The following assumptions have been used in the development of the preliminary financing analysis and five-year revenue projection for the Project.

I. **SCOPE OF THE PROJECT:** As described in greater detail in the Project Summary, the Project includes the financing of two buildings containing approximately 376-units and 1,218-beds of new student housing to be located on the University’s Boca Raton campus. The total development and construction budget for the Project (excluding reserve funds and financing costs) totals $120,541,352. The construction contract will be a fixed price contract and the general contractor will provide full payment and performance bonds.

Construction of the Project is expected to commence in February 2010, with Project completion scheduled for August 2011. The Project will be constructed with a steel frame and concrete exterior and, as such, will have an estimated useful life of at least 40 years.

II. **BOND STRUCTURE:** Tax-exempt, fixed rate Series A Bonds will be issued to finance the project costs, a portion of the upfront ground lease payment to FAU, capitalized interest on the Series A Bonds, a deposit to the Series A Debt Service Reserve Fund and issuance costs associated with the Project. The Series A Bonds will have a term of approximately 30 years, will be fully amortizing and will be structured to produce level annual debt service after an initial four year minimal ramp up in principal.

The tax-exempt, fixed rate Junior Series B Bonds will be sold through a private placement to the Developers, the proceeds of which will be used to finance a portion of the upfront ground lease payment to FAU. The tax-exempt, fixed rate Subordinate Series C Bonds will be issued directly for the Developers as payment for the deferred developer compensation. The Junior Series B and C will also have terms of approximately 30 years and are intended to be fully amortizing and structured to produce approximately level annual debt service, however, the payment of these bonds shall be made from surplus cash flow to the extent such surplus cash flow is available. As such, interest on the Junior and Subordinate bonds accrues without penalty until the end of the capitalized interest period on the Series A bonds, at which point the accrued amounts shall be paid.

III. **PROJECT CONSTRUCTION FUND / CONSTRUCTION DRAWS:** Series A Bonds proceeds will be deposited in the Project Construction Fund to pay the costs of developing and constructing the Project. Such funds will be drawn monthly to pay these costs, pursuant to the estimated construction draw schedule included herewith. While moneys are held in the Project...
Construction Fund, they will be invested; with such interest earnings remaining in the fund to pay project costs or other permitted expenditures, such as interest on the Series A Bonds. For purposes of presenting a conservative analysis, the deposit to the Project Construction Fund has been gross funded, without a reduction credited for the estimated interest earnings.

IV. **CAPITALIZED INTEREST FUND**: Series A bond proceeds will be used to fund interest on the Series A Bonds for a period beginning upon the closing of the issue and extending through construction completion plus an additional six months. While moneys are held in the Capitalized Interest Fund, they will be invested, with such interest earnings remaining in the fund to pay interest on the bonds. For purposes of presenting a conservative analysis, the deposit to the Capitalized Interest Fund has been gross funded, without a reduction credited for the estimated interest earnings.

V. **DEBT SERVICE RESERVE FUND**: Series A bond proceeds will be used to fund a Debt Service Reserve Fund approximately equal to maximum annual debt service on the Series A Bonds. The Debt Service Reserve Fund will secure only the Series A Bonds. While moneys are held in the Debt Service Reserve Fund, they will be invested, the earnings of which will be transferred to the Capitalized Interest Fund during the capitalized interest period to reduce the bond size. Thereafter, earnings will be available to reduce the annual debt service on the bonds. Annual interest earnings on the Debt Service Reserve Fund are assumed at 2.00%.

VI. **ESTIMATED COSTS OF ISSUANCE**: For the purposes of this analysis, we have assumed financing costs due at closing will include issuance costs of approximately 1.25% of the par amount of the Series A Bonds, inclusive of underwriting fees. Actual costs of issuance may vary depending on the nature of the financing structure, including an evaluation whether bond insurance from Assured Guaranty provides a cost effective debt service structure.

VII. **ONGOING FEES**: Annual ongoing fees related to the financing that are included in the cash flow analysis include Rating Agency Fees of $15,000 and a Trustee Fee of $5,000.

VIII. **CLOSING DATE**: January 28, 2010

IX. **INTEREST RATES**: The preliminary financing analysis for the Series A Bonds is based on a debt service structure with an assumed credit rating in the “A” category, with serial and term bond maturities and interest rates ranging from 2.75% to 5.25%, which result in a calculated bond yield for arbitrage purposes of approximately 5.40%. These interest rates are based on prevailing market conditions as of the week of October 5, 2009 plus 25 basis points in order to account for changing market conditions. The preliminary financing analysis for the Series B Bonds is based on a nonrated transaction, with one term bond maturity and an interest rate of

---

1 Other costs of issuance are expected to include items such as legal fees, rating agency fees and printing fees.
7.99%. The preliminary financing analysis for the Series C Bonds is based on a nonrated transaction, with one term bond maturity and an interest rate of 9.25%.

In conjunction with the Series A Bonds, the finance team will evaluate whether credit enhancement, in the form of bond insurance from Assured Guaranty, or taxable Build America Bonds provide a more favorable cost of capital than “A” category tax-exempt bonds. Such structures would be employed only if meaningful debt service savings were achieved. Interest rate assumptions are subject to change based on market conditions at the time the bond issue goes to market.

X. PROJECT RENTAL ASSUMPTIONS: The revenue projections for the accompanying cash flow analysis are based on the assumption that the student housing facilities will be available only to students and other University-associated individuals, such as faculty, administrators and staff, as deemed appropriate by the University. Each bed will be offered on an individual contract basis pursuant to which students will enter into academic year contracts and can opt to pay in full at the beginning of the contract term, on a semester basis or in ten monthly installments. Summer term contracts will also be available. Rental rates include all utilities, including electricity, hot water, central heating and air conditioning, cable television, internet connectivity and basic telephone service. Detail of the proposed rental rates for the Project is included in the cash flow analysis presented herewith.

XI. CASH FLOW ASSUMPTIONS: The cash flow analysis is based on rent, vacancy and operating expense levels presented in the accompanying unit mix and cash flow schedules and has been derived from estimates provided by the Developers, University and Capstone On-Campus Management. Among these assumptions are the following:

- Unit Mix comprised of 376 units with 1,218 beds;
- Initial operating year covering the fall 2011 – spring 2012 academic term and a portion of the summer 2012 term;
- Assumed vacancy rate of 5% during an academic year contract term and 85% during the summer contract term;
- Annual escalations in revenues and operating expenses of 3%;
- Annual funding of a deposit to a repair and replacement fund at a minimum of $175 per bed;
- Annual operating expense estimates based on the Capstone On-Campus Management’s experience with similar sized projects and the University’s experience with its existing on-campus housing facilities;
- Assumptions related to the University’s existing housing facilities, including vacancy, operating expenses, debt service payments and the funding of reserves were provided by the University, based on historic operations.

---

2 Annual escalations in revenues and expenses are based on anticipated CPI adjustments. Given the approximately level debt service structure modeled, so long as annual changes in revenues are at least equal to increases in expenses, the Project will achieve the minimum projected 1.20x debt service coverage ratio.