

Statement of Quantum Equity I, LLC and Darnell Dailey February 12, 2018

Quantum Equity I (“Quantum”) and Mr. Darnell Dailey absolutely deny the spurious claims alleged by Bethune-Cookman University (“BCU”) in the lawsuit filed last month which wrongly group Quantum and Mr. Dailey together with former BCU administrators and their deal broker accused of fraudulent activities. Quantum and Mr. Dailey intend to seek sanctions from the court against BCU for frivolously and wantonly dragging them into this lawsuit. In addition, Quantum and Mr. Dailey today filed a Counterclaim against BCU to recover the sublease payments BCU has failed to make while the dormitories are fully occupied by paying students from whom BCU is collecting full anticipated revenue.

Here are the facts concerning the BCU dormitory project:

- Mr. Dailey has 20 years of experience in real estate finance having worked on projects having a cost of totaling over a billion dollars. Like most significant real estate development projects, Quantum Equity I was formed at the requirement of the lender as a special purpose entity whose only business was to be this BCU dorm transaction.
- Neither Mr. Dailey nor any of the Quantum entities had any prior relationship with any administrator at BCU, the so-called “Triad,” or with Mark Glover or his firm, Aligned Strategies and Partnerships. Mr. Dailey received a cold call from BCU’s broker, Mark Glover, soliciting Quantum to compete for the project alongside other proposals and was given no advantage or special treatment.
- Neither Mr. Dailey nor Quantum made any payment, either directly or indirectly, to any employee, officer, director or trustee of the University to obtain the approval for the transaction or for any other improper reason. Nor did Mr. Dailey or Quantum engage in any improper behavior to induce BCU to select Quantum for the dorm project.
- Quantum’s proposal was a straight-forward lease-back transaction. The dorms were to be built with concrete block and steel, included all furnishings and exercise equipment, as well as flat screen televisions and have withstood two hurricanes already. The sublease to BCU structure provided for a full year with no rent which permitted BCU to retain 100% of room charges for students in the dorms as they were completed. Moreover, the rent to BCU was structured so that student room charges would be sufficient to pay all operating expenses and rent under the BCU Sublease, leaving BCU with several million dollars of positive cash flow.
- BCU’s “cost” of the Project was fixed in the rent schedule attached to the Sublease and approved by the BCU Board. The borrowing by Quantum did not affect the cost of the Sublease to BCU in any way. Quantum borrowed \$85M in order to fund costs incurred by Quantum over and above the costs of construction of the dorms, including

construction period interest, legal fees, insurance and tax payments during construction, broker fees, third-party consultant fees, project management services and other Project related costs. Quantum has full dollar-by-dollar accounting for all uses of the funds and Quantum's expenditures relating to the Project.

- Repeated statements in the media that the dorm project is costing BCU \$306M are grossly misleading. Just like a home purchased on a 30-year mortgage, at the end of the payment term the total cost of the home is well above the stated purchase price. Moreover, the net "cost" of the Sublease to BCU is zero because the room revenue more than covers the rent.
- Quantum's compensation for its work developing this project comes principally from its share of the ongoing sublease payments by BCU. Quantum's interest is tied directly to the financial security and continued operation of BCU and accordingly, the Sublease was structured to provide ongoing cash flow to BCU.
- President Grimes reviewed all aspects of the dorm project prior to Board approval in his role at that time as BCU's General Counsel. The agreement was also reviewed by at least two outside law firms representing BCU. The entire Board of Trustees ultimately voted to support the project on two separate occasions.
- Mr. Dailey made no promises or pledges of charitable support to BCU. He did, however, waive close to \$4M in development and finance fees due to Quantum as a gesture in support of this HBCU community. BCU independently chose to recognize Mr. Dailey's contract write-off at their donor appreciation event in 2016.

Quantum and Mr. Dailey are well aware of BCU's newly revealed financial and governance troubles, which contrary to claims are largely independent of the dormitory project which is structured to be self-supporting. However, Quantum and Mr. Dailey have been willing to renegotiate the terms of the Sublease, particularly the escalator provisions to help ensure the long term fiscal survival of the university. Quantum has sat down with BCU representatives no less than three times in recent months with offers to renegotiate the terms of the Sublease and has made a written proposal. Astonishingly, at the very moment Quantum and BCU representatives were meeting in Washington, D.C. on January 22, 2018 to discuss modifications to terms of the Sublease, BCU was simultaneously filing its meritless lawsuit against the various Quantum entities and Mr. Dailey in Florida state court.

Quantum and Mr. Dailey are very proud that the BCU dorm project was completed on time, in conformance with the agreed standards for development, and has been a significant enhancement to the BCU community and profitable for the university. We have not received a single

complaint about the quality of the workmanship, the suitability of the facilities or any other element of actual project.

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