

DRAFT ONLY

SUMMARY OF TERMS OF PURCHASE

**Union County Improvement Authority Facility Revenue Bonds Series 2007
(BUF- Health and Human Services- Abbot Program)**

This summary of terms between BUF Health and Human Services (the "Borrower") and Hamlin Capital Management, LLC ("Hamlin" and, together with the Borrower, the "Parties") memorializes the Parties' understanding of the material terms relating to Hamlin's proposed purchase of the Union County Improvement Authority Facility Revenue Bonds Series 2007 (the "Bonds") to be issued at the request of the Borrower in order to finance the costs of purchasing and renovating certain facilities to be used as a school to be owned and operated by the Borrower.

AUTHORITY Union County NJ Improvement Authority
PLACEMENT AGENT Siebert, Bradford & Shank

BONDHOLDER REPRESENTATIVE Hamlin Capital Management, LLC

PROJECT Acquisition, construction, equipping and renovating of a 22,000 sq foot building for use as a pre-school and refinancing of a 40,000 sq foot existing school building

EXPIRATION DATE Closing must occur by November 20, 2007

TERMS OF BOND ISSUE

Par Amount • Tax Exempt: Not to exceed 5.65m

• Taxable: Not to exceed \$350k

Yield

• Tax Exempt: 6.875%

• Taxable 8.5%

• Coupon to be determined

Minimum Denominations

• 25,000

Final Maturity

• Not later than August 30th, 2037

Interest Payment Dates

• January 1 and July 1

First Principal Payment Date

• January 1, 2009

First Interest Payment Date

• July 1, 2008

Optional Redemption Provisions Taxable: **Continuously Callable at Par**

Tax Exempt: On or after July 1, 2015 at 102

On or after July 1, 2016 at 101

On July 1, 2017 and thereafter at Par

- **Purchase in Lieu of Redemption** • Purchase of the Bonds in lieu of redemption permitted at any time at a price negotiated between Borrower and Bondholder Representative; principal amount of Bonds purchased to be credited against the next sinking fund payment

PRE-CLOSING CONDITIONS

- **Construction Contract** • Guaranteed maximum price construction contract for the Project, which includes a satisfactory liquidated damage provision sufficient to cover per diem interest payments on the Bonds
- **Permits/Environmental** • Permits, licenses and approvals required for construction of the Project, unless waived by Hamlin
- **Environmental Assessment** • Current Environmental Assessment Report (Phase 1) prepared by qualified and reputable civil or environmental engineers
- **Appraisal** • Appraisal of the mortgaged properties
- **Title Insurance** • Title insurance policy insuring good and clear title to the land and improvements comprising the mortgaged property containing no survey exception by a title company acceptable to the Bondholder Representative
- **Kroll Credit & Background Verification** • Standard Credit and Background Verification to be performed by Kroll and paid for by Hamlin
- **Construction Monitoring** • Independent construction monitor acceptable to Hamlin

Budget	<ul style="list-style-type: none"> • Detailed project budget and a sources and uses of funds
SECURITY FOR BONDS	
Security Interest	<ul style="list-style-type: none"> • First lien on AAF property located at 403 West 7th Street Plainfield, NJ and First lien on property to be built at 510 and 420 Grant Avenue, Plainfield NJ • Pledge of gross revenues • Lock box upon breach of any covenant
Debt Service Fund Payments	<ul style="list-style-type: none"> • Borrower will be required to make monthly payments into a Debt Service Fund by the 20th day of each month (the "Debt Service Payments") equal to (i) 1/12 of the next annual principal payment; and (ii) 1/6 of the next semi-annual interest payment • Failure by the Borrower to make the Debt Service Payments for two consecutive months constitutes a breach of covenants; failure by the Borrower to make the Debt Service Payments for three consecutive months constitutes an event of default
Mortgage	<ul style="list-style-type: none"> • Mortgage representing first lien on all land, buildings and equipment (subject to permitted encumbrances) comprising the School.
Debt Service Reserve Fund	<ul style="list-style-type: none"> • Debt Service Reserve Fund to be funded with bond proceeds equal to \$250k.
Assignment of Project Documents	<ul style="list-style-type: none"> • Assignment of the (i) construction contract, (ii) architect's agreement, (iii) plans and specifications, (iv) surety bonds, (v) permits, (vi) land use agreements, if any, (vii) management agreements

Renewal and Replacement Fund
PRE-STABILIZATION COVENANTS

\$50,000 to be funded up over a period of 4 years

Reporting

- Within 30 days after each quarter, Borrower to provide trustee, bondholders and the Underwriter:
 - unaudited financial statements
 - days' cash on hand
 - occupancy statistics

COVENANTS AFTER STABILIZED OCCUPANCY

Debt Service Coverage Ratio

- Beginning in first Fiscal Quarter following Stabilized Occupancy, Project must achieve net income available for debt service of not less than 1.20x maximum annual debt service, calculated on a rolling twelve month basis (the "Coverage Ratio")
- Coverage Ratio will be measured quarterly and will be based upon a rolling twelve month schedule
- Failure to achieve annual Coverage Ratio of at least 1.00x constitutes event of default
- Failure to achieve annual Coverage Ratio of 1.20x for two consecutive quarters requires employment of a management consultant unless waived by Bondholder Representative

- Borrower to submit report on Coverage Ratio to the trustee, bondholders and the Underwriter within 45 days after the first three fiscal quarters to be submitted with report on fourth quarter to be submitted with annual audit

GENERAL COVENANTS

Asset Transfers

- No asset transfers permitted except:
- Property having a market value not more than \$4,000 of book value of all property, plant and equipment may be transferred in any single fiscal year without consideration
- Transfers for fair market value consideration as determined by an appraiser or other qualified professional or
- Transfers satisfying Revenue Test (defined below)

ADDITIONAL DEBT

Additional Debt

- Prior to Stabilized Occupancy, up to \$100,000 of additional parity or subordinate debt may be issued for working capital purposes
- After Stabilized Occupancy, up to \$200,000 of additional parity or subordinate debt may be issued for working capital purposes
- Other debt with consent of Bondholder Representative

Insurance Consultant

- Insurance consultant's report certifying that there is in effect insurance of the types and covering amounts carried by similarly situated educational institutions in the same geographic area

Reporting Requirements

- Borrower will file with trustee, bondholders and Underwriter the following:
- annual audits and management letters within 120 days of the end of each fiscal year
- Annual budgets
- Quarterly and annual certificates of compliance with respect to bond covenants
- Quarterly financial statements and occupancy statistics

Renewal and Replacement Fund

- Commencing in 3rd fiscal year after closing, a Renewal and Replacement Fund (the "R&R Fund") will be established and funded on a monthly basis with amounts generated from operations at the rate of \$ 10k per year
- Failure by Borrower to make payments into the R&R Fund will not constitute an event of default; any unpaid balance due to the R&R Fund will be due in the next month
- Consultant's report every three years to ascertain current and projected capital requirements; R&R Fund Requirement to be adjusted based on report
- R&R Fund to be used to make capital additions to the School or, with the consent of the Bondholder Representative, for operating expenses

DEFINITIONS

Revenue Test

- Consultant's certificate demonstrating that Coverage Ratio would have been 1.20x if such additional indebtedness, transfer, merger or other action (an "Event") had occurred on the first day of the most recent fiscal year based on audited financial statements or
- Consultant's report demonstrating projected Coverage Ratio for two fiscal years following the Event is at least 1.5x

Excess Cash Flow

- The excess of all unrestricted operating and nonoperating revenues of the Borrower over expenses for the fiscal year, each determined in accordance with generally expected accounting principals, exclusive of (i) depreciation, interest and amortization, (ii) any profits or losses that would be regarded as extraordinary items, (iii) gain or loss on the extinguishment of indebtedness, (iv) unrealized gains and losses on investments and hedging transactions, (v) gifts, grants, bequests, donations and contributions, (vi) proceeds of indebtedness, (vii) proceeds of insurance and condemnation, (viii) the proceeds of any sale or other disposition of property

Hamlin must provide certificate to the effect

INVESTOR LETTER

that:

- Hamlin is the investment advisor for each owner of Bonds
- Each owner is an “accredited investor” or a “qualified institutional buyer” each as defined in the Securities Act of 1933, as amended, and the rules and regulations thereunder
- Hamlin is not relying on the Authority, the trustee or the Underwriter in making the determination to purchase the Bonds
- The Bonds are being purchased by each owner for its own account for the purpose of investment and not with a view to distribute or sell the Bonds
- There is in place an Investment Advisory Agreement between Hamlin and each owner substantially in the form provided to the Authority

This summary of terms is not a commitment to lend or an offer to purchase the Bonds. The terms and conditions set forth herein are subject to modification or restructuring based upon Hamlin's due diligence and legal reviews.

IN WITNESS WHEREOF, and acknowledging acceptance and agreement of the foregoing, the Parties affix their signatures hereto on this ___ day of May, 2007.

HAMLIN CAPITAL MANAGEMENT, LLC

By: _____

BUF Health and Human Services

By: _____