facilities Authority (EFA) is currently considering a number of projects that may require tax exempt financing.

As with past projects, the Board of County Commissioners desires to be kept apprized of planned financings. I would appreciate you briefing the County's Finance Advisory Committee of the current projects, proposed time-lines, etc. The County always wishes to be aware of how projects may impact our overall indebtedness and future bonding capacity.

Please contact Alan Rosenzweig, Budget Director, Office of Management and Budget, to arrange this meeting (488-9775).

Sincerely,

Parwez Alam
County Administrator

cc: Herb W.A. Thiele, Esq., County Attorney
Alan Rosenzweig, Budget Director, Office of Management and Budget

An equal opportunity/affirmative action employer

Attachment #23

Cristina Long - Fwd: FW: Heritage Grove Property

From: Cristina Long
To: Long, Cristina
Date: 2/3/2009 11:09 AM
Subject: Fwd: FW: Heritage Grove Property
Attachments:

From: Hunt, James M. [mailto:jhunt@admin.fsu.edu]
Sent: Monday, January 05, 2009 5:37 PM
To: mjn06@fsu.edu; ams06k@fsu.edu; kwm05d@fsu.edu; pmc05@garnet.acns.fsu.edu; ccj06c@garnet.acns.fsu.edu; jrh06f@fsu.edu; het06@garnet.acns.fsu.edu; cms06g@fsu.edu; cmg06h@fsu.edu; rsh07f@fsu.edu; rjn05@fsu.edu; tjb06g@garnet.acns.fsu.edu; ajf06d@fsu.edu; cad07@fsu.edu; sjw07f@fsu.edu; odd05@fsu.edu; rmg06@fsu.edu; jkd05d@fsu.edu; cap07g@fsu.edu; alu06@garnet.acns.fsu.edu; jjt05@fsu.edu; Parker@chiphi.org; FriedmanT@leoncountyfl.gov; bruceh@electro-net.com; dolandoug@hotmail.com; dmannheimer@broadandcassel.com; Corey, Adam; kory@penningtonlaw.com; Bailey, Ricky A.; bsfsu@hotmail.com; ebarnes35@comcast.net; mike@Penningtonlawfirm.com; harperg@ahca.myflorida.com; ac18521@yahoo.com; ecr7188@fsu.edu; tke1fsu@hotmail.com; akdphinoles.president@gmail.com; ldh05c@fsu.edu; Lta_gepresident@yahoo.com; president@fsulambdas.com; President@fsuphiotas.com; pritman37@yahoo.com; bll04d@fsu.edu; Alyssa.l.conti@gmail.com; najeela_karimi@yahoo.com; kpicart@english.fsu.edu; Hudson, William; Felix, Jovany; Clark, Joanne; sdh04d@fsu.edu; mab05f@fsu.edu; md05f@fsu.edu; rgl05@fsu.edu; bal05d@fsu.edu; sjj05@fsu.edu; cls06h@fsu.edu; klk05d@fsu.edu; cmg06d@fsu.edu; BridgetLee@comcast.net; flalphaone@aol.com; mebane1952@yahoo.com; albarring@aol.com; newton.jackson@earthlink.net; errick.farmer@famu.edu; noelmwilliams@hotmail.com; dennisv@mail.leon.k12.fl.us; dmg06@fsu.edu; kmm06e@fsu.edu; emm06g@fsu.edu; jet06c@fsu.edu; cep06f@fsu.edu; rkb06d@fsu.edu; blg06e@fsu.edu; enc06@fsu.edu; kcs06c@fsu.edu; cmw06k@fsu.edu; mlh06h@fsu.edu; mcn06@fsu.edu; cpo06@fsu.edu; lef06d@fsu.edu; mkb06d@fsu.edu; bmds99@aol.com; sarah@sarahhenning.com; franciware@yahoo.com; amyokelley@yahoo.com; mhicks@icuf.org; jamitrochessett@comcast.net; herring.dalisha@ccbg.com; s_hunter13@hotmail.com; cam5eron@hotmail.com; jpumphrey6@comcast.net; lorimizell@embarqmail.com; kathy.torian@myflorida.com; stowella@leoncountyfl.gov
Cc: Maryanski, Liz; Brock, Robyn; Lattimore, Regina; Goldstein, Adam; tkadel@cpservices.net; Calvin Ogburn
Subject: Heritage Grove Property
Importance: High

Presidents and Advisors:

Welcome back! I hope you all had a wonderful holiday season and are ready to get back in full swing for this semester.

I am attaching a Notice of Availability for property in Heritage Grove. If you have any interest in any of the property, please contact the Executive Director, Leon County Educational Facilities Authority at (850) 386-4848. Please note the time sensitivity of the document.

I look forward to working with all of you this semester.

Fraternally,

James M. Hunt

Assistant Director of Greek Life

Dean of Students Department, The Florida State University

Phone: (850) 644-9574 FAX: (850) 644-0687

Email: jhunt@fsu.edu Website: http://greeklife.fsu.edu

NOTICE OF POTENTIAL AVAILABILITY FOR ACQUISITION OF FLORIDA STATE UNIVERSITY STUDENT AFFINITY GROUP RESIDENTIAL HOUSING FACILITIES LOCATED AT HERITAGE GROVE

The Leon County Educational Facilities Authority ("Authority") announces the potential availability for acquisition by Qualified Organizations, of Florida State University Student Affinity Group Residential Housing Facilities located at "Heritage Grove", 1947 Heritage Grove Circle, Tallahassee, Florida 32304. Pursuant to the provisions of the $23,315,000.00 Leon County Educational Facilities Authority Student Housing Revenue Bonds Series 2003 ("Heritage Grove Project at Florida State University" bond issue), of December 16, 2003; the Authority, on August 1, 2009, upon certain preconditions, may release any part of the Heritage Grove Project from the indenture of the Series 2003 bond issue, and sublease same to a Qualified Organization, the primary purpose of which must be to provide housing and related functions for the members of a specific student organization ("Affinity Group") recognized by the Florida State University. The housing facilities which may be made available consist of 8 (eight) 24-unit/48-bed residential apartment buildings, each with an adjacent approximately 2,000 square foot clubhouse building (referred to as the "apartment building/clubhouse units"). The Authority, in its sole discretion, may elect to release one, or more, or none of the eight apartment building/clubhouse units. Pursuant to the requirements of Section 8.22 of the Loan Agreement which binds the Authority in connection with the Series 2003 bond issue, the acquisition price will be the greater of fair market value or the "Release Price", which is currently estimated to be not less than $2,913,385.00 together with the costs and fees to be associated with the transaction.

The described student housing facilities which may be made available will be subject to existing ground leases, tenant leases, use agreements, covenants, restrictions and the like. Any Qualified Organization acquiring an interest must additionally enter into a lease with and meet other requirements imposed by the Authority and the Florida State University. **A mandatory informational meeting will be conducted by the Authority on Thursday, January 8, 2009 at 2:00 p.m. at 1947 Heritage Grove Circle, Tallahassee, Florida 32304**. A letter of intent, accompanied by a deposit in the amount of $10,000.00 must be received by the Authority from any Qualified Organization interested in acquiring any of the subject student housing facilities, by January 31, 2009. Such deposit will be refundable through March 1, 2009. Binding commitments and a contract to acquire any of the student housing facilities available pursuant to this notice must be made by no later than April 1, 2009.

The Authority reserves the right to waive any irregularities or informalities and to reject any and all offers or proposals as it may deem to be in the best interests of the Authority, and to modify or rescind any of the foregoing or hereafter disseminated terms relating to this matter, including cancellation of any proposed transactions, and shall not be liable to any entity or person in such event. For more information or to obtain copies of any of the referenced Series 2003 bond issue documents, leases, or about the criteria to be considered as a Qualified Organization or Affinity Group, contact: Executive Director, Leon County Educational Facilities Authority at (850) 386-4848.

Attachment #24

Board of County Commissioners
Agenda Request 20

Date of Meeting: February 15, 2000
Date Submitted: February 10, 2000

To: Honorable Chairman and Members of the Board
From: *Financial Advisory Committee*

Parwez Alam, County Administrator
Lillian Bennett, Management and Budget Director
Herbert W. A. Thiele, County Attorney
Bill Bogan, Clerk's Finance Officer

Subject: Conduct Public Hearing re: Leon County Educational Facilities Authority

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STATEMENT OF THE ISSUE:

The Board of County Commissioners (the "Board") has agreed to conduct a public hearing on behalf of the Leon County Educational Facilities Authority (the "Authority") as required by Section 147(f) of the Internal Revenue Code (the "Code") in connection with a proposed financing by the Authority on behalf of Student Housing of America, Inc. or it related affiliate (the "Borrower"). The purpose of the financing would be to provide acquisition and construction financing to the Borrower for a student housing facility (the "Project") for the primary benefit of students matriculating at Florida Agricultural and Mechanical University ("FAMU"). The issue before the Board is whether the County should grant the required approval of the proposed financing as required by Section 147(f) of the Code and the Enabling Act (hereinafter defined).

BACKGROUND:

The Leon County Educational Facilities Authority is a public body corporate and politic of the State of Florida, created pursuant to Part II, Chapter 243, *Florida Statutes*, and a resolution of the Board of County commissioners of Leon County, Florida, adopted on July 17 1990 (collectively, the "Enabling Act"). Pursuant to the Enabling Act, the Authority is authorized, among other powers, to issue revenue bonds relating to the acquisition, construction and equipping of educational related projects. Such projects may specifically include structures suitable for use as a dormitory or other housing facility, dining hall, student union, administration building, academic building, library, laboratory, research facility, classroom, athletic facility, health care facility, and maintenance, storage, or utility facility, and other structures or facilities related thereto, or required thereto, or required or useful for the instruction of students or the conducting of research or the operation of an institution for higher education, including parking and other facilities or structures, essential or convenient for the orderly conduct of such institute of higher learning and shall also include equipment and machinery and other similar items necessary or convenient for the operation of a particular facility or structure in the manner for which its use is intended.

Revenue bonds issued by Leon County Educational Facilities Authority do not constitute a debt or liability of the State, County, or the institution benefitting from the project. Neither the State of Florida, the Leon County Educational Facilities Authority nor the institution for higher learning is obligated to pay the principal of or interest on any bonds except from revenues of the project for which the bonds were issued. The Leon County Educational Facilities Authority has no taxing power, no power to levy assessments, no substantial assets and no source of revenues other than those that may be generated from a project.

Proposed Financing

The Authority adopted a resolution setting forth its "official intent" to proceed with the requested financing in an amount not to exceed $10,400,000 (the "Bonds") at its meeting on December 17, 1999, and the Board has agreed to hold the required public hearing for the Authority and thereafter consider granting its consent to the financing as required by Section 147(f) of the Code and the Enabling Act. The financing is to benefit the Borrower, a 501(c)(3) exempt organization. It is anticipated that the Borrower will create a special purpose single entity limited liability company of which the Borrower is the sole member to actually own the project. This is a relatively standard procedure in order to protect the financing from various bankruptcy exposures. The actual owner will be disregarded for federal income tax purposes, resulting in the Bonds qualifying as "qualified 501(c)(3) bonds" pursuant to section 145 of the Code. Assuming approval of the financing by the Board, the Authority anticipates that it will privately place the Bonds with Municipal Mortgage & Equity LLC ("MUNIMAE").

ANALYSIS:

In accordance with the requirements of Section 147(f) of the Code, a public hearing with not less than 14 days prior publication notice must be held prior to the issuance of tax exempt bonds for the benefit of a non-governmental party such as the Borrower. A notice of the public hearing to be conducted by the County Commission was published in the *Tallahassee Democrat* on January 31, 2000, noticing a public hearing for February 15, 2000. Following the public hearing, the financing must then be approved by the "applicable elected officials", which in this case, is the Board. For the Authority to issue the Bonds on a tax exempt basis, the Board must approve the issue following the public hearing. The Authority has requested the Board to conduct the public hearing and to thereafter grant its approval to the proposed financing.

Any bonds issued by the Authority would be payable solely from revenues of the Project being financed and would not involve any pledge or credit of the County or the use of any public funds. Such bonds would not constitute a debt of the County but would be special limited obligations of the Authority.

OPTIONS:

Option 1: Grant the requested consent.

Option 2: Deny the requested consent.

RECOMMENDATION:

Option 1.

Attachments:

1. Proposed Resolution w/attached Notice of Public Hearing

Back Print

Attachment #25

EFA SCHOLARSHIP FUNDS

Starting in 1994 at a relative modest $2,500 per year amount to each of the institutes of higher education in Leon Co, the annual scholarship amount is now at $20,000.

The amount to be distributed is determined each year by the EFA members.

Total amount donated as of 10/01/08 is: $362,400

Submitted by the Leon County Educational Facilities: 10/29/08

Attachment #26

Leon County

Board of County Commissioners

301 South Monroe Street, Tallahassee, Florida 32301
(850) 606-5302 www.leoncountyfl.gov

Commissioners

BILL PROCTOR
District 1

JANE G. SAULS
District 2

JOHN DAILEY
District 3

BRYAN DESLOGE
District 4

BOB RACKLEFF
District 5

CLIFF THAELL
At-Large

AKIN AKINYEMI
At-Large

PARWEZ ALAM
County Administrator

HERBERT W.A. THIELE
County Attorney

December 3, 2008

Dr. James H. Ammons, President
Florida A & M University
400 Lee Hall
Tallahassee, FL 32307

Dear Dr. Ammons:

During the June 10, 2008 Board of County Commissioners meeting, the Board requested that an item be placed on the Commission's agenda regarding the structure, duties, and responsibilities of the Leon County Educational Facilities Authority (Authority). In response to the Board's request, the Office of Management and Budget is conducting a management review of the Authority.

According to Florida Statutes 243.19, the purpose of the Authority is to "provide a measure of assistance and an alternate method to enable institutions of higher education in each county of this state to provide facilities and structures." The Statutes also state that the Authority shall assist "institutions of higher education in the construction, financing, and refinancing of projects" (F.S. 243.22).

As part of the management review, we are seeking input from our local universities and community college. I would appreciate your thoughts and comments on the Leon County Educational Facilities Authority. Please provide your response by January 2, 2009.

Thank you in advance for your assistance and cooperation. If you have any questions or concerns, please contact me at (850) 606-5300.

Sincerely,

Parwez Alam
County Administrator

cc: Alan Rosenzweig, Assistant County Administrator

An equal opportunity employer

Leon County

Board of County Commissioners

301 South Monroe Street, Tallahassee, Florida 32301
(850) 606-5302 www.leoncountyfl.gov

Commissioners

BILL PROCTOR
District 1

JANE G. SAULS
District 2

JOHN DAILEY
District 3

BRYAN DESLOGE
District 4

BOB RACKLEFF
District 5

CLIFF THAELL
At-Large

AKIN AKINYEMI
At-Large

PARWEZ ALAM
County Administrator

HERBERT W.A. THIELE
County Attorney

December 3, 2008

Dr. Bill Law, President
Tallahassee Community College
444 Appleyard Dr.
Tallahassee, FL 32304

Dear ~~Dr. Law~~: Bill

During the June 10, 2008 Board of County Commissioners meeting, the Board requested that an item be placed on the Commission's agenda regarding the structure, duties, and responsibilities of the Leon County Educational Facilities Authority (Authority). In response to the Board's request, the Office of Management and Budget is conducting a management review of the Authority.

According to Florida Statutes 243.19, the purpose of the Authority is to "provide a measure of assistance and an alternate method to enable institutions of higher education in each county of this state to provide facilities and structures." The Statutes also state that the Authority shall assist "institutions of higher education in the construction, financing, and refinancing of projects" (F.S. 243.22).

As part of the management review, we are seeking input from our local universities and community college. I would appreciate your thoughts and comments on the Leon County Educational Facilities Authority. Please provide your response by January 2, 2009.

Thank you in advance for your assistance and cooperation. If you have any questions or concerns, please contact me at (850) 606-5300.

Sincerely,

Parwez Alam
County Administrator

cc: Alan Rosenzweig, Assistant County Administrator

An equal opportunity employer

Leon County

Board of County Commissioners

301 South Monroe Street, Tallahassee, Florida 32301
(850) 606-5302 www.leoncountyfl.gov

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District 2

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District 5

CLIFF THAELL
At-Large

AKIN AKINYEMI
At-Large

PARWEZ ALAM
County Administrator

HERBERT W.A. THIELE
County Attorney

December 3, 2008

Mr. T. K. Wetherell, President
Florida State University
211 Westcott Bldg.
Tallahassee, FL 32306-1470

Dear Mr. ~~Wetherell~~: T.K.

During the June 10, 2008 Board of County Commissioners meeting, the Board requested that an item be placed on the Commission's agenda regarding the structure, duties, and responsibilities of the Leon County Educational Facilities Authority (Authority). In response to the Board's request, the Office of Management and Budget is conducting a management review of the Authority.

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As part of the management review, we are seeking input from our local universities and community college. I would appreciate your thoughts and comments on the Leon County Educational Facilities Authority. Please provide your response by January 2, 2009.

Thank you in advance for your assistance and cooperation. If you have any questions or concerns, please contact me at (850) 606-5300.

Sincerely,

Parwez Alam
County Administrator

cc: Alan Rosenzweig, Assistant County Administrator

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Attachment #27

RECEIVED DEC 1 8 2008

444 Appleyard Drive
Tallahassee Florida 32304-2895
850.201.6200 | www.tcc.fl.edu

December 16, 2008

Parwez Alam,
County Administrator
Leon County
Board of County Commissioners
301 South Monroe Street
Tallahassee, FL 32301

Dear P.A.,

I have your letter of December 3rd and I appreciate the opportunity to provide some commentary on the Leon County Educational Facilities Authority.

Tallahassee Community College has had limited interactions and experience with the Authority in the time I have been at the college. We have not had the need to seek alternative funding through the Authority for any projects. Likewise we have not sought to align ourselves with any student housing initiatives funded through the Authority.

You may recall that, until recently, the college's foundation owned a student housing complex (The Orchards) adjacent to the campus and to be perfectly honest, I was delighted that we were able to exit that business. It is highly competitive, operating margins are slim, and there is a significant level of sophistication needed to be profitable. 'Niche' players can easily find themselves at the mercy of the larger student housing corporations.

With this limited experience in mind, I would urge great caution about a quasi-governmental entity operating a day-to-day enterprise in a competitive and fast-moving environment.

At the same time, I want to strongly support the continuation of the Authority as an alternative means of funding projects. PECO funding (funding provided by legislative appropriations) will always be a primary source of revenue for capital projects in our community. It seems prudent to me, however, to retain some other means for financing worthy projects that may require a faster response than the multi-year PECO request process. In the current environment of even more restrictive liquidity in private funding, a vehicle like the Leon County Educational Facilities Authority has an even higher potential value.

I would be remiss if I did not recognize the fact that the Authority has been successful in the operation of its several holdings to the extent that it makes a valuable donation to the scholarship funds of Tallahassee Community College (as well as FSU and FAMU, I believe) each year.

Please allow me to close by observing that my in my interactions with the Authority I have always been impressed with their openness and professionalism. Their commitment to the execution of their statutory mission has always been obvious and straightforward.

I hope my comments are of assistance to you in your review of these operations. Please don't hesitate to contact me if I can provide additional insight or information.

Sincerely,

William D. Law, Jr.
President

Attachment #28

FLORIDA STATE UNIVERSITY | *The* OFFICE *of the* SENIOR VICE PRESIDENT *for* FINANCE & ADMINISTRATION

RECEIVED DEC 2 2 2008

December 17, 2008

Alan R

Mr. Parwez Alam
County Administrator
Leon County Board of County Commissioners
301 South Monroe Street
Tallahassee, FL 32301

Dear ~~Mr. Alam~~ P.A.:

Reference is made to your December 3 letter regarding the Leon County Educational Facilities Authority (Authority). Dr. Wetherell has asked me to respond on his behalf.

Florida State University (FSU) has a good relationship with the Authority, although our experience with the Authority is limited to projects that directly affect FSU students. I believe the Authority provides assistance to FSU in at least three areas:

- Financial – during the last five years, the Authority has donated $90,000 in scholarship moneys to FSU.
- Safe off campus housing for FSU students at no cost to FSU – as an example, consider the Heritage Grove student housing development on Ocala Road. Before Heritage Grove opened in 2004, many fraternity members were living in unsafe, substandard housing. Heritage Grove now operates under Authority oversight, and is supported by rents and management fees paid by FSU students living in the development. This solution would not have been possible without the tax exempt financing offered through the Authority.
- Screening of investors/developers interested in building/operating student housing – as you can imagine, FSU is contacted frequently by investors or developers who are interested in building or operating student housing in Tallahassee. Often, such investors or developers are referred to the Authority for evaluation, thus freeing FSU staff time.

A number of years ago, I understand there were financing issues related to the Southgate project; the issues were resolved well before members of the current administration were hired.

From the FSU perspective, the Authority has done its job well. If there are specific issues or concerns you wish me to address, please let me know.

Sincerely,

John

John Carnaghi
Senior Vice President
Finance and Administration

c: Alan Rosenzweig, Assistant County Administrator

214 Westcott Building, Florida State University, P.O.Box 3061320, Tallahassee, FL 32306-1320
Telephone 850.644.4444, Fax 850.644.4447

Attachment #29

The Florida State University
Office of the Senior Vice President
for Finance and Administration
214 Westcott Building • Tallahassee, FL 32306-1320
(850) 644-4444 • FAX: (850) 644-4447

July 5, 2002

Mr. Tim Anderson
2045 North Highway 360,
Suite 250
Grand Prairie, Texas 75050

Dear Tim:

I've attempted to prepare a letter of support that "springs" from the North Texas State University letter. Unfortunately, after working with the Residence Hall staff, there are limited commitments that they are wiling to make. The letter might be of sufficient substance to get you the bond rating you desire, but you'll find it is not of the support level the NTSU provided. I've shown the Fairfield preferred wording and noted the changes that will need to be made

Allow me to provide the points I'm willing to commit to writing. You can then contact me so that we can discuss:

1. The Authority represents that it has acquired a site location adjacent to campus and will construct thereon, furnish, and equip a 726-bed student housing facility (the "Project"), the Project will be available for occupancy in August 2003, and that it or the Non-profit shall at all times own and operate the Project;

2. The Project will admit, as first priority tenants, students of the University;

3. The Non-profit represents that it has obtained from the Internal Revenue Service a favorable determination letter as to its Section 501(c)(3)(i.e. charitable) tax status, which is a prerequisite to the Non-profit's ability to be the beneficiary of tax-exempt bond financing;

4. The Authority has entered into a contract with Fairfield Residential University Housing for the management of the Project. **(Note: We have concerns that the title be stated as the official company name and not a title that suggests it is university housing. If Fairfield Residential University Housing "is" the corporate name, we'll accept it. If not, we ask that you select a project title that will not confuse parents and students by inclusion of the phrase "university housing.")**

We confirm to you that, in our opinion, there is a shortage of reasonably convenient, suitable and affordable housing for students in the vicinity of the University.

In consideration of the commitment of the Authority to complete the construction of the Project and place the same into operation, and of the commitment of the Authority and the Non-profit to be bound by the terms hereof, the University hereby agrees that:

1. The Project, at the Project's expense, may install a link with the University's web site.

2. Should the web link be installed, the Project, at the Project's expense, may provide FSU students only (unless otherwise authorized by the University) who are residents of the Project with direct connections to the University's computer network.

3. The Project or residents will pay for the computer time.

4. (Note: The only available advertising is the listing service provided by the Student Government Association of Florida State University. The service is currently known as "The Off Campus Housing Office." Suggested wording for the Project is that FSU provide information about the complex for inclusion in the material which is offered to students by the Off Campus Housing Office, a service of Florida State University's Student Government Association. This listing opportunity is dependent upon the existence and functioning of the Off-Campus Housing Office.)

5. (Note: We will not mail brochures for "The Project." Such a mail out might imply a responsibility for supervision, oversight, and an endorsement, which we would not have. It may also develop expectations for other current and future projects of the Leon County Educational Facilities Authority. We are agreeable to allow the Project to purchase from the University mailing labels of all admitted students and thereby provide direct mailings to prospective student residents.)

6. (Note: We consider it quite appropriate and desirable to work in a consultation role on RA training. Thus, the University's housing department, will, if requested by the Authority or the Non-profit, provide consultation on the training of Resident Assistants who have been recruited for the Project by the Operator or Fairfield and may as it is desirable and practical include, for a fee, the Project's Resident Assistants in the training developed for the University's Resident Assistants. The University will provide the Project with access to the University's off-campus job listing services (to the extent that such listing exists) to make potential resident assistants aware of available positions.)

The University will offer all of the foregoing services to the Project by Fairfield Residential University Housing in accordance with the terms and conditions as set forth in this letter. (Note: Title issue)

If at any time during this agreement, the University reasonably determines the Project is unsafe or unsecured for its students, then the University will no longer be

required to provide advertising until such time the University determines the Project is once again safe for its students.

In consideration of the foregoing agreements, the Non-profit and the Authority agree, by its execution of this letter, as follows:

1. Agreement to Use Surplus Revenues to Pre-Pay Outstanding Project Debt. The Operator will use all the annual net surplus revenues of the Project, after funding of operating expenses (including all management, issuer and administrative expense), debt services, capital improvements, and such reserves as are required by the terms of the bond documents, to pre-pay the outstanding tax-exempt project bonds. Such payment shall be made annually into an escrow account, and at such time as the balance of the escrow account is equal to the remaining principal balance (and related expenses), the bonds will be called and paid in full.

   The Authority agrees to keep true, accurate and complete records of all revenues generated by the Project. Upon 15 day's notice, the University shall have full access to any of the Authority's financial records pertaining to this Agreement. All such records shall be maintained by the Authority for a period of five years and may be audited by the University, the State Auditor, or their designated representatives at any time during regular working hours.

2. Agreement to Donate Project to the University. Upon final payment or defeasance (other than through a refunding by the Authority) of all principal and interest on the Project's bond debt, the Operator will donate the Project to the University, free of any debt or encumbrance. Notwithstanding the foregoing, the Operator shall not be required to donate the Project to the University if the University has defaulted in the performance of its obligations under this Agreement (other than in consequence of a prior default by the Authority), and has failed to cure such default within ninety days' after the existence of such default has been determined.

3. Right of University to Prepay Project Debt. The University will have the right at any time to prepay or defease the Project's bond debt, subject to the terms thereof, if it wishes to acquire the Project before final scheduled maturity of such bond debt.

4. Indemnification. The Authority will indemnify, defend and hold the University and its regents, employees and agents harmless from all liability associated with the Project including but not limited to any injury or death occurring at or related to the Project.

5. Insurance. The Operator agrees to purchase all appropriate casualty and liability insurance and to name the University as an additional insured.

6. Guaranty. The Authority hereby unconditionally guarantees the prompt payment and performance when due by the Authority of its obligations hereunder.

The University is assuming no responsibility for the operation, construction, occupancy, the financial feasibility of the Project, or the supervision of the persons living in the Project or otherwise on the premises. The University has no responsibility or liability for the Bonds or financing.

This agreement does not create any partnership, joint enterprise, joint venture or other common enterprise between the Authority and the University.

The parties herein agree that this contract shall be enforceable in Tallahassee, Florida, and if legal action is necessary to enforce it, exclusive venue shall be in Leon County, Florida. This contract shall be governed by and construed in accordance with the laws of the State of Florida.

This agreement is not assignable, except that the University may assign its rights hereunder to the University's Foundation, but that assignment will not relieve the University of the obligations set forth above.

If the foregoing terms are acceptable, please have the appropriate representatives sign in the spaces provided on the attached page.

Florida State University Date: _____

By: _____

Accepted and Agreed to:

Leon County Educational Facilities Authority

By: _____

Sincerely,

John R. Carnaghi
Sr. Vice President for
Finance and Administration

JRC/ps