



Market Study

Proposed Hotel At The GWCC Atlanta, Georgia

Prepared For:

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Date of the Report:

August 19, 2013

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August 19, 2013

Mr. Richard Sawyer
Georgia World Congress Center Authority
285 Andrew Young International Blvd.
Atlanta, Georgia 30313

Dear Mr. Sawyer:

In accordance with our engagement letter dated July 10, 2013, we have completed our analysis of the market-based implications associated with the planned development of a convention oriented hotel (“the Subject”, the “Project”, or the “Hotel”) to be located adjacent to buildings B and C of the Georgia World Congress Center (“GWCC”) in the West Plaza area. This report summarizes our approach to the assignment as well as our findings and conclusions.

Study Objectives

PKF Hospitality Research, LLC (PKF-HR) was engaged to recommend the scope of Hotel (in terms of size, services, amenities and overall positioning) that would be appropriate for the subject site; and, assuming that the facility is developed and opened in 2017, to estimate the potential levels of market and financial support for the Project.

Methodology

We approached the assignment in two phases.

Phase One: Comparable Market Data Analysis

1. We interviewed key personnel at the Georgia World Congress Center Authority (“GWCCA”), the Atlanta Convention and Visitors Bureau (“ACVB”), and the Atlanta Falcons; reviewed studies and data provided, and interviewed key clients of the GWCC to determine the current and medium term situation with regards to conventions and lodging needs in Downtown Atlanta.
2. We analyzed the Downtown lodging market, the dynamics of the GWCC, focus group data and client interview data and prepared a SWOT analysis for the Project.
3. We reviewed and analyzed the performance of the Downtown Atlanta Market as well as comparable convention cities for periods before and after a new convention-oriented hotel and/or a new or expanded meetings/events venue opened, as it

relates to absorption of supply and latent demand, and the impact on average daily rates. We analyzed the relationship between the addition of new hotels into a market and the increase in demand realized for comparable hotels in similar situations. Using the *Hotel Horizons*[®] forecasting model, we controlled for growth in demand and isolated any latent demand that the new hotel caused to be absorbed by entering the market.

Phase Two: Detailed Analysis of the Potential Market Support for the Project

1. We developed conclusions and recommendations regarding:
 - a. Identified market sources of demand for a Hotel at the Subject location.
 - b. Specific facilities and services that would be needed to attract and accommodate the identified demand sources, including:
 - i. Number and size of guest rooms
 - ii. Number and size of meeting rooms
 - iii. Food and Beverage facilities
 - iv. Amenities and service levels required
 - v. Branding alternatives
2. Using Moody's Analytics' forecasts of the economic variables that exhibit the strongest historical correlations with the demand in the Downtown Atlanta lodging market, we prepared a 10-year forecast of market performance assuming the proposed Hotel becomes operational January 1, 2017.
3. We prepared 10-year market projections to reflect occupancy, Average Daily Rate ("ADR"), Revenue per Available Room ("RevPAR"), and Cash Flow Available for Debt Service for the Proposed Hotel.

Report Sections

The results of our phased analyses are presented in the following sections:

- | | |
|----------------|---|
| Section I – | Executive Summary |
| Section II – | Area and Neighborhood Overview |
| Section III – | Downtown Atlanta Hotel and Convention Market Analysis |
| Section IV – | National Convention Center Hotel Analysis |
| Section V – | Project Facilities Recommendation |
| Section VI – | Projected Performance of the Proposed Hotel |
| Section VII – | Projected Financial Performance |
| Section VIII – | Possible Incentive Structures |

Assumptions and Limiting Conditions

As in all studies of this type, the estimated results are based on competent and efficient management and presume no significant change in the status of the competitive lodging market from that as set forth in this report. The terms of our engagement are such that we have no obligation to revise our conclusions to reflect events or conditions that occur subsequent to the date of completion of our fieldwork. However, we are available to discuss the necessity for revisions in view of changes in the economy or market factors impacting the competitive lodging market.

Since the proposed Hotel's future performance is based on estimates and assumptions that are subject to uncertainty and variation, we do not present them as results that will actually be achieved. However, our analysis has been prepared on the basis of information obtained during the course of this assignment and our experience in the industry.

We would be pleased to hear from you if we can be of further assistance in the interpretation and application of our findings and conclusions. We appreciate the opportunity to be of service to the GWCCA and thank you for selecting PKF Hospitality Research, LLC for professional services.

Sincerely,
PKF Hospitality Research, LLC

Table of Contents

- Section I – Executive Summary 6**
 - 1- *Area and Neighborhood Overview..... 7*
 - 2- *GWCC and Downtown Atlanta Lodging Market 7*
 - 3- *Comparable Convention Hotel Openings Analysis 8*
 - 4- *Project Facility Recommendations..... 9*
 - 5- *Projected Performance of the Subject Hotel 10*
 - 6- *Projected Financial Performance of the Subject Hotel..... 11*

- Section II – Area and Neighborhood Review 12**
 - Atlanta Economic and Demographic Overview..... 13*
 - Downtown Atlanta Office Market..... 14
 - Future developments in Downtown Atlanta..... 15

- Section III – Downtown Atlanta Convention and Hotel Overview 16**
 - Historical Downtown Atlanta Hotel Supply and Demand 17*
 - Downtown Atlanta Convention Market Summary..... 18*
 - Georgia World Congress Center..... 18
 - TAP Report and Future Bookings..... 21
 - Downtown Atlanta Hotels 22*
 - Strengths, Weaknesses, Opportunities and Threats..... 25*
 - Strengths: 25
 - Weaknesses:..... 25
 - Opportunities: 25
 - Threats:..... 25

- Section IV – Comparable Convention Hotel Openings Analysis 26**
 - Introduction 27*
 - Limitations..... 28*
 - Summary of Findings and Conclusions 29*
 - Induced Demand..... 29
 - Impact on Market Area Average Daily Rate 36
 - Measuring Performance Milestone Timelines 38*

Section V – Project Facility Recommendations	41
<i>Introduction</i>	42
<i>Hotel Room Count</i>	42
<i>Room Product and Mix</i>	43
<i>Meeting Space Requirements</i>	43
<i>Food and Beverage Outlets</i>	44
<i>Other Amenities</i>	44
<i>Branding and Operating</i>	45
Section VI – Projected Performance of the Proposed Hotel	47
<i>Introduction</i>	48
<i>Atlanta Upper-Priced Hotels, Average Daily Performance</i>	50
<i>Downtown Upper-Priced Hotels, Average Daily Performance</i>	50
<i>Summary of Assumptions and Conclusions</i>	51
Supply.....	51
Demand.....	51
Occupancy.....	51
ADR.....	52
<i>Projected Market Performance of the Subject Hotel</i>	52
Occupancy and Market Mix.....	52
Average Daily Rate.....	52
Section VII – Projected Financial Performance of the Proposed Hotel	53
<i>Basis for Cash Flow Projections</i>	54
<i>Departmental Revenues and Expenses</i>	57
Section VIII – Possible Incentive Structures	61
Addendum 1 – Detailed Phase 1 Case Studies	64
Addendum 2 – Statement of Assumptions and Limiting Conditions	112

Section I – Executive Summary

Draft at 8-19-2013

1- Area and Neighborhood Overview

The presence of multiple growth engines and strong demographics will make Atlanta an above-average performer in the long term. Moody's Analytics July 2013.

Table 1 shows key historical and forecast economic statistics for the Atlanta Metropolitan Statistical Area (“MSA”).

Table 1

Economic and Demographic Statistics Atlanta-Sandy Springs-Marietta, GA MSA										
Indicator	2000	2010	2012	2015	2020	CAGR	CAGR	%	%	
						2000- 2012	2012 - 2020	Change 2000- 2010	Change 2010- 2020	
Population (Ths.)	4,278	5,287	5,440	5,719	6,299	2.0%	1.8%	23.6%	19.1%	
Net Migration (Ths.)	57	21	32	71	76					
Labor Force (Ths.)	2,391	2,675	2,737	2,887	3,148	1.1%	1.8%	11.9%	17.7%	
Total Employed (Ths.)	2,318	2,404	2,495	2,715	2,994	0.6%	2.3%	3.7%	24.5%	
Unemployment Rate (%)	3.1%	10.1%	8.8%	6.0%	4.9%					
Total Personal Income (Mil. 2005 \$)	\$ 160,931	\$ 181,502	\$ 190,860	\$ 209,957	\$ 250,469	1.4%	3.5%	12.8%	38.0%	
Median Household Income (\$)	\$ 51,579	\$ 55,068	\$ 56,024	\$ 60,832	\$ 71,134	0.7%	3.0%	6.8%	29.2%	
Gross Metro Product (Bil. 2005 \$)	\$ 196	\$ 222	\$ 235	\$ 267	\$ 325	1.5%	4.2%	13.2%	46.5%	

Sources: Moody's Analytics, BOC, BLS & BEA

Developments that are under construction or proposed in Downtown Atlanta will be conducive to the continued growth in the demand for lodging accommodations and meetings events.

2- GWCC and Downtown Atlanta Lodging Market

Per information developed by PricewaterhouseCoopers, the GWCC has consistently underperformed comparable convention centers in gateway cities and those with more than 500,000 square feet of exhibit space in terms of building occupancy (as shown in the Table 2). One reason for this deficit is the location of the existing hotel inventory in relation to Buildings B and C of the GWCC. According to our research, a hotel located on the west side of the GWCC would allow multiple events to be booked simultaneously and improve the potential flow of back to back events. This was confirmed by management as well as clients of the GWCC whom we interviewed.

Table 2

Benchmark Exhibit Hall Occupancy			
	GWCC	Other Centers With More Than 500,000 Sq Ft of Exhibit Space	Gateway Cities
2008	49.7%	56.1%	56.4%
2009	45.8%	55.7%	52.9%
2010	47.1%	54.2%	54.8%
2011	46.9%	51.1%	52.1%
2012	44.0%	52.9%	53.4%
Average	46.7%	54.0%	53.9%

Source: PricewaterhouseCoopers / IAAM

3- Comparable Convention Hotel Openings Analysis

An analysis of 12 comparable convention hotel openings over the past sixteen years resulted in the following conclusions:

- On average, across the 12 case studies evaluated, the new hotel entering the market induced a volume of demand that was equivalent to upwards of 50 percent of the rooms available in the new hotel, with a range between 32 and 74 percent. Conversely, the typical experience across these 12 examples concerning real average daily rate was that there was no material impact (positive or negative). Factors that appear to influence the level of induced demand are the following:
 - There is a positive relationship between the amount of induced demand in the first year and the amount of exhibit space per guestroom located within one mile of the convention center. In other words, markets with higher ratios of exhibit space per guestroom typically induced greater levels of demand.
 - There is an inverse relationship between the market occupancy level prior to opening and the level of induced demand. Markets with lower occupancy levels prior to the hotel opening tended to induce more demand than hotels located in markets with higher occupancy levels.
 - There is an inverse relationship between the number of years between a convention center opening (or expanding) and the level of induced demand realized. Specifically, hotels that opened shortly after a convention center expansion tended to induce more demand than hotels that opened several years following a convention center expansion.
 - Hotel developments that increased the ratio of rooms located within easy walking distance (0.3 miles or less) of the convention center tended to

induce more demand as a percentage of the rooms added than those that did not significantly improve “walkability”.

- There was a negative relationship between the impact on market average daily rate and the level of induced demand expressed as a percentage of available rooms. The primary contributing factor identified was the overall economic conditions present at the time of the opening.

4- Project Facility Recommendations

We concluded that an 800-room Hotel would be well-positioned to provide the required benefit to GWCC performance and would likely induce approximately 440 rooms per night into the market. Tables 8 and 9 present the suggested room mix and meeting space allocation.

Table 8

Subject Hotel Recommended Guestroom Mix		
Type	Number	Ratio
King	400	50%
Double-double	336	42%
Handicapped	24	3%
Suites	40	5%
Total	800	100%
<i>Source: PKF-HR, Hotel Design Planning and Development</i>		

Table 9

Subject Hotel Recommended Function Space		
Type	Number of distinct spaces	Total Square feet
Ballroom (Divisible)	6	25,000
Ballroom Foyer	1	6,000
Junior Ballroom (Divisible)	6	13,000
Junior Ballroom Foyer	1	3,000
Banquet Rooms	4	6,000
Meeting Rooms	10	6,000
Boardroom	2	1,000
Total	30	60,000
<i>Source: PKF-HR</i>		

Food and Beverage Outlets to be considered:

- Coffee Shop
- Specialty restaurant (steakhouse, recognizable fine dining restaurant)
- Theme restaurant (casual dining, possibly branded)
- Quick service/coffee retail/juice bar/frozen yoghurt
- Lobby lounge bar
- Cocktail lounge
- Sports bar, entertainment lounge
- Pool Bar
- Room Service
- Room Mini Bars

Other Amenities and services that are customary in large convention hotels include the following:

- Swimming Pool- outdoor/indoor, whirlpool, deck and lounge area
- Exercise room, lockers, and sauna
- Swimming
- Spa facilities
- Business center
- Concierge services
- Concierge level
- Convention services
- Guest laundry services

5- Projected Performance of the Subject Hotel

Table 10 shows the projected occupancy, ADR and RevPAR performance of the Subject Hotel for the first seven years of operation.

Table 10

Projected Market Performance of the Subject Hotel											
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Occupancy Percentage	Market Penetration	Average Daily Rate	Percent Change	REVPAR	Percent Change	Revenue Yield
2017	292,000		170,600		58%	89%	187.00	2.0%	108.46		96%
2018	292,000	0.0%	185,300	8.6%	63%	96%	191.50	2.5%	120.65	11.2%	104%
2019	292,000	0.0%	188,800	1.9%	65%	99%	199.00	3.8%	129.35	7.2%	107%
2020	292,000	0.0%	188,800	0.0%	65%	99%	201.50	1.3%	130.98	1.3%	107%
2021	292,000	0.0%	188,800	0.0%	65%	99%	206.00	2.3%	133.90	2.2%	107%
2022	292,000	0.0%	188,800	0.0%	65%	99%	211.00	2.4%	137.15	2.4%	107%
2023	292,000	0.0%	188,800	0.0%	65%	99%	217.50	2.4%	141.38	3.1%	107%
CAAG	0.0%		1.7%				2.6%		4.5%		

Source: PKF Hospitality Research, LLC

6- Projected Financial Performance of the Subject Hotel

Summary of Estimated Annual Operating Results			
Year	Total Revenue	Net Operating Income	Ratio to Total Revenues
2017	\$48,495,000	\$12,570,000	26%
2018	53,961,000	15,256,000	28%
2019	57,580,000	16,705,000	29%
2020	58,709,000	16,818,000	29%
2021	59,912,000	17,040,000	28%
2022	61,381,000	17,439,000	28%
2023	63,149,000	18,080,000	29%
2024	65,106,000	18,826,000	29%
2025	66,770,000	19,367,000	29%
2026	68,626,000	20,014,000	29%

Section II – Area and Neighborhood Review

Draft at 8-19-2013

Atlanta Economic and Demographic Overview

It is generally recognized that the relative success of a hotel is influenced by factors that can be broadly categorized as economic, governmental, social, and environmental. Therefore, it is necessary to evaluate the dynamics of these factors within a market to understand their effect on the projected utilization levels of a real estate property. This section briefly describes some of the key economic and demographic factors that influence the Hotel Horizons® forecasting model for Atlanta, with a summary of key factors that are expected to influence the Downtown market in the coming years.

Table 1 present's key economic and demographic statistics and forecasts for the Atlanta, GA Metropolitan Statistical Area ("MSA") in summary form and is followed by commentary from Moody's Analytics on the current and projected state of the Atlanta MSA economy.

Table: 1

Economic and Demographic Statistics Atlanta-Sandy Springs-Marietta, GA MSA									
Indicator	2000	2010	2012	2015	2020	CAGR		% Change	
						2000-2012	2012-2020	2000-2010	2010-2020
Population (Ths.)	4,278	5,287	5,440	5,719	6,299	2.0%	1.8%	23.6%	19.1%
Net Migration (Ths.)	57	21	32	71	76				
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Total Employed (Ths.)	2,318	2,404	2,495	2,715	2,994	0.6%	2.3%	3.7%	24.5%
Unemployment Rate (%)	3.1%	10.1%	8.8%	6.0%	4.9%				
Total Personal Income (Mil. 2005 \$)	\$ 160,931	\$ 181,502	\$ 190,860	\$ 209,957	\$ 250,469	1.4%	3.5%	12.8%	38.0%
Median Household Income (\$)	\$ 51,579	\$ 55,068	\$ 56,024	\$ 60,832	\$ 71,134	0.7%	3.0%	6.8%	29.2%
Gross Metro Product (Bil. 2005 \$)	\$ 196	\$ 222	\$ 235	\$ 267	\$ 325	1.5%	4.2%	13.2%	46.5%

Sources: Moody's Analytics, BOC, BLS & BEA

Moody's Analytics provided the following summary in their *Précis U.S. Metro Report for Atlanta, July 2013*:

Recent Performance: *Atlanta is recovering steadily despite the threat of public spending cuts and a weak global economy, both of which have slowed the recoveries of many metro areas in the South. Strong job growth in May and June followed a one-off slump in April. Public payrolls remain depressed and manufacturing has come under strain, but private services are ably keeping the recovery on track. Several housing indicators, including prices, have recovered over the past year and are in better than average shape, a remarkable flip.*

Services: *Private services have more than compensated for the soft patch in manufacturing this year, and the outlook for business services remains fairly bright even through the coming few months, when sequestration is expected to bite the most. Signs continue to mount that business services firms are gearing up for the coming expansion and the accompanying need for information technology and other services. For example,*

Telecom giant AT&T will hire 600 network technicians and customer support staff in Georgia in the next two years as part of its nationwide 4G rollout, and the metro area should bag a large share of the jobs. Payroll processor ADP will seek to fill more than 100 positions at its ATL and Augusta offices. ATL has made especially strong progress in higher-paid professional and technical services job growth since the recovery began, and the metro area is likely to maintain its lead.

Consumer services have also contributed heartily to job growth this year and the outlook continues to brighten. The planned new football stadium for the Falcons franchise will spark numerous smaller projects and business creation in consumer services. Also, the National Center for Civil and Human Rights museum project is expected to create 700 construction jobs in the coming year and will raise the Downtown's cultural profile.

Goods: *Metro area manufacturing payrolls rose healthily in May and June after declining for five months, and not to put too much stress on a couple of readings, fundamentals indeed point to steady gains in the second half of 2013. Transportation equipment has by far made the strongest contribution over the past year, and more is to follow thanks to nationwide pent-up demand for vehicles and the industry's growing cluster in the South. Kia Motors is expanding its facility just south of ATL, and several parts makers have announced new plants, citing the need to shorten supply chains to key customers in Georgia and nearby states. Northwest Georgia's textiles and wood products industries will also enjoy cyclical rebounds at long last as the U.S. housing recovery strengthens. Being a transportation hub and corporate location of global repute, ATL will extract commerce out of the manufacturing revival statewide.*

Public: *The forecast for state government payrolls to finally enter lasting recovery in the second half of the year is looking somewhat too optimistic. The pace of recovery in state tax revenues has been disappointing, although the trend is getting stronger. Revenues are still substantially off prerecession levels, and the paltry fiscal 2014 funding increases for Georgia Tech and Georgia State University will be barely enough to cover the costs of enrollment increases. The schools remain important to the metro area's long-term economic vitality, but their direct contribution to job growth may be less than expected in the next few months.*

Atlanta will largely escape the near-term slowdown in the rest of the state thanks to less dependence on military spending and strengthening private industries. Job growth will increasingly outpace the nationwide average in the second half of the year. The presence of multiple growth engines and strong demographics will make ATL an above-average performer in the long term.

Downtown Atlanta Office Market

According to Colliers International, Downtown Atlanta has approximately 27.8 million square feet of office space with a total vacancy rate of approximately 19 percent. Asking rental rates are significantly lower than those found in the Buckhead and Midtown submarkets of Atlanta. A significant recent development in the Downtown market is the

announcement that Coca-Cola will be moving its Information Technology Center of Excellence to SunTrust Plaza's Garden Offices, having entered into a 275,868 square-foot ten year lease. This move will relocate approximately 2,000 employees from Wildwood Plaza, located in Northwest Atlanta, to the Downtown area.

Future Developments in Downtown Atlanta

The following developments, which will further enhance the appeal of Downtown Atlanta as a tourism and convention destination, are projected to open within the next few years:

- National Center for Civil and Human Rights, projected opening mid-2014.
- College Football Hall of Fame, located adjacent to Hall A of the GWCC, projected opening fall 2014.
- New Atlanta Falcons Stadium (to replace the Georgia Dome), final location to be determined; projected opening 2017.
- Atlanta Streetcar, providing a transport loop from the Martin Luther King Jr. Historical Site to the east side of Centennial Olympic Park.

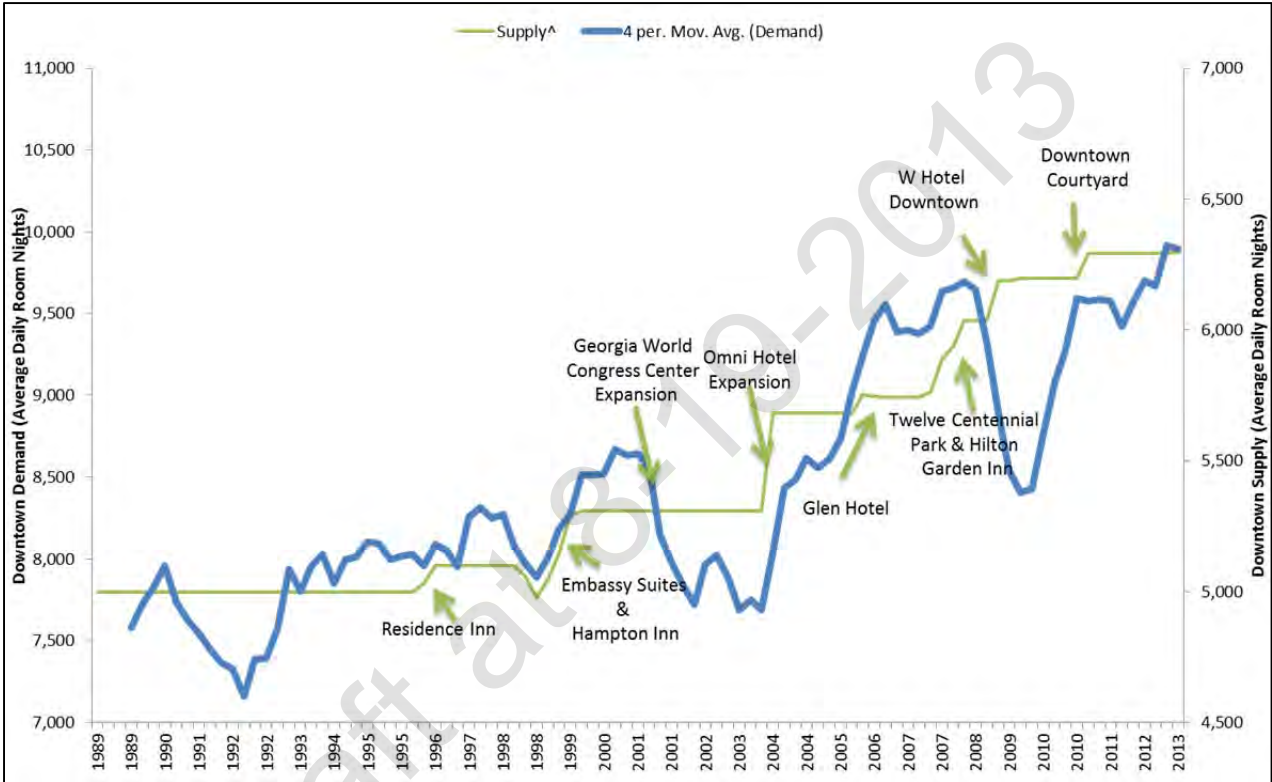
**Section III – Downtown Atlanta Convention and Hotel
Overview**

Draft at 8-19-2013

Historical Downtown Atlanta Hotel Supply and Demand

Downtown Atlanta has undergone a series of developments and improvements over the years that have added to its attractiveness as a meeting and convention destination, which in turn has generated leisure and corporate demand for the area hotels. Chart 1 illustrates the change in the Downtown hotel inventory since 1989 and the fluctuations in demand that accompanied the various new hotel openings.

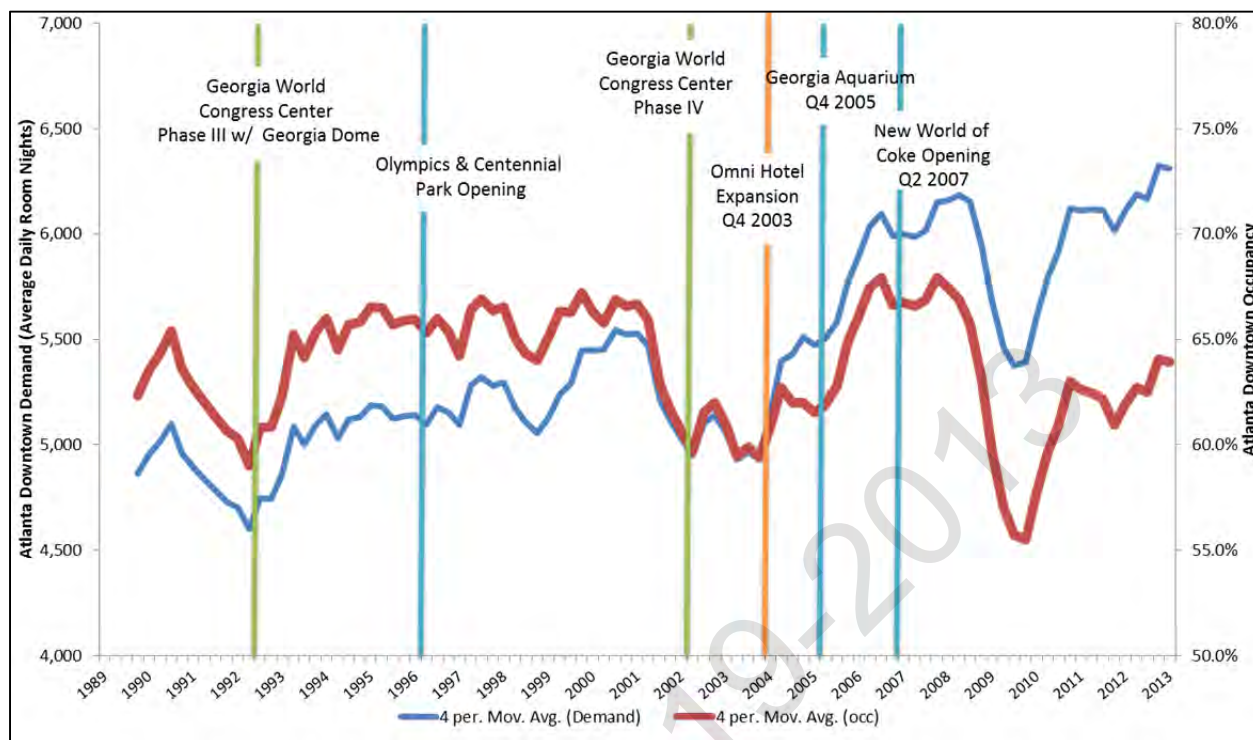
Chart 1: Atlanta Downtown Supply and Demand of Hotel Rooms



Source: STR, PKF Hospitality Research, LLC

The supply of hotel rooms in Downtown Atlanta has grown steadily since the opening of the Residence Inn in 1996. Demand for hotel rooms is at a historic high after recovering from the recent “Great Recession”.

Chart 2 below shows the changes in demand and hotel occupancy for Downtown Atlanta using a four month moving average highlighting some of the significant developments for the convention and tourism industry.

Chart 2: Atlanta Downtown Demand and Occupancy

Source: STR, PKF Hospitality Research, LLC

The opening of Phase III of the GWCC with the Georgia Dome in 1992 as the economy was recovering from the 1991 recession, appears to have had a significant impact on demand, whereas the opening of Phase IV (Building C) did not improve the demand situation until the Omni Hotel expanded in 2003-4. Other significant events in recent years were the 2005 opening of the Georgia Aquarium (which was expanded in 2011), and the 2007 opening of the New World of Coke.

In addition to the above, the development of the Lucky Marietta District in recent years, located along the eastern side of the GWCC, has significantly improved the offering of restaurants and entertainment options for conventioners, tourists and Downtown residents.

Downtown Atlanta Convention Market Summary

Georgia World Congress Center

The GWCC has 1,400,000 square feet of meeting space with over 1,366,000 square feet of exhibit area divided into three halls. According to ACVB data, there are currently 11,226 committable rooms within one mile of the GWCC. The GWCC is one of the largest convention centers in the country and can accommodate more than one large event at the same time, and several smaller events.

Hall C is generally considered the best facility within the complex; however, given its location on the west side of the site, and removed proximity from most of the Downtown hotels, the Hall has not been utilized to the extent hoped for when opened in 2002. The expansion of the Omni Hotel in 2004 and the Hilton Garden Inn in 2008 improved the “walkability” of the GWCC; however, Building C remains the least desirable venue because of the distance from the hotels and the additional transportation costs that convention organizers incur as a result. Hall C is currently sold at discounted rates and used more for consumer shows and to events that are locally based and require smaller room blocks. If the Omni Hotel is the principal headquarters hotel for events in buildings A and B, then the walkability factor for Hall C becomes even more difficult. Because of this, although the GWCC was designed to hold multiple events simultaneously, this is rarely possible. Furthermore, the set up time required for big events is such that there are times when none of the halls are being used.

Table 2 below illustrates the occupancy rates of the GWCC exhibit halls as compared to two benchmark sets of convention centers:

- Convention Centers with over 500,000 square foot of meeting space; and
- Convention Centers in Gateway Cities

Table 2: Exhibit Hall Occupancy Rates 2008-2012

Benchmark Exhibit Hall Occupancy			
	GWCC	Other Centers With More Than 500,000 Sq Ft of Exhibit Space	Gateway Cities
2008	49.7%	56.1%	56.4%
2009	45.8%	55.7%	52.9%
2010	47.1%	54.2%	54.8%
2011	46.9%	51.1%	52.1%
2012	44.0%	52.9%	53.4%
Average	46.7%	54.0%	53.9%

Source: PricewaterhouseCoopers / IAAM

As shown above, the GWCC Exhibit Hall average occupancy is approximately 15.5 percent lower than that of the comparable centers. This would suggest that there is significant room for improvement.

Table 3: GWCC Occupancy by Building FY 2003-2012

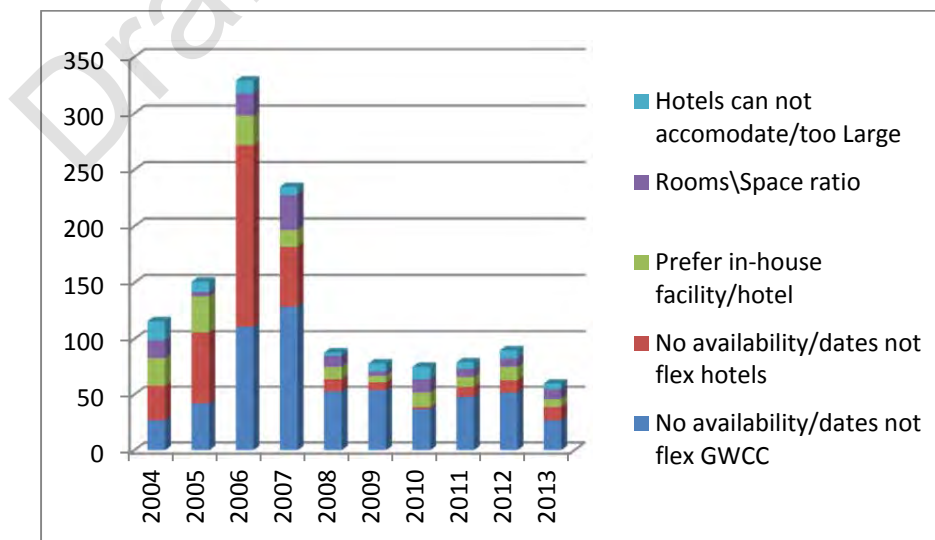
GWCC Occupancy by Building 2003 -2012				
	Building A:	Building B:	Building C:	All Halls Occupancy
2003	39.1%	52.0%	42.8%	44.6%
2004	35.3%	47.7%	41.8%	41.6%
2005	47.2%	39.1%	51.1%	45.8%
2006	40.2%	61.3%	59.6%	53.7%
2007	48.4%	57.9%	49.7%	52.0%
2008	33.6%	55.5%	59.8%	49.6%
2009	37.2%	52.1%	48.2%	45.8%
2010	38.5%	51.4%	46.3%	45.4%
2011	44.1%	53.0%	50.8%	49.3%
2012	46.8%	47.1%	32.7%	42.2%
Average	41.1%	51.7%	48.3%	47.0%

Source: GWCCA

Please note: the data in Tables 2 and 3 varies slightly, which we attribute to the different data sources used..

Chart 3 below shows the number of events that have been lost by reason between 2004 and 2013 at the GWCC. The spike in 2006 and 2007 is principally the result of the impact that Hurricane Katrina had on the Downtown hotel occupancy, and significant numbers of events that were looking to relocate from New Orleans. Since 2008, the principle reason for lost business was lack of availability at the GWCC for the required dates.

Chart 3: Lost Events by Reason FY 2004-2012



Source: ACVB

Based on feedback from GWCCA and ACVB officials, and the clients interviewed, the proposed Hotel, attached to Buildings B and C, would significantly improve the ability to sell events using Building C. This would enable the management to increase the number of trade shows, to hold more back-to-back events, or multiple events simultaneously during high demand months.

TAP Report and Future Bookings

The report below shows a summary of the definite room night bookings and events from 2013 to 2014 for the GWCC that are directly related to GWCC bookings. The GWCC is close to or above pace through 2017.

THE TAP REPORT

Atlanta
Convention Center

Period Ending June 30, 2013
Report Date: July 22, 2013

City Data	2013	2014	2015	2016	2017	2018	2019	2020	Total
Definite Room Nights	727,551	708,497	606,186	464,027	345,221	136,563	144,965	59,075	3,192,085
Pace Targets	735,823	690,523	579,133	381,314	234,926	168,923	108,835	41,736	2,941,213
Variance	(8,272)	17,974	27,053	82,713	110,295	(32,360)	36,130	17,339	250,872
Consumption Benchmark	737,151	737,151	737,151	737,151	737,151	737,151	737,151	737,151	5,897,208
Pace Percentage	99%	103%	105%	122%	147%	81%	133%	142%	109%
Total Demand Room Nights	3,656,957	3,580,227	3,277,863	3,000,095	1,636,644	1,299,235	1,075,148	609,317	18,135,486
Lost Room Nights	2,929,406	2,871,730	2,671,677	2,536,068	1,291,423	1,162,672	930,183	550,242	14,943,401
Conversion Percentage	20%	20%	18%	15%	21%	11%	13%	10%	18%
Tentative Room Nights	31,543	106,115	396,433	589,040	722,335	897,569	567,113	456,956	3,767,104
Annual Tentative Room Nights	0	1,357	1,357	65,048	159,867	160,167	160,167	134,527	682,490

Definite Events	55	43	36	27	14	8	8	2	193
Pace Targets	54	44	38	21	12	11	3	0	183
Variance	1	(1)	(2)	6	2	(3)	5	2	10
Consumption Benchmark	54	54	54	54	54	54	54	54	432
Pace Percentage	102%	98%	95%	129%	117%	73%	267%	200%	105%
Total Demand Events	280	249	211	174	82	64	53	20	1,133
Lost Events	225	206	175	147	68	56	45	18	940
Conversion Percentage	20%	17%	17%	16%	17%	13%	15%	10%	17%
Tentative Events	4	13	34	41	46	52	37	27	254
Annual Tentative Events	0	1	1	6	12	12	12	11	55

The Consumption Benchmark represents the average number of definite room nights booked by the ACVB for the GWCC for each of the last three 12-month periods. As of June 30, 2013 the Consumption benchmark was 737,151 room nights.

As mentioned previously, and according to the PWC benchmark reports, the average occupancy of the GWCC is approximately 15.5 percent lower than that of the comparable convention centers. It is reasonable to assume that improvements could be made at the GWCC and in Downtown Atlanta (e.g. a new hotel, new stadium, additional entertainment options and improved walkability), which would enable facility management to achieve an occupancy level more in line with the benchmark group.

If we assume that a 15.5 percent improvement in occupancy at the GWCC would result in a 15.5 percent improvement in room night generated, we would expect the consumption benchmark to increase by approximately 115,000 room nights or approximately 316 room nights per year.

Downtown Atlanta Hotels

Table 4 below shows the hotels located within a mile of the GWCC that are upper midscale and above with year built and amount of meeting space offered.

Table 4

Downtown Atlanta Hotels (Upper Midscale and Above)				
Hotel Name	Rooms	Year Built	Scale	Meeting Space (sq ft)
Marriott Atlanta Marquis	1,663	1985	Upper Upscale	160,000
Hyatt Regency Atlanta	1,260	1967	Upper Upscale	180,000
Hilton Atlanta	1,242	1976	Upper Upscale	108,713
Westin Peachtree Plaza Atlanta	1,073	1976	Upper Upscale	80,000
Omni Hotel @ CNN Center	1,070	1974	Upper Upscale	83,068
Sheraton Hotel Atlanta	763	1965	Upper Upscale	53,246
Ritz-Carlton Atlanta	444	1984	Luxury	17,973
Embassy Suites Atlanta @ Cent Olympic Park	321	1999	Upper Upscale	9,492
DoubleTree by Hilton Hotel Atlanta Downtown	312	1962	Upper Upscale	14,195
The Hotel ATL (converting to a +-200 room aloft hotel)	263	1982	Economy (Upper Upscale)	1,680
Holiday Inn Atlanta Dwnntn Centennial Park	260	1985	Upper Upscale	2,508
Hilton Garden Inn Atlanta Downtown	242	2008	Upscale	23,618
W Hotel Atlanta Downtown	237	2009	Luxury	9,000
Residence Inn Atlanta Downtown	160	1996	Upscale	1,064
Fairfield Inn Atlanta Downtown	156	1991	Upper Midscale	1,523
Courtyard Atlanta Downtown	150	2011	Upscale	1,776
Holiday Inn Express & Suites Atlanta Downtown	130	1918	Upper Midscale	2,700
The Ellis Hotel	127	1913	Independents	500
Hampton Inn Suites Atlanta Downtown	119	1999	Upper Midscale	1,956
Autograph Collection Glenn Hotel	110	2006	Upper Upscale	750
Best Western Plus Inn @ The Peachtrees	109	1960	Upper Midscale	985
Hampton Inn Atlanta Georgia Tech Downtown	106	1997	Upper Midscale	120
Twelve Centennial Park	102	2007	Independents	5,260
Hyatt Place Atlanta Downtown	94	1977	Upscale	700

Source: ACVB, STR, PKF HR

Groups using the GWCC typically require large room blocks from the bigger hotels in the market. The Omni Hotel @ CNN center is the closest large hotel to the GWCC and is the most desirable hotel for large groups using the GWCC. The larger hotels located further away from the GWCC have all expanded their in-house meeting facilities to the point where they can accommodate small to medium sized events within their own property. The map on page 24 shows the location of the above hotels in relation to the GWCC.

The historical performance of the Downtown Atlanta hotels between 2008 and 2012 and through the first three months of 2013 is presented on the following page. It should be noted that the Hotel ATL (former Days Inn Atlanta Downtown), is currently under renovation and is expected to reopen in 2014 as an aloft hotel with approximately 200 rooms.

HOTEL HORIZONS® FORECAST

JUNE - AUGUST 2013 EDITION

ATLANTA, GA

Submarket Profile - Downtown

Total Rooms: 11,988

The downtown area consists mainly of the large convention hotels located near Peachtree Center or the Georgia World Congress Center. Downtown is bordered by Ralph McGill Boulevard to the north, the I75/85 Connector to the east, Northside Drive to the west and I-20 to the south.

Submarket Rank*

5

Out of 17

*Based on RevPAR change over the last 4 quarters.

Submarket Penetration*

162%



*Submarket RevPAR penetration expressed as a percentage of the market RevPAR for the previous 4 quarters. Direction of arrow indicates if penetration is increasing or decreasing relative to one year ago's performance.

Downtown Submarket Inventory

Upper-Priced	Properties	Rooms	% Submkt.	Lower-Priced	Properties	Rooms	% Submkt.
Inventory	18	9,872	82.3%	Inventory	15	2,116	17.7%
Upper-Priced Brands by Share	Properties	Rooms	% Submkt.	Lower-Priced Brands by Share	Properties	Rooms	% Submkt.
Marriott	1	1,663	13.9%	Holiday Inn	2	635	5.3%
Hyatt	1	1,260	10.5%	Fairfield Inn	1	156	1.3%
Hilton	1	1,242	10.4%	Holiday Inn Express	1	130	1.1%

Source: Smith Travel Research

Downtown Construction Pipeline

Phase	Upper-Priced			Lower-Priced			Unclassified / Independent		
	Properties	Rooms	% Submkt.	Properties	Rooms	% Submkt.	Properties	Rooms	% Submkt.
Pre-Planning	0	0	0.0%	0	0	0.0%	0	0	0.0%
Planning	0	0	0.0%	0	0	0.0%	0	0	0.0%
Final Planning	0	0	0.0%	0	0	0.0%	0	0	0.0%
In Construction	0	0	0.0%	0	0	0.0%	0	0	0.0%
Total	0	0	0.0%	0	0	0.0%	0	0	0.0%

Source: Dodge / TWR / STR / PKF-HR

Downtown Performance - All Hotels

Year	Occ	Δ Occ	ADR	Δ ADR	RevPAR	Δ RevPAR
2008	61.1%	-7.0%	\$143.01	0.5%	\$87.39	-6.5%
2009	53.4%	-12.6%	\$135.15	-5.5%	\$72.19	-17.4%
2010	61.4%	14.9%	\$136.84	1.3%	\$83.97	16.3%
2011	59.1%	-3.7%	\$130.63	-4.5%	\$77.16	-8.1%
2012	62.4%	5.6%	\$137.80	5.5%	\$85.94	11.4%
1Q12 YTD	65.2%	5.9%	\$139.63	2.3%	\$91.10	8.3%
1Q13 YTD	65.0%	-0.4%	\$138.45	-0.8%	\$90.00	-1.2%

All Hotels Penetration vs. Market Total

Year	Occ	ADR	RevPAR
2008	104.5%	156.7%	163.7%
2009	101.9%	161.8%	164.9%
2010	106.9%	165.1%	176.4%
2011	100.0%	157.8%	157.9%
2012	102.5%	160.4%	164.3%
1Q12 YTD	107.8%	161.7%	174.3%
1Q13 YTD	104.9%	158.4%	166.1%

Source: Smith Travel Research

Downtown Performance - Upper-Priced Hotels

Year	Occ	Δ Occ	ADR	Δ ADR	RevPAR	Δ RevPAR
2008	63.1%	-7.0%	\$150.85	0.5%	\$95.19	-6.5%
2009	55.5%	-12.0%	\$141.89	-5.9%	\$78.78	-17.2%
2010	63.0%	13.4%	\$144.66	2.0%	\$91.10	15.6%
2011	60.9%	-3.2%	\$137.75	-4.8%	\$83.94	-7.9%
2012	64.0%	5.1%	\$143.91	4.5%	\$92.17	9.8%
1Q12 YTD	67.4%	5.9%	\$146.47	1.6%	\$98.69	7.6%
1Q13 YTD	66.8%	-0.8%	\$142.97	-2.4%	\$95.53	-3.2%

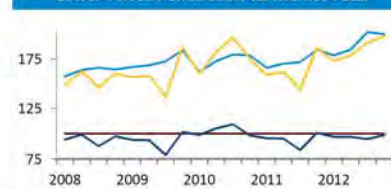
Upper-Priced Penetration vs. Market Total



Downtown Performance - Lower-Priced Hotels

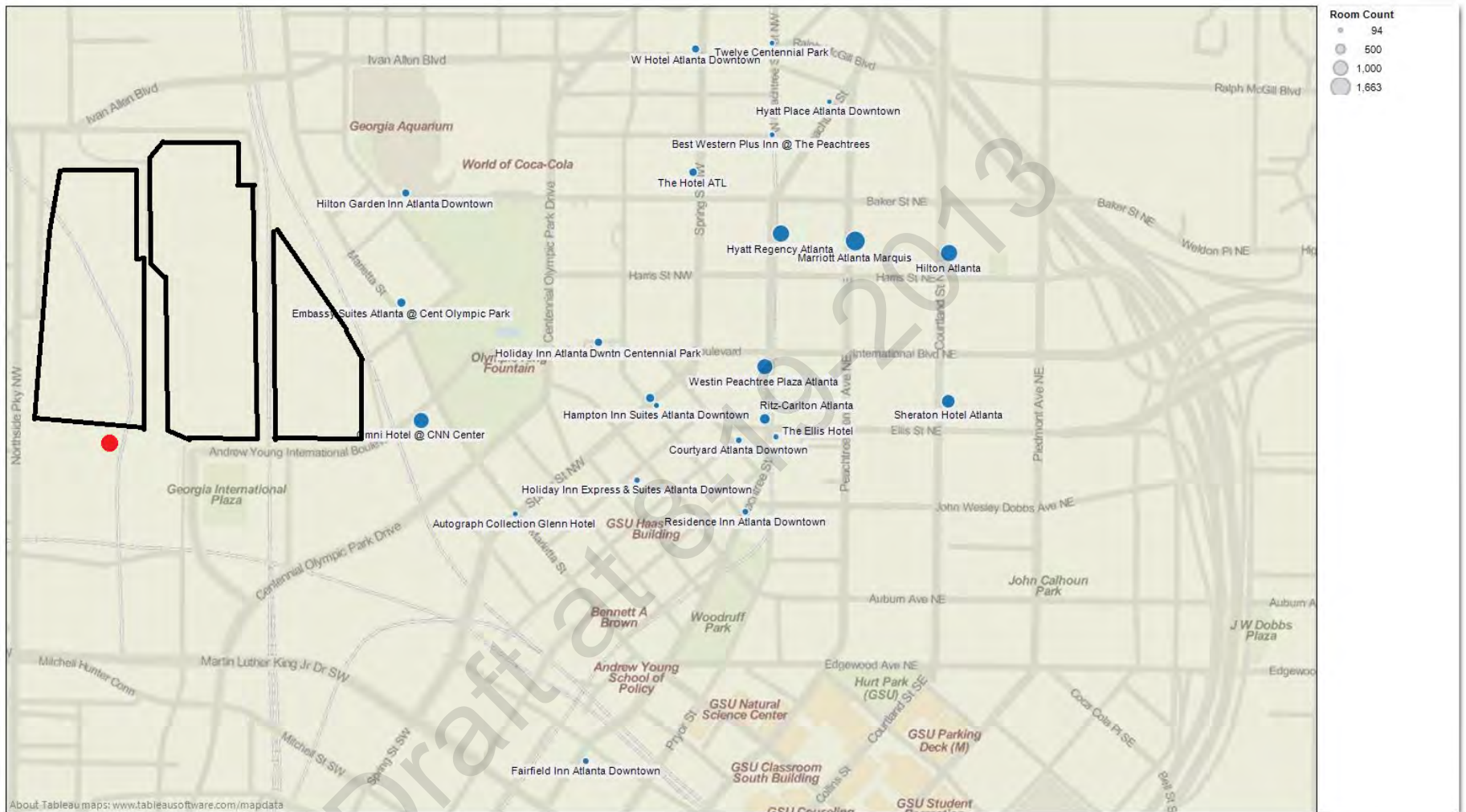
Year	Occ	Δ Occ	ADR	Δ ADR	RevPAR	Δ RevPAR
2008	52.2%	-7.2%	\$100.56	-1.4%	\$52.47	-8.5%
2009	43.7%	-16.3%	\$95.51	-5.0%	\$41.69	-20.5%
2010	53.9%	23.5%	\$94.79	-0.8%	\$51.12	22.6%
2011	50.9%	-5.7%	\$93.23	-1.6%	\$47.44	-7.2%
2012	54.5%	7.2%	\$104.50	12.1%	\$57.00	20.2%
1Q12 YTD	55.4%	4.8%	\$101.53	5.7%	\$56.28	10.8%
1Q13 YTD	56.6%	2.0%	\$113.55	11.8%	\$64.22	14.1%

Lower-Priced Penetration vs. Market Total



Source: Smith Travel Research

Source: Smith Travel Research



The red dot shows the proposed location of a new hotel to the south of Building C of the GWCC (outlined in black). The blue dots represent the hotels considered midscale and above scaled in size to the number of rooms.

Strengths, Weaknesses, Opportunities and Threats

Strengths:

- A Hotel at the proposed site would make it the closest hotel to the GWCC and southern stadium site.
- Improved walkability to Building C and B will reduce transportation costs for meeting planners and increase the marketability of Building C.
- The Subject Project would create the ability to sell multiple events with two distinct headquarters hotels attached to different buildings within the GWCC campus.

Weaknesses:

- Access to Downtown corporate demand. The Hotel will be heavily reliant on group business generated by the GWCC and the new stadium. Shoulder periods will be difficult to fill.
- As yet no entertainment options (other than stadium) on the west side of the GWCC as compared to around the hotels located on Centennial Olympic Park and those proximate to Peachtree Street.
- Access from highway and airport is challenging.

Opportunities:

- Opportunity to spur development on the west side of the GWCC.
- Opportunity to create entertainment venues, (e.g. restaurants, bars, nightclubs, theater, music venues) in addition to the Hotel.
- The new stadium will be on the rotation for major sporting events (Superbowl, Final Four, College Football Championship Game).
- There is the possibility that the stadium will attract a professional soccer franchise, and several other regular events in addition to those already using the existing stadium. Increasing the overall level of demand in the market and improving the competitive position of a Hotel on the west side of the GWCC.
- Opportunity to have multiple and back-to-back conventions and meetings at the GWCC with less down time, inducing new demand in the market.
- Opportunity to hold larger events.
- Opportunity to select a brand that is currently not represented in the market with strong ties to Atlanta (such as InterContinental or JW Marriott).

Threats:

- Few barriers to entry - there are several potential hotel-sites in Downtown Atlanta on the east side of the GWCC proximate to the Lucky Marietta District.
- The neighborhood to the west of the Subject site is currently not supportive of an upscale hotel brand.
- Limited number of available brands that have historically been associated with US convention hotels.
- Improvements in other convention markets might limit the ability to attract additional groups.

Section IV – Comparable Convention Hotel Openings Analysis

Draft at 8-19-2013

Introduction

Discussions with potential users and our experience analyzing similar projects suggests that for a Hotel to have a material impact on convention and group demand given the size and dynamics of the GWCC and the current available inventory in Downtown, it would need to contain at least 500 rooms. To determine the impact that a hotel of this size might have, we analyzed the opening of several large convention hotels across the United States as described below.

To conduct the analysis, PKF-HR uses the econometric expertise applied in the creation of its *Hotel Horizons*[®] forecasting model. The model analyzes the historical relationships between changes in economic variables and movements in lodging supply, demand, and average daily room rates. See www.hotelhorizons.com for additional information regarding the *Hotel Horizons*[®] model.

The source for economic data is Moody's Analytics ("Moody's"). From Moody's, PKF-HR is able to access over 100 economic variables including, but not limited to, employment, income, and retail sales.

For this assignment, PKF-HR acquired historical lodging performance data from Smith Travel Research ("STR") covering selected urban submarkets where comparable convention-oriented hotels were constructed from Q1 1995 through Q2 2013. The markets studied for which sufficient data were available were:

- | | |
|--------------|------------------|
| - Atlanta | - Indianapolis |
| - Charlotte | - Los Angeles |
| - Dallas | - Philadelphia |
| - Denver | - Salt Lake City |
| - Fort Worth | - San Diego |
| - Houston | - Tampa |

We selected these 12 markets based on the following criteria:

- A large (*i.e.*, at least 500 rooms) convention hotel opened in the market within the study period.
- The hotel was located within a major U.S. Metropolitan Statistical Area (MSA) covered by a PKF-HR's *Hotel Horizons*[®] forecast.
- The geographic definition of the STR metropolitan lodging market matched an economic market as defined by Moody's Analytics.
- PKF-HR was able to develop an econometric model that yielded significant findings.

From STR we received the total accommodated demand, supply, and revenue for Upper-Priced hotels for each submarket in which the subject convention-oriented hotel is located. Upper-Priced hotels are defined by STR as falling into the Luxury, Upper Upscale and Upscale chain scale categories. Similarly priced independent hotels are included within

this definition as well. PKF-HR then sourced the following data either from the Destination Marketing Organization (DMO) in that market or from one or more internal PKF databases for years preceding and after the opening of the new hotel:

- TAP reports or equivalent data series showing definite room nights attributed to convention centers.
- The total marketing budget of the DMO.
- The total hotel tax percent (*i.e.*, not the total dollars), plus any additional tourism fees charged to hotel guests.
- Occurrence of one or more special events, such as a Super Bowl, NCAA Final Four, Olympic Games, etc. during the period studied.
- Office space added to the submarket.

PKF-HR then developed demand and ADR models for each submarket using Hotel Horizons[®] econometric procedures. The Hotel Horizons[®] modeling approach allows us to control for organic growth in demand resulting from changes in the economy, ADRs, other hotels entering the market, and the other factors listed above. Through these models, we are able to identify and isolate the existence of latent demand (if any) that the new hotel(s) may have stimulated by entering the submarket. We are also able to isolate any impact on market-wide average daily rate. We varied the time period of the models to capture the difference in the effect for each year since the study property opened. The complete results of these analyses are presented as an addendum to this report.

We also analyzed like size properties (*i.e.*, large convention hotels) in like size markets to quantify actual occupancy, ADR, and RevPAR performance. The goal was to identify how long it takes for these hotels to achieve performance milestones in relation to the market. Specifically:

- From the time the hotel opened, what were the year one through year five occupancy, ADR, RevPAR levels?
- How long did it take for the new hotel to reach the full year, 100 percent occupancy index, and when this milestone was achieved, what was the hotels ADR index?
- How long did it take the new hotel to reach full year 100 percent ADR index, and when this milestone was achieved, what was the hotels occupancy index?

The results of these analyses are summarized below with the detailed analysis presented as an addendum.

Limitations

- Every attempt was made to achieve comparability between the cases studied and the situation in Atlanta. The original sample of convention hotel developments was

reduced to the final sample of 12 cases. Despite these efforts not all these cases are strongly aligned with the Atlanta market.

- The final sample of 12 comparable cases was not large enough to perform statically significant tests across the sample.
- Data were collected on various events that occurred within the markets and attempts were made to control for these, yet there were certain situations in which the events occurred proximate to each other where it was not possible.
- We examined available information about DMO marketing budgets, office market activity, airline capacity, but there were limits to the degree in which this information was able to be used in our findings.

Summary of Findings and Conclusions

The 12 case studies presented herein cover a variety of lodging markets over the period 1995 through 2012. On average, across the 12 case studies evaluated, the new hotel entering the market induced a volume of demand in the market that was equivalent to upwards of 50 percent of the rooms available in the new hotel, with a range between 32 percent and 74 percent. Conversely, the typical experience across these 12 examples concerning real average daily rate was that there was no material impact.

Induced Demand

Because the experience differed across the examples studied, it is important to determine why the level of induced demand was higher in some markets than in others. Several contributing factors were identified as good indicators as to what to expect if a 600-1200 room hotel was to open at the Project site. Table 5 provides a summary of the results of the analysis in order of lowest to highest level of induced (incremental) demand. The table also provides other pertinent factors in determining the level of induced demand.

Table 5

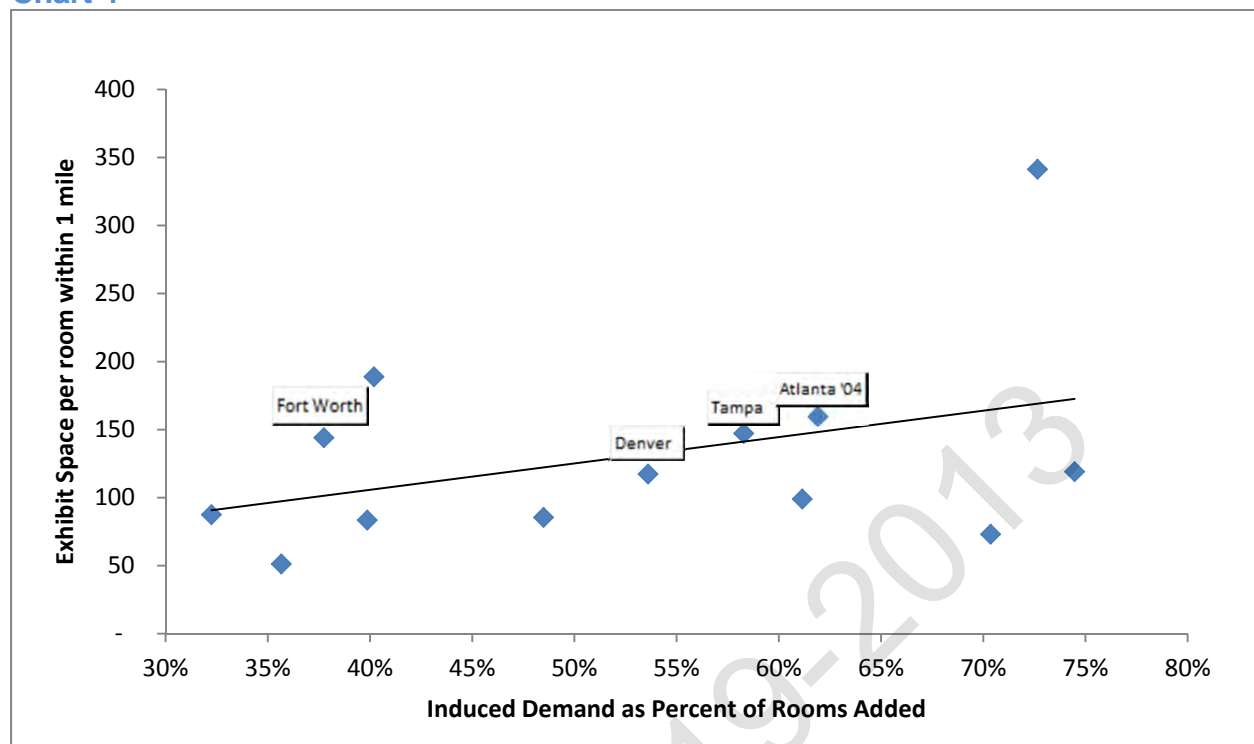
	# of rooms	Year Opened	Induced Demand in first year as % of Rooms Added	Impact on ADR	Years since CC Expansion	Market size Prior to Opening	OCC Prior Year	Exhibit space Prior to Opening	Market Rooms within 1 Mile	Exhibit Space Per Room within 1 Mile	Rooms within 0.3 miles Prior	% of Rooms within 0.3 Miles Prior	% Change in Rooms within .3	Approximate distance of Hotel from CC (miles)
Grand America The Grand America Hotel	775	2001	32%	\$5.20	1	4,671	66%	370,000	4,227	88	2,397	57%	-15%	0.6
Hilton San Diego Bayfront	1,190	2008	36%	\$2.91	7	11,989	76%	525,701	10,245	51	5,145	50%	10%	0.1
Omni Fort Worth	614	2009	38%	\$5.91	6	2,211	69%	253,226	1,758	144	1,122	64%	15%	0
Westin Charlotte	700	2003	40%	\$0.78	8	3,545	56%	280,000	3,352	84	2,008	60%	12%	0.1
Marriott Indianapolis Downtown	622	2001	48%	-\$2.37	8	3,778	70%	301,500	3,527	85	3,306	94%	1%	0.1
Hyatt Regency Denver	1,100	2005	54%	-\$0.14	1	5,624	65%	584,000	4,976	117	4,019	81%	4%	0.1
Marriott Tampa Waterside Hotel & Marina	719	2000	58%	-\$3.33	10	4,807	71%	200,000	1,359	147	820	60%	23%	0.2
JW Marriott Indianapolis	1,005	2011	61%	-\$0.16	0	5,234	66%	555,500	5,610	99	4,990	89%	2%	0.3
Omni Atlanta	600	2004	62%	-\$5.09	2	8,293	59%	1,366,000	8,547	160	1,219	14%	39%	0.1
Marriott Philadelphia Downtown	1,200	1995	70%	\$1.01	0	4,604	69%	440,000	6,016	73	462	8%	200%	0.1
Hilton Americas Houston	1,200	2003	73%	-\$5.11	0	2,208	58%	862,000	2,525	341	516	20%	125%	0.1
Omni Dallas Convention Center Hotel	1,001	2011	74%	-\$1.98	9	11,867	58%	726,726	6,099	119	1,355	22%	49%	0.1

Sources: PKF HR, STR, conventioncenterhotelsguide.com

The following factors were deemed relevant in determining what the level of induced demand might be:

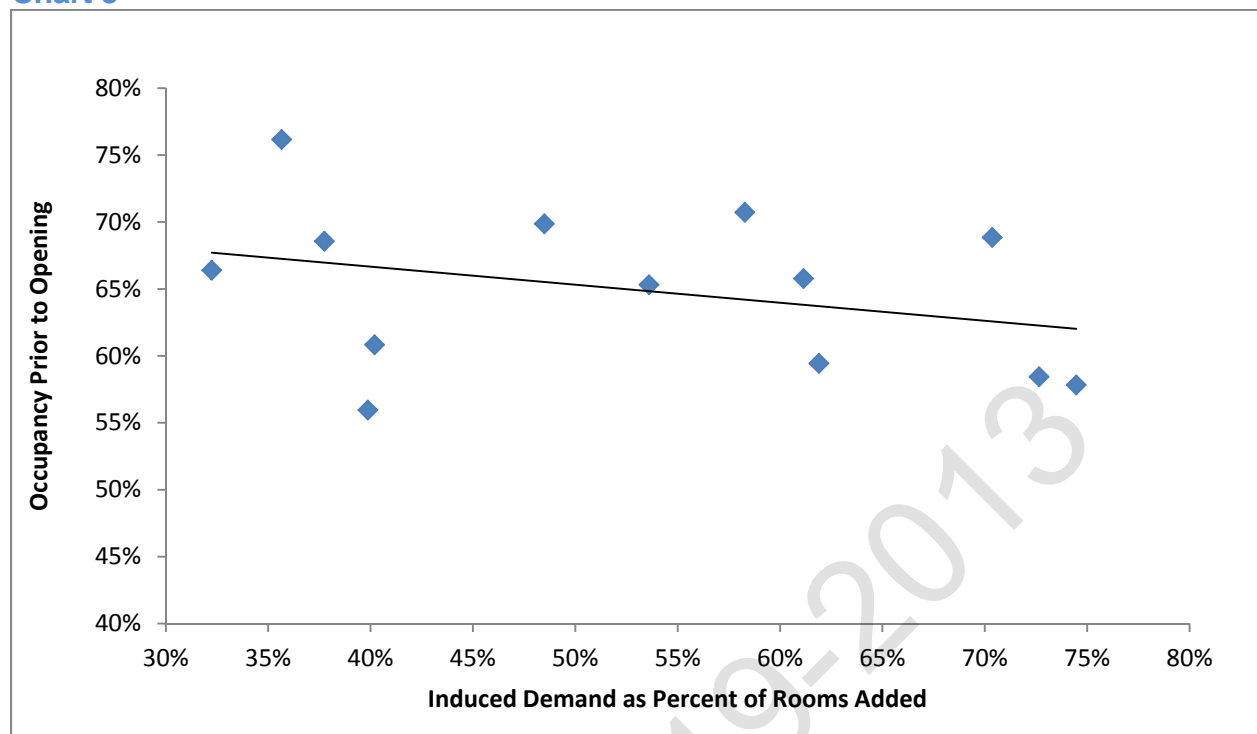
1. There is a positive relationship between the amount of the available exhibit space per guest room located within a mile of the convention center (the Y axis) and the level of induced demand (expressed as a percentage of available rooms contained in the new hotel – the X axis - See Chart 4).

Chart 4



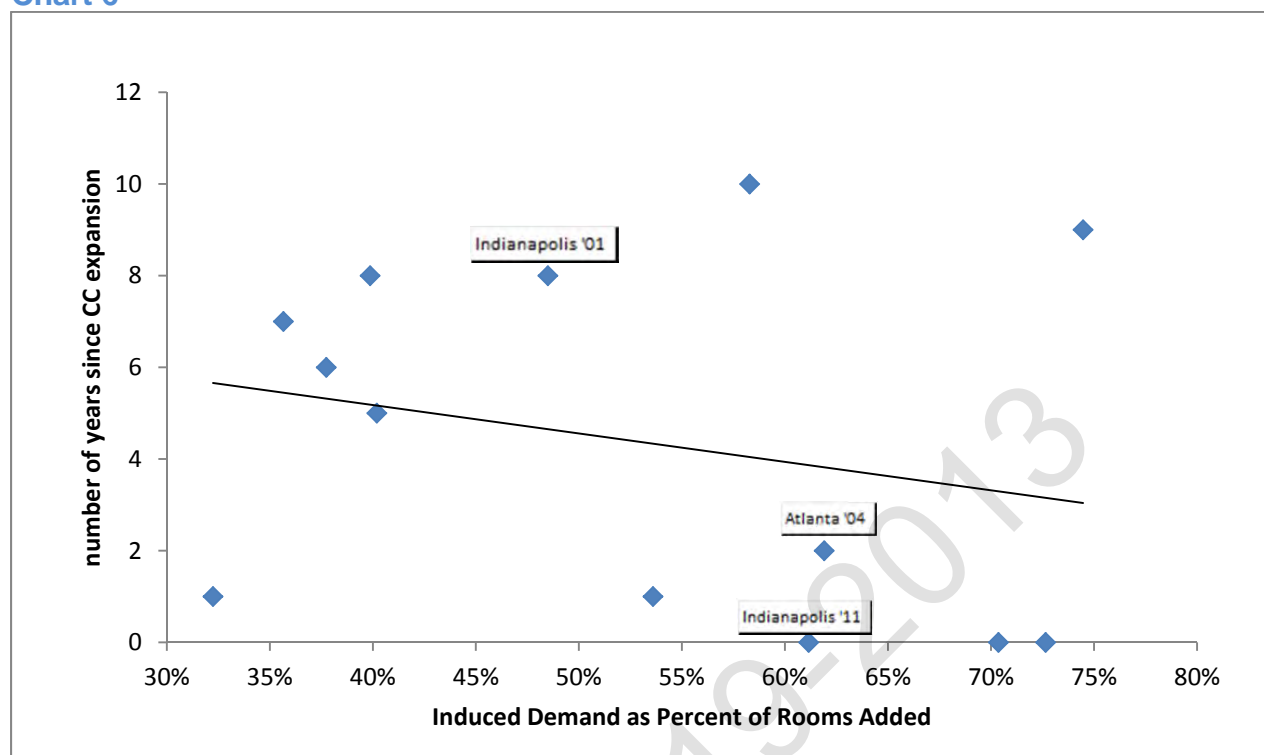
- We have projected that in 2017, Atlanta will have approximately 130 square feet of exhibit space per guest room located within a 1.0 mile radius of the GWCC.
 - The markets with a similar amount of exhibit space per room prior to the new hotel opening were Fort Worth, Denver, Tampa, Atlanta '04, and Dallas. These values ranged from: 117 square feet/room (Denver) to 160 square feet/room (Atlanta '04) with an average of 138 square feet/room. The average induced demand for these properties was 57 percent in the first full year following the construction of the new hotel.
2. There is an inverse relationship between the occupancy level of the market tract (typically Downtown or CBD Tract from STR) during the year immediately prior to the opening of the new hotel entering the market (the Y axis) and the level of induced demand (expressed as a percentage of available rooms contained in the new hotel – the X axis - see Chart 5). This is reasonable in that the lower the market area occupancy, the greater the availability to accommodate an enhanced volume of demand. Conversely, the higher the market area occupancy, the less beneficial (in terms of inducing demand) is the new hotel.

Chart 5



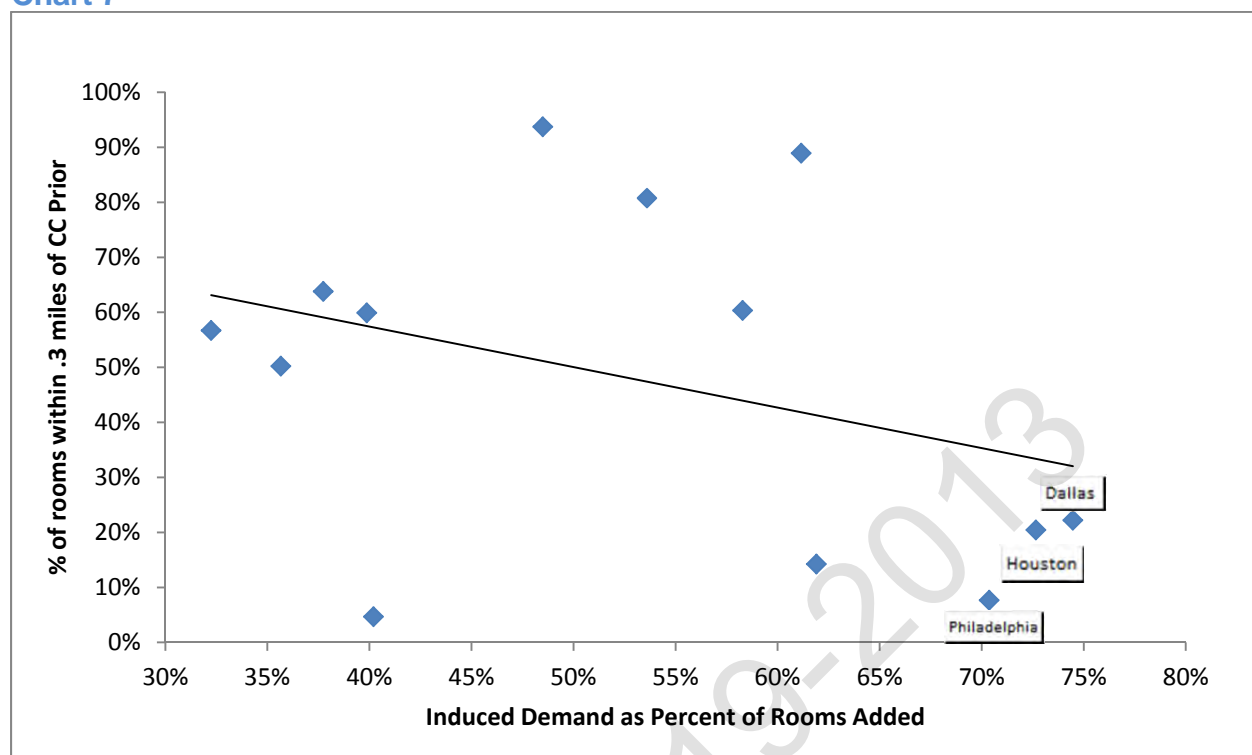
- Using the Hotel Horizons[®] econometric forecasting model for Atlanta, we have projected occupancy to be approximately 66 percent in 2016, the year prior to the projected opening of the Hotel. (See analysis commencing on page 53).
 - Six hotels in the study sample had market occupancy rates ranging from 65 to 71 percent (within 5 percentage points of the projected Downtown Atlanta market in 2016). The average occupancy of these markets was 68 percent. For these markets, the average induced demand as a percent of new rooms constructed, was 55 percent.
 - Based on the above factors, 55 percent of induced demand as a percent of rooms added appears reasonable for a proposed 800 room Hotel in Atlanta to open in 2017.
3. There is an inverse relationship between the number of years between an expansion or new build of a convention center and the opening of the new hotel (the Y axis) and the level of induced demand (expressed as a percentage of available rooms contained in the new hotel – the X axis - see Chart 6). Typically, the longer the time since the last expansion, the lower the level of induced demand. This is logical because the combined effect of more convention space and more hotel rooms should help to induce new groups into the market.

Chart 6



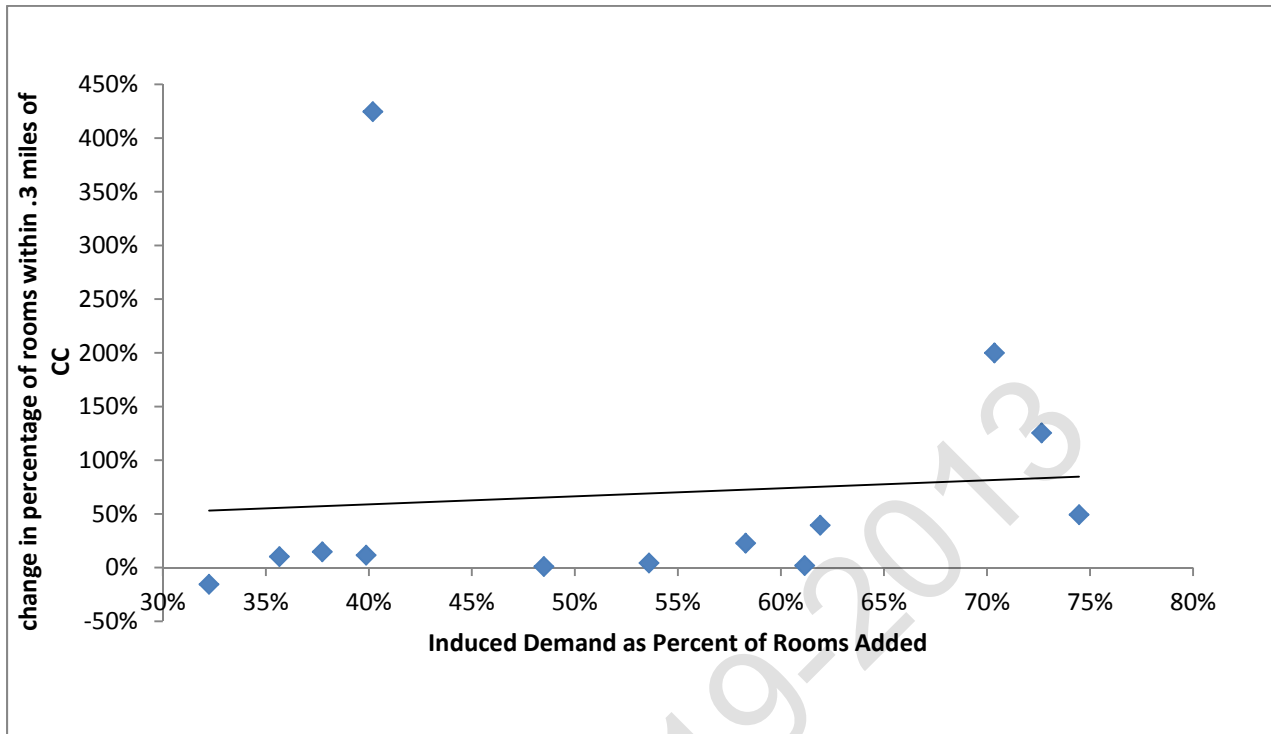
- Indianapolis induced a larger percentage of demand into the market in 2011 when the J.W Marriott hotel opening coincided with the convention center expansion, than in 2001 when the previous expansion had occurred.
 - The Subject Hotel is projected to open in 2017, 15 years after the 2002 GWCC expansion. It should be noted that the new stadium will have the effect of improving the overall dynamic of the area and surrounding offerings. It is logical to expect, based on the above data that the percentage of induced demand would be lower than was the case in 2004 with the expansion of the Omni, just two years after Building C was completed.
4. Focus groups and interviewees have mentioned walkability as being an important factor for meeting planners when selecting a venue. We therefore determined what portion of the hotels located within a one mile radius of the convention center were within a 0.3 mile radius (which we define as being easily walkable) in the year prior and post opening. There is an inverse relationship between the proportion of hotel rooms located within a 0.3 mile radius of the convention center (Y-axis) and the induced demand as percent of rooms added (X-axis - see Chart 7).

Chart 7



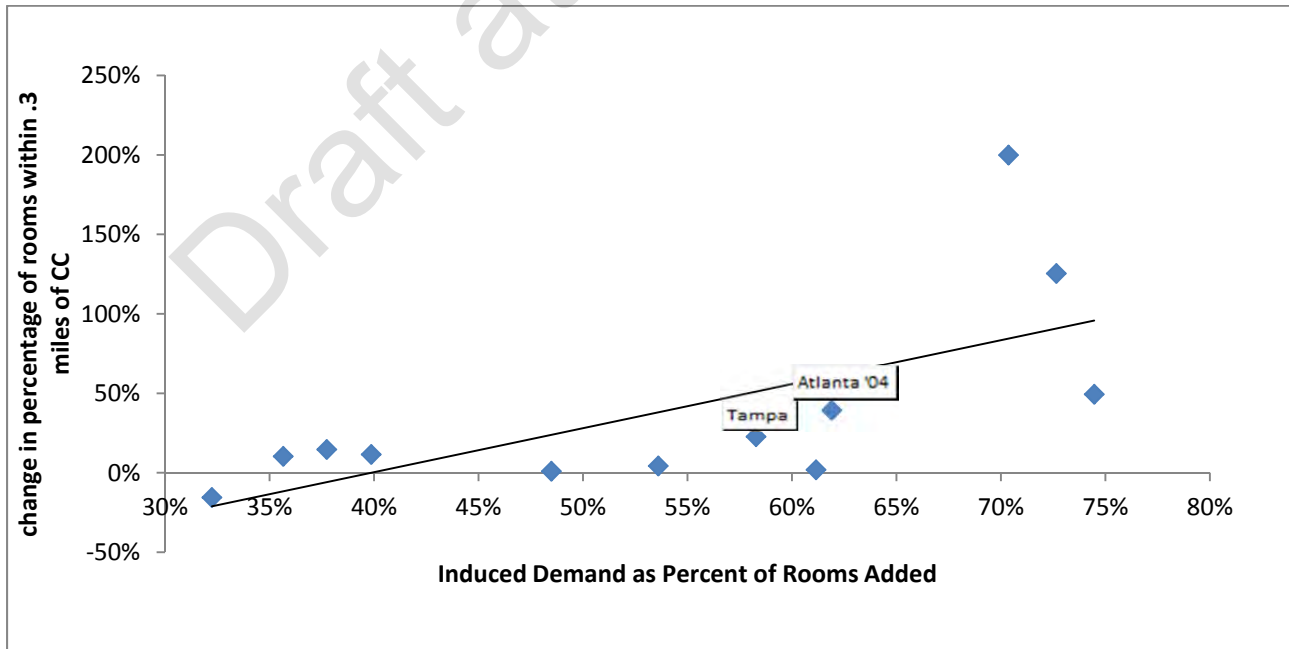
- This is reasonable as markets with a significant portion of the supply located proximate to the convention center are typically already attractive to meeting planners, and therefore are less likely to induce new demand because of improved “walkability”. Conversely, in markets such as Dallas, Houston and Philadelphia, where a low percentage of the available supply was within a 0.3 mile radius, the addition of a large number of rooms within easy walking distance of the convention center resulted in significant levels of induced demand.
 - Approximately 22 percent of the supply of hotel rooms located within a one mile radius of the GWCC in 2016 will be within the 0.3 mile radius. This would suggest that a relatively high proportion of rooms might be induced into the market at a new hotel.
5. There is a positive relationship between the percentage increase of rooms located within 0.3 miles (Y-axis) and the induced demand as a percent of rooms added (X-axis - see Charts 8 and 9).

Chart 8



- The outlier for this analysis is Los Angeles, where the addition of the JW Marriott and Ritz-Carlton significantly improved the “walkability” factor without inducing the levels of demand that one might expect based on some of the other examples. Chart 9 below presents the relationship without the LA hotels.

Chart 9



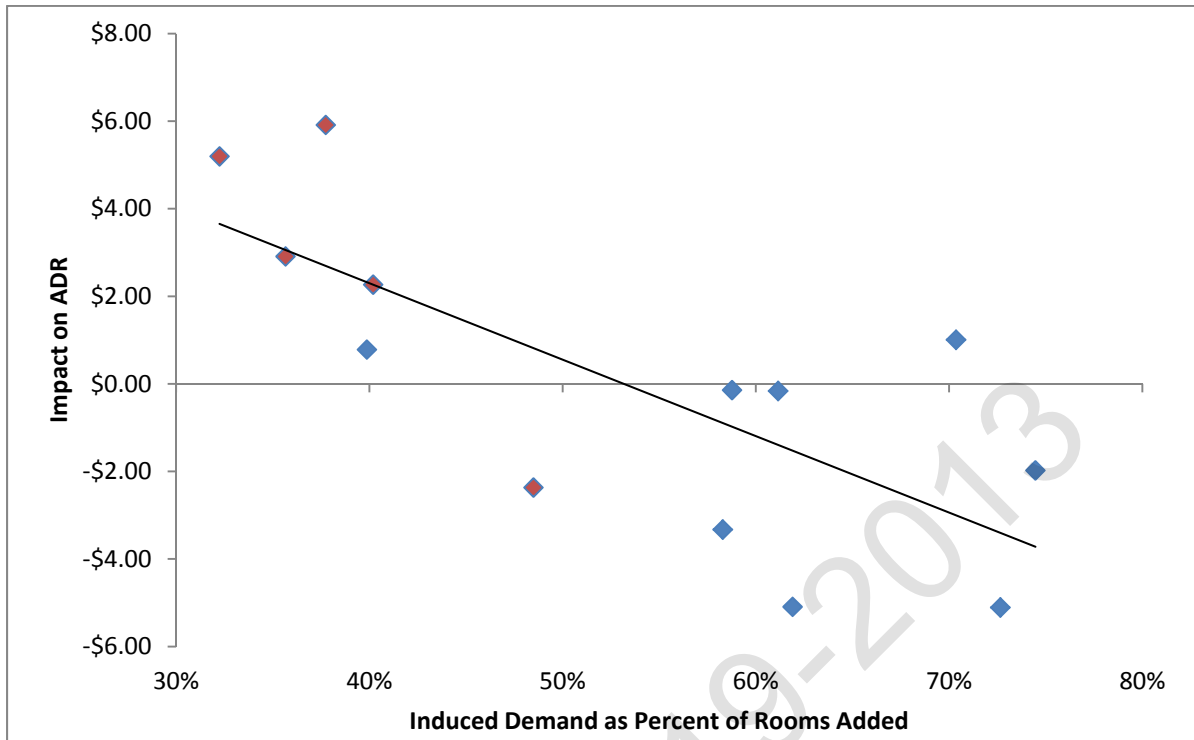
- Approximately 22 percent of the supply of hotel rooms located within a one mile radius of the GWCC in 2016 will be within the 0.3 mile radius. This proportion will increase to 28 percent in 2017 with the opening of an 800-room hotel, a 25 percent jump. This contrasts to the 39 percent increase in room supply within the 0.3 mile radius with the 600 room expansion of the Omni in 2004. It is reasonable to assume based on these factors that the Subject Hotel would induce less demand as a percentage of rooms added than did the Omni expansion.
- The market with the most similar change to that projected for Atlanta was Tampa with a 23 percent increase in “walkable” supply. The opening of the Marriott Tampa Waterside Hotel and Marina induced 58 percent of rooms added.

Impact on Market Area Average Daily Rate

An important element to the case study analysis presented herein is to also understand how changes in convention-oriented lodging supply can impact market area average daily rates. The experience realized across these 12 situations varied, reflecting both positive and negative impacts on price. The primary contributing factors identified were the overall economic conditions present in the market at the time of the opening of the new hotel and the level of induced demand (expressed as a percentage of the rooms contained in the new hotel). These factors are as follows:

6. There is a negative relationship between the impact on market area average daily rate (the Y axis) and the level of induced demand (expressed as a percentage of available rooms contained in the new hotel – the X axis - see Chart 10). This is reasonable in that a significant volume of induced demand may be achieved by discounting rate to attract these new consumers. It is also interesting to note that in three of the four situations where the new hotel opened during difficult economic times (see plots in the color red), the market area average daily rate was positively impacted by the opening of the new hotel. This too seems reasonable in that this induced demand was likely group meeting in nature, had been booked well in advance and was not easily cancellable (unlike transient demand).

Chart 10



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Measuring Performance Milestone Timelines

The final element of our case study analyses involved the evaluation of the amount of time required when a new convention-oriented hotel enters a market to achieve certain performance milestones. Specifically, herein we provide the results of our analyses with respect to the following:

- From the time the hotel opened, what were the year one through year five occupancy, ADR, RevPAR levels?
- How long did it take for the new hotel to reach the full year, 100 percent occupancy index, and when this milestone was achieved, what was the hotels ADR index?
- How long did it take the new hotel to reach full year 100 percent ADR index, and when this milestone was achieved, what was the hotels occupancy index?

Note: A total of 15 hotels, located in 11 distinct lodging markets, were the subject of these analyses (the Omni Dallas Hotel has been excluded because of its 2011 opening). These properties were as follows:

City	Property		
Atlanta	Omni Hotel at CNN Center		
Boston	Renaissance Hotel	Westin Boston Waterfront	
Charlotte	Westin Charlotte		
Denver	Hyatt Regency Denver		
Fort Worth	Omni Fort Worth		
Houston	Hilton Americas Houston		
Indianapolis	Marriott Indianapolis Downtown	JW Marriott	
Los Angeles	JW Marriott LA Live		
Philadelphia	Loews Philadelphia		
San Diego	Omni San Diego	Grand Hyatt	Hilton San Diego
Tampa	Marriott Tampa Waterside		

For confidentiality reasons, the identity of these properties is withheld from this point forward.

Question 1: From the time the hotel opened, what were the year one through year five occupancy, ADR, RevPAR levels?

The actual initial five year performance data for the 18 identified hotels is presented in Table 16-A below.

Table 6-A: Initial Five-Year Performance Levels

Convention Hotel "Ramp-Up" Analysis															
Hotel	Occupancy					Average Daily Rate					RevPAR				
	Operating Year					Operating Year					Operating Year				
	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5
A	64.0%	68.7%	68.5%	N/A	N/A	\$162.17	\$167.86	\$174.87	N/A	N/A	\$103.83	\$115.36	\$119.81	N/A	N/A
B	66.7%	73.9%	76.3%	70.3%	71.9%	\$153.84	\$160.57	\$163.55	\$150.49	\$162.12	\$102.54	\$118.71	\$124.71	\$105.81	\$116.52
C	74.5%	81.5%	81.0%	73.8%	73.6%	\$196.95	\$206.72	\$213.30	\$217.32	\$188.70	\$146.72	\$168.58	\$172.76	\$160.44	\$138.90
D	67.9%	72.2%	74.7%	75.7%	N/A	\$186.62	\$198.59	\$199.18	\$221.70	N/A	\$127.94	\$143.32	\$148.82	\$167.73	N/A
E	50.5%	62.1%	65.0%	64.2%	70.5%	\$134.73	\$131.18	\$140.50	\$147.20	\$150.54	\$68.07	\$81.43	\$91.33	\$94.47	\$106.13
F	69.1%	69.5%	71.7%	72.0%	66.4%	\$124.27	\$133.45	\$151.04	\$163.14	\$172.07	\$85.83	\$92.69	\$108.32	\$117.43	\$114.22
G	73.5%	72.9%	73.9%	73.7%	72.6%	\$140.07	\$140.16	\$144.84	\$146.54	\$155.99	\$102.94	\$102.17	\$107.03	\$107.90	\$113.19
H	72.3%	N/A	N/A	N/A	N/A	\$164.66	N/A	N/A	N/A	N/A	\$119.04	N/A	N/A	N/A	N/A
I	73.2%	76.0%	75.4%	80.0%	77.5%	\$182.97	\$202.97	\$216.59	\$211.66	\$214.65	\$136.75	\$154.24	\$163.24	\$169.39	\$166.35
J	71.4%	69.1%	67.9%	67.2%	69.7%	\$209.00	\$203.40	\$194.46	\$192.34	\$197.64	\$149.05	\$140.55	\$132.05	\$129.20	\$137.69
K	75.2%	73.1%	72.1%	71.3%	71.2%	\$161.56	\$163.86	\$161.56	\$152.55	\$151.26	\$121.55	\$119.75	\$116.44	\$108.76	\$107.65
L	62.6%	65.4%	63.7%	50.2%	52.5%	\$144.71	\$154.19	\$168.86	\$174.18	\$166.90	\$90.66	\$100.78	\$107.49	\$87.51	\$87.55
M	64.1%	67.8%	79.0%	N/A	N/A	\$188.20	\$178.81	\$216.84	N/A	N/A	\$120.54	\$122.04	\$171.28	N/A	N/A
N	64.0%	74.5%	78.9%	80.8%	N/A	\$185.15	\$187.09	\$195.10	\$206.87	N/A	\$118.50	\$139.47	\$153.88	\$167.13	N/A
O	57.2%	63.1%	62.8%	67.9%	69.3%	\$145.06	\$154.16	\$144.73	\$146.14	\$153.83	\$82.96	\$97.25	\$90.87	\$99.28	\$106.53
Averages	67.1%	70.7%	72.2%	70.6%	69.5%	\$165.33	\$170.21	\$177.53	\$177.51	\$171.37	\$111.80	\$121.17	\$129.14	\$126.25	\$119.47

Source: Properties Concerned N/A = Not Applicable

Observation:

- Since the hotels included in the sample above opened during disparate points in the economic cycle, the presence of meaningful conclusions may be suspect. With this understanding, it is interesting to note the relatively high average occupancy level achieved by these properties.

Question 2: How long did it take for the new hotel to reach the full year, 100 percent occupancy index, and when this milestone was achieved, what was the hotels ADR index?

Question 3: How long did it take the new hotel to reach full year 100 percent ADR index, and when this milestone was achieved, what was the hotels occupancy index?

The data addressing the questions noted above are included in Table 6-B.

Table 6-B: Data Relating to Questions 2 and 3.

Comparable Convention Hotels - Major Performance Milestones (Years 1-5)				
Hotel	100% Occupancy Index		100% ADR Index	
	Year	ADR Index	Year	OCC Index
A	1	118%	1	100%
B	2	101%	1	98%
C	2	107%	1	96%
D	1	100%	1	96%
E	2	99%	>5	N/A
F	1	123%	1	119%
G	1	117%	1	108%
H	1	116%	1	104%
I	3	110%	1	95%
J	1	108%	1	103%
K	1	110%	1	98%
L	>5	N/A	3	96%
M	1	120%	1	105%
N	1	112%	1	101%
O	1	136%	1	101%
P	2	111%	1	94%
Q	>5	N/A	1	96%
R	1	112%	1	105%

Source: Properties Concerned, PKF Hospitality Research, LLC

N/A = Not Applicable

Observation:

- The vast majority of properties studied achieved the targeted milestone measures of occupancy, average daily rate and RevPAR level or penetration in the first or second year of operation.

Section V – Project Facility Recommendations

Draft at 8-19-2013

Introduction

This section presents a summary of the recommended development program. We focus on the data and interviews provided to determine the optimal size of facility. We are of the opinion that an 800 room hotel with 40,000 to 50,000 square feet of meeting space, including a ballroom of at least 20,000 square feet, would be optimal and provide lift to the overall utilization of the GWCC, while avoiding the danger of oversaturating the market with rooms.

To fully maximize the potential of this Hotel, an upper-upscale brand should be selected commensurate with the quality of Building C and of the Omni Hotel. Other amenities include several food and beverage outlets, such as an upscale steakhouse, a large sports bar, a casual three meal restaurants, specialty coffee shop, and several lounge bars should be included in the design. Fitness centers, pools and spa should also be included as well as a concierge service and business center.

Hotel Room Count

Based on the TAP report data for the GWCC, lost business reports from ACVB and the benchmark report from PWC, we determined that the GWCC would need to generate approximate 15.5 percent more occupancy to match the comparable convention centers with over 500,000 square feet of exhibit space. We also determine that this would equate to approximately 316 room nights per day assuming a linear relationship between convention center occupancy and room nights generated.

To be considered a convention headquarters hotel, a property would typically have at least 600 rooms. Downtown Atlanta has five such “convention hotels” and has more rooms located within one mile of the GWCC than most of its competing markets. As such, and although a larger hotel might capture additional latent demand on high demand nights; overbuilding would put pressure on occupancy and ADR in the market during low demand nights. The location of the site is such that the Project would be less likely to capture transient demand than the competing hotels located on the east side of the GWCC, and closer to the Downtown office and leisure activity centers.

Based on our interviews, the sizing of the hotel should be between 700 and 1,000 rooms. We selected an 800-room hotel as being large enough to provide a sufficient room block required of the headquarter hotel for events in Buildings C and B. An 800-room Hotel could be expected to induce approximately 440 room nights per day (800rms x 55 percent). This is above the 316 room nights per day (or 39.5 percent induced for an 800 room hotel) that we identified as being required to achieve parity with the benchmark convention center occupancy rates. Table 7 present the data and calculation related to this analysis.

Table 7

Required Room Nights generated by Project to Achieve Parity with Competitive Hotels		
(a)	GWCC Occupancy (5 yr avg) (Table 2)	46.7%
(b)	Competitive Convention Center Occ (over 500,000 SF, 5 yr avg) (Table 2)	54.0%
(b)/(a)-1=(c)	GWCC improvement required for parity with benchmark	15.6%
(d)	Consumption Benchmark Rooms nights ATL (June 2013) (TAP)	737,000
(c) x (d) = (e)	GWCC generated room nights required for parity with benchmark	115,206
(e)/365 = (f)	Induced room nights per day required for parity	316
(f) / 800 = (g)	Induced Demand as a percent of rooms added assuming 800 room hotel	39.5%
(h)	Projected induced Demand as a percent of rooms added (assuming 800 rm)	55%
(h) x 800 =	Projected room nights per day assuming an 800 room hotel	440

Room Product and Mix

Standard rooms should be between 350-410 square feet and include one king or two queen or double beds and all the typical amenities provided by similar four star convention properties and mandated by the selected brand. The recommended guest room mix is presented in the table 8 below.

Table 8

Subject Hotel Recommended Guestroom Mix		
Type	Number	Ratio
King	400	50%
Double-double	336	42%
Handicapped	24	3%
Suites	40	5%
Total	800	100%
<i>Source: PKF-HR, Hotel Design Planning and Development</i>		

Meeting Space Requirements

The Subject Hotel will require sufficient in house meeting space to accommodate meetings during down times at the GWCC, while also having adaptable breakout and banquet spaces for convention exhibitors and sponsors to organize marketing and sales events when the GWCC is being used.

The 1,001-room Omni Dallas Hotel opened in 2011 induced 74 percent of new demand into the market (expressed as a percentage of new rooms added), the highest percentage in our case study sample. The hotel was identified by meeting planners as having a good proportion of meeting space to guest rooms and other amenities. We based our recommendation for meeting space at the Subject Hotel on the space program of the

Omni Dallas and on general guidelines provided in the book *Hotel Design, Planning and Development*, by Rutes, Penner and Adams. Our recommendations are presented in Table 9 below.

Table 9

Subject Hotel Recommended Function Space		
Type	Number of distinct spaces	Total Square feet
Ballroom (Divisible)	6	25,000
Ballroom Foyer	1	6,000
Junior Ballroom (Divisible)	6	13,000
Junior Ballroom Foyer	1	3,000
Banquet Rooms	4	6,000
Meeting Rooms	10	6,000
Boardroom	2	1,000
Total	30	60,000
<i>Source: PKF-HR</i>		

It is assumed that additional meeting space would be available at the GWCC if needed.

Food and Beverage Outlets

The Hotel would require at a minimum five or six food and beverage outlets to cater to conventioners and in-house guests. These could be managed in house, leased to a third party or a combination of the two.

The following list would be appropriate to consider:

- Specialty restaurant (steakhouse, recognizable fine dining restaurant)
- Theme restaurant (casual dining, possibly branded)
- Coffee Shop or quick service/coffee retail/juice bar/frozen yoghurt
- Lobby lounge bar
- Cocktail lounge or Pool Bar
- Sports bar, entertainment lounge
- Room Service and Mini Bars

Other Amenities

Other Amenities and services that are customary in large convention hotels include the following:

- Swimming Pool, whirlpool, deck and lounge area
- Exercise room, lockers, and sauna

- Swimming
- Spa facilities
- Business center
- Concierge services
- Concierge level
- Convention services
- Guest laundry services

Branding and Operating

When selecting a brand it is important to consider the following items:

- Track record
- Sales experience
- Operating Experience
- Brand loyalty
- Brand scale

The ideal brand/manager will have a good track record managing and selling at large convention hotels and have strong loyalty amongst meeting planners and guests. Furthermore, the brand standards must match the standards of the facilities and types of groups that are being targeted by the GWCC. Brand selection is also limited to some extent by what is available in the market. Hyatt, Marriott, Hilton, Starwood and Omni have all got good track records operating large convention hotels; they have developed core competencies in sales and operations, and have suitable brands that they typically would suggest for convention hotel development. However, each of these companies already has a sizeable full-service convention hotel in the market.

IHG is a strong hotel company with good brands and loyalty programs, and has its Americas Regional headquarters located in Atlanta. Additionally, IHG does not currently have an upscale hotel in Downtown Atlanta. However, IHG arguably has the least experience operating hotels of this size in North America and does not currently operate any hotels over 800 rooms in the US. Table 10 shows the top six brands by number of US hotels with more than 600 rooms. While Omni has the fewest number of Hotels it is currently increasing its portfolio with a new convention hotel in Nashville and is developing a core competency in operating hotels attached to convention centers.

Table 10

Top Six Brands - Hotels >600 rooms			
Parent Company	# of Hotels> 600 rooms	# of Hotels> 800 rooms	# of Hotels> 1,000 rooms
Marriott	55	30	22
Starwood	43	23	15
Hilton	40	26	20
Hyatt	31	20	10
IHG	8	0	0
Omni	5	3	2
<i>Totals</i>	<i>182</i>	<i>102</i>	<i>69</i>

Source: STR, PKF Consulting USA, LLC

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Section VI – Projected Performance of the Proposed Hotel

Draft at 8-19-2013

Introduction

Our analysis of the future operating potential of the Subject Hotel involved studying the historic performance of the following:

- All upper-priced hotels in the Atlanta Metropolitan Area
- All upper-priced hotels in the Downtown Atlanta submarket
- A selected group of convention hotels located in the Downtown submarket

Understanding the relative historical performance of these individual hotels and groups of properties as described above was critical to our ability to estimate future performance levels for the Project.

To estimate the top line performance of the proposed Hotel with 800 rooms, 60,000 square feet of meeting space and the amenities described in the previous section, we undertook the following steps:

1. Using a share-down approach, we determined the historical relationships between the overall market performance and that of the Downtown submarket.
2. We prepared a ten-year forecast for Atlanta using the proprietary Hotel Horizons[®] econometric model assuming the addition of an 800 room hotel in 2017.
3. We used the Hotel Horizons MyShare[®] tool to prepare a forecast for Downtown Atlanta upper-priced hotels, taking into account the levels of incremental demand that was projected to be induced into the market given the facilities proposed and based on the results of our analysis presented in Sections IV and V.
4. We reviewed the performance and characteristics of the Downtown convention hotels to determine penetration rates for occupancy and ADR for the Project.

The tables and charts on the following pages contain the results of the above analysis.

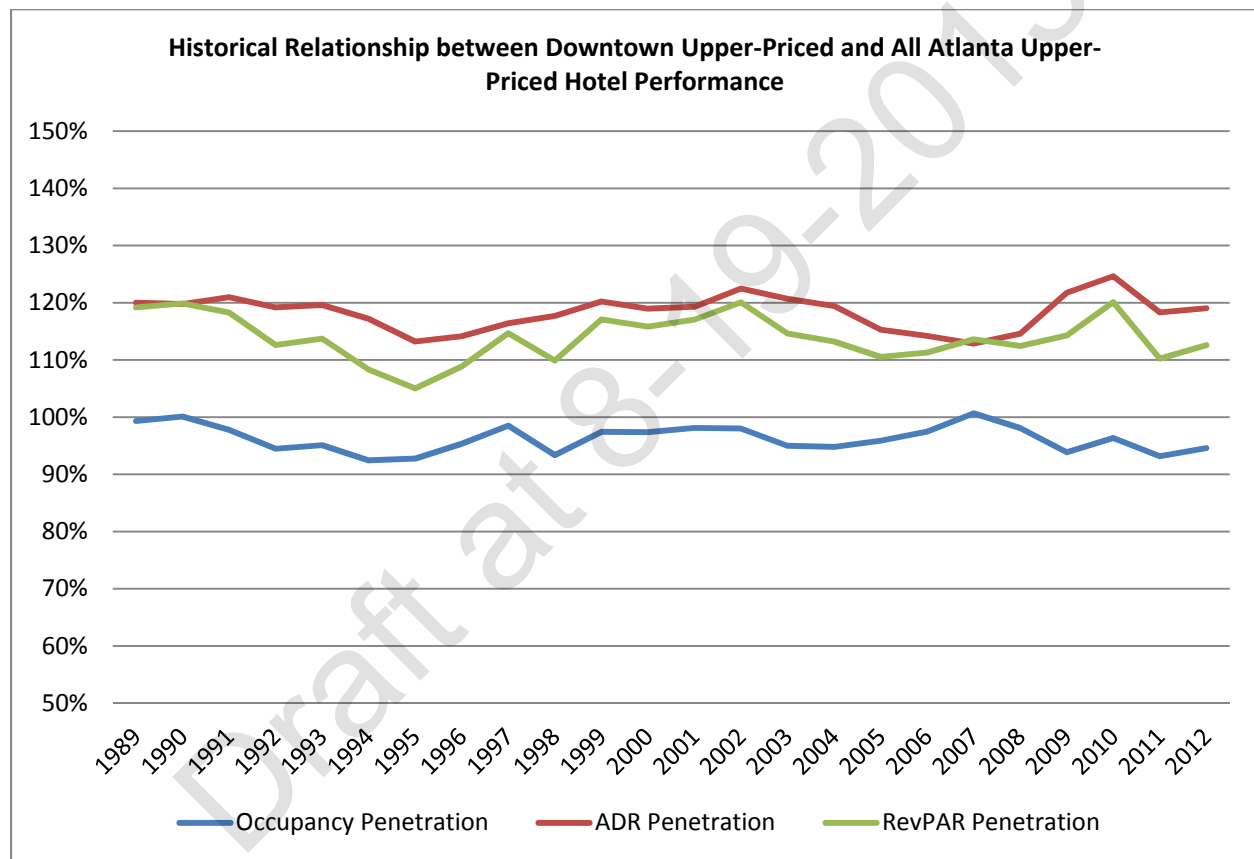
Historical Relationship between Atlanta Upper-Priced and Downtown Upper-Priced Hotels

Table 11 shows the average and ranges of annual Occupancy, ADR and RevPAR penetration for the Downtown upper-priced hotels compared to all upper-priced hotels in Atlanta between 1989 and 2012. Chart 11 shows the annual fluctuation in penetration rates.

Table 11

Penetration Rates of Upper-Priced Downtown Hotels			
	Occupancy Penetration	ADR Penetration	RevPAR Penetration
Average	96%	118%	114%
Min	92%	113%	105%
Max	101%	125%	120%
<i>Source: STR, PKF-HR</i>			

Chart 11



Source: STR, PKH-HR

A review of the data presented in Chart 11 above reveals that a systematic relationship is present between the Downtown upper-priced hotels and all upper-priced hotels in Metropolitan Atlanta. As such, we use our forecast for all upper-priced Atlanta hotels to inform our projections for the hotels in Downtown Atlanta that are most relevant to our analysis.

Atlanta Upper-Priced Hotels, Average Daily Performance

Table 12 shows the historical and forecast performance for all upper-priced hotels in Atlanta for the period 2008 to 2022.

Table 12

Atlanta, Upper-Priced Hotels, Average Daily Performance

Year	Occupancy	Occupancy Δ	ADR	ADR Δ	RevPAR	RevPAR Δ	Supply	Supply Δ	Demand	Demand Δ
2008	64.3%		\$131.63		\$84.67		35,423		5,696	
2009	59.2%	-8.0%	\$116.54	-11.5%	\$68.94	-18.6%	36,922	4.2%	5,460	-4.1%
2010	65.4%	10.5%	\$116.06	-0.4%	\$75.85	10.0%	38,313	3.8%	6,260	14.6%
2011	65.4%	0.1%	\$116.43	0.3%	\$76.14	0.4%	38,857	1.4%	6,353	1.5%
2012	67.7%	3.5%	\$120.90	3.8%	\$81.86	7.5%	38,756	-0.3%	6,560	3.3%
2013	67.6%	-0.1%	\$124.10	2.6%	\$83.93	2.5%	39,023	0.7%	6,598	0.6%
2014	67.5%	-0.3%	\$128.60	3.6%	\$86.75	3.4%	39,384	0.9%	6,642	0.7%
2015	68.7%	1.9%	\$135.60	5.4%	\$93.21	7.4%	39,786	1.0%	6,837	2.9%
2016	68.7%	-0.1%	\$142.26	4.9%	\$97.72	4.8%	40,318	1.3%	6,924	1.3%
2017	67.8%	-1.3%	\$147.16	3.4%	\$99.77	2.1%	41,457	2.8%	7,027	1.5%
2018	67.1%	-1.0%	\$150.79	2.5%	\$101.19	1.4%	42,254	1.9%	7,089	0.9%
2019	66.5%	-0.9%	\$153.86	2.0%	\$102.30	1.1%	43,052	1.9%	7,156	0.9%
2020	66.5%	0.0%	\$157.29	2.2%	\$104.61	2.3%	43,852	1.9%	7,291	1.9%
2021	66.6%	0.2%	\$161.02	2.4%	\$107.25	2.5%	44,655	1.8%	7,436	2.0%
2022	66.6%	0.0%	\$164.87	2.4%	\$109.86	2.4%	45,466	1.8%	7,574	1.9%

Source: STR, PKF-HR

It should be noted that in this modeled scenario, the first few years of supply growth are estimated based principally on STR's pipeline report and local research. For outer years, supply growth is based on economic characteristics and historical relationships rather than actual projects. The model has a tendency to revert to long term averages over protracted periods of time.

We have taken into account the proposed opening of the 800-room Subject in 2017. Increases in supply in 2015, 2016 and from 2018 onwards are modeled.

Downtown Upper-Priced Hotels, Average Daily Performance

Table 13 shows the historical and forecast Downtown Upper-Priced Atlanta hotel performance from 2008 to 2022.

Table 13

Upper-Priced Downtown Atlanta Hotels, Average Daily Performance

Year	Occupancy	Occupancy Δ	ADR	ADR Δ	RevPAR	RevPAR Δ	Rooms Sold	Demand Δ	Rooms Revenue	Rooms Revenue Δ	Supply	Supply Δ
2008	63.1%		\$150.85		\$95.19		5,946		\$896,959		9,423	
2009	55.5%	-12.0%	\$141.89	-5.9%	\$78.78	-17.2%	5,391	-9.3%	\$764,894	-14.7%	9,709	3.0%
2010	63.0%	13.4%	\$144.66	2.0%	\$91.10	15.6%	6,119	13.5%	\$885,230	15.7%	9,717	0.1%
2011	60.9%	-3.2%	\$137.75	-4.8%	\$83.94	-7.9%	6,012	-1.8%	\$828,220	-6.4%	9,867	1.5%
2012	64.0%	5.1%	\$143.91	4.5%	\$92.17	9.8%	6,320	5.1%	\$909,550	9.8%	9,868	0.0%
2013	64.4%	0.6%	\$147.68	2.6%	\$95.11	3.2%	6,355	0.6%	\$938,512	3.2%	9,868	0.0%
2014	64.8%	0.6%	\$153.03	3.6%	\$99.10	4.2%	6,520	2.6%	\$997,714	6.3%	10,068	2.0%
2015	66.0%	1.9%	\$161.36	5.4%	\$106.48	7.4%	6,743	3.4%	\$1,088,015	9.1%	10,218	1.5%
2016	65.9%	-0.1%	\$169.29	4.9%	\$111.64	4.8%	6,837	1.4%	\$1,157,444	6.4%	10,368	1.5%
2017	65.2%	-1.2%	\$172.17	1.7%	\$112.18	0.5%	7,276	6.4%	\$1,252,799	8.2%	11,168	7.7%
2018	65.8%	0.9%	\$176.43	2.5%	\$116.03	3.4%	7,418	1.9%	\$1,308,761	4.5%	11,280	1.0%
2019	65.8%	0.1%	\$183.10	3.8%	\$120.52	3.9%	7,499	1.1%	\$1,373,044	4.9%	11,392	1.0%
2020	65.8%	0.0%	\$185.60	1.4%	\$122.20	1.4%	7,576	1.0%	\$1,406,092	2.4%	11,506	1.0%
2021	65.9%	0.2%	\$190.01	2.4%	\$125.29	2.5%	7,663	1.2%	\$1,456,043	3.6%	11,621	1.0%
2022	66.0%	0.0%	\$194.54	2.4%	\$128.34	2.4%	7,744	1.1%	\$1,506,462	3.5%	11,738	1.0%

Source: STR, PKF-HR

Summary of Assumptions and Conclusions

Supply

We assumed the addition of the 200 room aloft hotel in 2014 followed by another 150 room hotel in both 2015 and 2016. While no specific projects have been confirmed, we are aware of several projects including a possible expansion of the Embassy Suites, and one or more new upscale extended stay projects. We have assumed that the Project would open with 800 rooms in 2017. In 2018 and beyond, we assumed an increase in supply of approximately 1.0 percent per year for the remainder of the projection period.

Demand

Demand for the Downtown Atlanta upper-priced hotels is projected to grow steadily by roundly 2.5 percent per year between 2014 and 2016 as the economy improves; Coca Cola and other companies relocate to, or expand their presence in the Downtown market; leisure demand is stimulated by the openings of the College football Hall of Fame and the Civil Rights Museum; and above pace convention bookings result in increased group demand. In 2017, assuming the opening of the Project and the new Falcons stadium, we have assumed that approximately 440 rooms per day of demand would be induced into the market as discuss in Section V in addition to the forecast organic growth.

Occupancy

We expect demand growth to outpace supply between 2013 and 2016; market area occupancy will increase to approximately 66 percent as a result. We expect a 1.2 percent dip in occupancy in 2017 with the addition of 800 rooms into the market or roundly an 8.0 percent growth in supply. We project that the new supply would be absorbed by 2018,

approximately one year after opening, as the occupancy rate of the GWCC increases with the addition of a second headquarters hotel.

ADR

ADR is projected to grow steadily over the projection period, with slightly more rapid growth prior to the opening of the Project between 2014 and 2016. Growth in ADR is projected to slow slightly in 2017 as the market adjusts to the increase in supply. Growth in ADR close to the assumed long term inflationary rate of 2.5 percent is projected beyond this. We have assumed that in 2019, Atlanta will host a Super Bowl which will increase ADR by more than the average, but this will be reflected in a lower ADR growth in 2020.

Projected Market Performance of the Subject Hotel

Table 14 below shows the projected market performance of the Subject hotel for the first seven years, assuming an opening date of January 1, 2017.

Table 14

Projected Market Performance of the Subject Hotel											
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Occupancy Percentage	Market Penetration	Average Daily Rate	Percent Change	REVPAR	Percent Change	Revenue Yield
2017	292,000		170,600		58.0%	89%	187.00	2.0%	108.46		96%
2018	292,000	0.0%	185,300	8.6%	63.0%	96%	191.50	2.5%	120.65	11.2%	104%
2019	292,000	0.0%	188,800	1.9%	65.0%	99%	199.00	3.8%	129.35	7.2%	107%
2020	292,000	0.0%	188,800	0.0%	65.0%	99%	201.50	1.3%	130.98	1.3%	107%
2021	292,000	0.0%	188,800	0.0%	65.0%	99%	206.00	2.3%	133.90	2.2%	107%
2022	292,000	0.0%	188,800	0.0%	65.0%	99%	211.00	2.4%	137.15	2.4%	107%
2023	292,000	0.0%	188,800	0.0%	65.0%	99%	217.50	2.4%	141.38	3.1%	107%
CAAG	0.0%		1.7%				2.6%		4.5%		

Source: PKF Consulting USA

Occupancy and Market Mix

The Subject Hotel is projected to quickly ramp-up from first year occupancy of 58 percent, to a stabilized occupancy level of 65 percent, representing a stabilized market penetration 99 percent. Demand at the Subject Hotel will principally be from groups with events at the Georgia World Congress Center, and some in-house groups. We estimate the market mix of demand be approximately 63 percent group, 20 percent corporate and 17 percent leisure at stabilization.

Average Daily Rate

The Embassy Suites and Omni Hotels reportedly achieve the highest room rates in the Downtown market, principally because they are conveniently located next to the GWCC. ADR at the Subject Hotel should enjoy these premiums as well because of its favorable location with respect to the GWCC B and C buildings. Assuming a \$160 ADR in today's dollars, and growing the rate at the projected market growth rate, we have estimated ADR to be \$187 in 2017 and have projected ADR to grow at market rates in 2018 and beyond.

**Section VII – Projected Financial Performance of the Proposed
Hotel**

Draft at 8-19-2013

Basis for Cash Flow Projections

The following paragraphs describe the various bases and other assumptions made in preparing the cash flow projections for the proposed Hotel.

To develop our estimate of the net operating income (cash flow) for the Subject, we have analyzed the historical 2012 year-end financial performance of five comparable convention hotels, all of which are located in the southern USA in major US cities including Atlanta.

The comparable hotels' financial information is obtained primarily from confidential information submitted for the 2013 edition (2012 year-end data) of the PKF Hospitality Research, LLC publication Trends in the Hotel Industry, compiled through a survey of over 6,000 participants nationwide. For reasons of confidentiality, we have not disclosed the identity of the comparable hotels.

The financial statements for these comparable hotels are presented on the following pages. The comparables selected are similar in size and within a narrow range of RevPAR to the Proposed Subject on a stabilized basis.

The financial format used in our analysis is the *Uniform System of Accounts for the Lodging Industry*, developed by the American Hotel & Lodging Association and in general use throughout the hospitality industry.

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Proposed GWCC Hotel												
Operating Results of Comparable Hotels				Hotel A			Hotel B			Hotel C		
	Ratio	Per Room	P.O.R.	Ratio	Per Room	P.O.R.	Ratio	Per Room	P.O.R.			
Revenues												
Rooms	69.2%	\$35,443	\$161.48	63.7%	35690.32	\$157.34	52.7%	\$27,703	\$110.37			
Food & Beverage	25.2%	12,889	58.72	34.1%	19,115	84.27	44.5%	23,380	93.15			
Other Operated Departments	4.9%	2,504	11.41	0.6%	313	1.38	1.6%	840	3.35			
Rentals and Other Income	0.7%	370	1.69	1.7%	931	4.11	1.2%	624	2.49			
Total Revenues	100.0%	51,206	233.29	100.0%	56,050	247.09	100.0%	52,547	209.36			
Departmental Expenses												
Rooms	19.7%	6,981	31.80	22.6%	8,072	35.59	31.7%	8,779	34.98			
Food & Beverage	69.8%	8,999	41.00	72.4%	13,845	61.03	62.4%	14,590	58.13			
Other Operated Departments	61.4%	1,537	7.00	141.4%	443	1.95	109.9%	923	3.68			
Total Departmental Expenses	34.2%	17,517	79.81	39.9%	22,360	98.57	46.2%	24,293	96.79			
Departmental Profit	65.8%	33,689	153.49	60.1%	33,690	148.52	53.8%	28,255	112.57			
Undistributed Expenses												
Administrative & General	8.6%	4,383	19.97	7.6%	4,281	18.87	9.0%	4,713	18.78			
Marketing	12.4%	6,347	28.92	7.9%	4,418	19.47	7.9%	4,132	16.46			
Property Operation and Maintenance	5.2%	2,673	12.18	4.3%	2,413	10.64	3.9%	2,035	8.11			
Utility Costs	5.4%	2,765	12.60	4.4%	2,452	10.81	3.5%	1,859	7.40			
Total Undistributed Operating Expenses	31.6%	16,168	73.66	24.2%	13,564	59.80	24.2%	12,739	50.76			
Gross Operating Profit	34.2%	17,522	79.83	35.9%	20,126	88.72	29.5%	15,515	61.82			
Base Management Fee	2.5%	1,281	5.83	2.5%	1,401	6.18	4.0%	2,102	8.37			
Fixed Expenses												
Property Taxes	3.6%	1,864	8.49	3.8%	2,122	9.35	0.1%	68	0.27			
Insurance	0.6%	302	1.38	1.6%	873	3.85	0.8%	414	1.65			
Total Fixed Expenses	4.2%	2,167	9.87	5.3%	2,995	13.20	0.9%	481	1.92			
Net Operating Income	27.5%	14,074	64.12	28.1%	15,730	69.34	24.6%	12,932	51.52			
FF&E Reserve	0.0%	0	0.00	4.0%	2,242	9.88	4.0%	2,102	8.37			
Net Operating Income After Reserve	27.5%	\$14,074	\$64.12	24.1%	\$13,488	\$59.46	20.6%	\$10,830	\$43.15			
Source: PKF Consulting USA, LLC												

Proposed GWCC Hotel												
Operating Results of Comparable Hotels				Hotel D			Hotel E			Weighted Average		
	Ratio	Per Room	P.O.R.	Ratio	Per Room	P.O.R.	Ratio	Per Room	P.O.R.			
Revenues												
Rooms	59.6%	\$35,736	\$144.53	61.2%	\$35,445	\$143.98	0.613737	\$34,381	\$144.25			
Food & Beverage	35.7%	21,368	86.42	35.1%	20,313	82.51	34.7%	19,416	81.46			
Other Operated Departments	4.7%	2,806	11.35	0.7%	431	1.75	2.7%	1,536	6.44			
Rentals and Other Income	0.0%	0	0.00	3.0%	1,722	6.99	1.2%	964	4.10			
Total Revenues	100.0%	59,910	242.30	100.0%	57,911	235.24	100.0%	56,019	235.03			
Departmental Expenses												
Rooms	24.2%	8,643	34.96	30.8%	10,917	44.34	25.4%	8,733	36.64			
Food & Beverage	63.2%	13,510	54.64	69.2%	14,058	57.10	66.8%	12,962	54.38			
Other Operated Departments	41.1%	1,152	4.66	113.3%	488	1.98	60.3%	926	3.89			
Total Departmental Expenses	38.9%	23,306	94.26	44.0%	25,463	103.43	40.4%	22,622	94.91			
Departmental Profit	61.1%	36,604	148.04	56.0%	32,448	131.81	59.6%	33,398	140.12			
Undistributed Expenses												
Administrative & General	6.9%	4,160	16.83	8.2%	4,778	19.41	7.9%	4,423	18.56			
Marketing	7.9%	4,741	19.18	8.1%	4,677	19.00	8.7%	4,874	20.45			
Property Operation and Maintenance	4.5%	2,692	10.89	4.7%	2,737	11.12	4.6%	2,553	10.71			
Utility Costs	4.7%	2,813	11.38	4.0%	2,295	9.32	4.4%	2,489	10.44			
Total Undistributed Operating Expenses	24.0%	14,407	58.27	25.0%	14,487	58.85	25.6%	14,339	60.16			
Gross Operating Profit	37.1%	22,197	89.78	31.0%	17,961	72.96	34.0%	19,059	79.96			
Base Management Fee	3.0%	1,793	7.25	3.0%	1,740	7.07	3.0%	1,660	6.97			
Fixed Expenses												
Property Taxes	3.1%	1,833	7.41	3.9%	2,283	9.27	3.1%	1,731	7.26			
Insurance	0.7%	447	1.81	0.9%	533	2.16	0.9%	503	2.11			
Total Fixed Expenses	3.8%	2,280	9.22	4.9%	2,816	11.44	4.0%	2,234	9.37			
Net Operating Income	30.3%	18,125	73.31	23.1%	13,406	54.45	27.1%	15,165	63.62			
FF&E Reserve	5.2%	3,125	12.64	4.0%	2,319	9.42	3.7%	2,544	10.48			
Net Operating Income After Reserve	25.0%	\$15,000	\$60.67	19.1%	\$11,086	\$45.03	23.4%	\$13,094	\$54.94			
Source: PKF Consulting USA, LLC												

Departmental Revenues and Expenses

In the Uniform System of Accounts for the Lodging Industry, revenues of a hotel are categorized by the department from which they are derived. In the case of the proposed Hotel, these include revenues from rooms, food and beverage (including meetings and banquets, and other operated departments income. In the Uniform System of Accounts for the Lodging Industry, only direct operating expenses associated with each department are charged to the operated departments. General overhead items that are applicable to the overall operation of the facility are classified as undistributed operating expenses.

Direct or departmental revenues and expenses, which typically vary with occupancy, are generally analyzed on a per-occupied-room (“POR”) basis, which varies with occupancy, while undistributed expenses, which are more fixed in nature, are typically analyzed on a per-available-room (“PAR”) basis.

The cash flow projection over the holding period is based on the stabilized year estimate, adjusted to reflect such factors as change in room rates, occupancy, inflation, and the fixed and variable components of each revenue and expense item.

The estimated annual operating results of the proposed 800-room Hotel at the GWCC, for the stabilized year stated in 2013 dollars, and ten years beginning January 1, 2013, are presented on the following pages.

Proposed GWCC Hotel

Representative Year of Operation

Number of Units:
Number of Annual Rooms Available:
Number of Rooms Occupied:
Annual Occupancy:
Average Daily Rate:
Revenue Per Available Room:

Stated in	2013	Dollars	
	800		
	292,000		
	189,800		
	65.0%		
	\$168.00		
	\$109.20		

Revenues
Rooms
Food & Beverage
Other Operated Departments
Rentals and Other Income
Total Revenues

Amount	Ratio	Per Room	P.O.R.
\$31,886,000	65.1%	\$39,858	\$168.00
15,184,000	31.0%	18,980	80.00
1,139,000	2.3%	1,424	6.00
759,000	1.5%	949	4.00
48,968,000	100.0%	61,210	258.00

Departmental Expenses
Rooms
Food & Beverage
Other Operated Departments
Total Departmental Expenses

6,833,000	21.4%	8,541	36.00
10,325,000	68.0%	12,906	54.40
683,000	60.0%	854	3.60
17,841,000	36.4%	22,301	94.00

Departmental Profit

31,127,000	63.6%	38,909	164.00
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Undistributed Expenses
Administrative & General
Marketing
Property Operation and Maintenance
Utility Costs
Total Undistributed Operating Expenses

3,619,000	7.4%	4,524	19.07
3,920,000	8.0%	4,900	20.65
2,160,000	4.4%	2,700	11.38
2,080,000	4.2%	2,600	10.96
11,779,000	24.1%	14,724	62.06

Gross Operating Profit

19,348,000	39.5%	24,185	101.94
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Base Management Fee

1,469,000	3.0%	1,836	7.74
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Fixed Expenses
Property Taxes
Insurance
Total Fixed Expenses

1,714,000	3.5%	2,143	9.03
400,000	0.8%	500	2.11
2,114,000	4.3%	2,643	11.14

Net Operating Income

15,765,000	32.2%	19,706	83.06
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FF&E Reserve

1,959,000	4.0%	2,449	10.32
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Net Operating Income After Reserve

\$13,806,000	28.2%	\$17,258	\$72.74
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Source: PKF Consulting USA

Proposed GWCC Hotel										
Projected Operating Results										
Calendar Years										
	2017		2018		2019		2020		2021	
Number of Units:	800		800		800		800		800	
Number of Annual Rooms Available:	292,000		292,000		292,000		292,000		292,000	
Number of Rooms Occupied:	169,360		183,960		189,800		190,320		189,800	
Annual Occupancy:	58.0%		63.0%		65.0%		65.0%		65.0%	
Average Daily Rate:	\$187.00		\$191.50		\$199.00		\$201.50		\$206.00	
Revenue Per Available Room:	\$108.46		\$120.65		\$129.35		\$130.98		\$133.90	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Revenues										
Rooms	\$31,670,000	65.3%	\$35,228,000	65.3%	\$37,770,000	65.6%	\$38,349,000	65.3%	\$39,099,000	65.3%
Food & Beverage	14,955,000	30.8%	16,651,000	30.9%	17,609,000	30.6%	18,098,000	30.8%	18,500,000	30.9%
Other Operated Departments	1,122,000	2.3%	1,249,000	2.3%	1,321,000	2.3%	1,357,000	2.3%	1,388,000	2.3%
Rentals and Other Income	748,000	1.5%	833,000	1.5%	880,000	1.5%	905,000	1.5%	925,000	1.5%
Total Revenues	48,495,000	100.0%	53,961,000	100.0%	57,580,000	100.0%	58,709,000	100.0%	59,912,000	100.0%
Departmental Expenses										
Rooms	7,136,000	22.5%	7,612,000	21.6%	7,924,000	21.0%	8,133,000	21.2%	8,325,000	21.3%
Food & Beverage	10,661,000	71.3%	11,466,000	68.9%	11,974,000	68.0%	12,293,000	67.9%	12,580,000	68.0%
Other Operated Departments	673,000	60.0%	749,000	60.0%	792,000	60.0%	814,000	60.0%	833,000	60.0%
Total Departmental Expenses	18,470,000	38.1%	19,827,000	36.7%	20,690,000	35.9%	21,240,000	36.2%	21,738,000	36.3%
Departmental Profit	30,025,000	61.9%	34,134,000	63.3%	36,890,000	64.1%	37,469,000	63.8%	38,174,000	63.7%
Undistributed Expenses										
Administrative & General	3,884,000	8.0%	4,066,000	7.5%	4,213,000	7.3%	4,312,000	7.3%	4,415,000	7.4%
Marketing	4,327,000	8.9%	4,435,000	8.2%	4,546,000	7.9%	4,660,000	7.9%	4,776,000	8.0%
Property Operation and Maintenance	2,384,000	4.9%	2,444,000	4.5%	2,505,000	4.4%	2,568,000	4.4%	2,632,000	4.4%
Utility Costs	2,296,000	4.7%	2,353,000	4.4%	2,412,000	4.2%	2,472,000	4.2%	2,534,000	4.2%
Total Undistributed Operating Expenses	12,891,000	26.6%	13,298,000	24.6%	13,676,000	23.8%	14,012,000	23.9%	14,357,000	24.0%
Gross Operating Profit	17,134,000	35.3%	20,836,000	38.6%	23,214,000	40.3%	23,457,000	40.0%	23,817,000	39.8%
Base Management Fee	1,455,000	3.0%	1,619,000	3.0%	1,727,000	3.0%	1,761,000	3.0%	1,797,000	3.0%
Fixed Expenses										
Property Taxes	1,697,000	3.5%	1,889,000	3.5%	2,015,000	3.5%	2,055,000	3.5%	2,097,000	3.5%
Insurance	442,000	0.9%	453,000	0.8%	464,000	0.8%	475,000	0.8%	487,000	0.8%
Total Fixed Expenses	2,139,000	4.4%	2,342,000	4.3%	2,479,000	4.3%	2,530,000	4.3%	2,584,000	4.3%
Net Operating Income	13,540,000	27.9%	16,875,000	31.3%	19,008,000	33.0%	19,166,000	32.6%	19,436,000	32.4%
FF&E Reserve	970,000	2.0%	1,619,000	3.0%	2,303,000	4.0%	2,348,000	4.0%	2,396,000	4.0%
Net Operating Income After Reserve	\$12,570,000	25.9%	\$15,256,000	28.3%	\$16,705,000	29.0%	\$16,818,000	28.6%	\$17,040,000	28.4%
Source: PKF Consulting USA	Full Year of Operation									

Proposed GWCC Hotel										
Projected Operating Results										
Calendar Years										
	2022		2023		2024		2025		2026	
Number of Units:	800		800		800		800		800	
Number of Annual Rooms Available:	292,000		292,000		292,800		292,000		292,000	
Number of Rooms Occupied:	189,800		189,800		190,320		189,800		189,800	
Annual Occupancy:	65.0%		65.0%		65.0%		65.0%		65.0%	
Average Daily Rate:	\$211.00		\$217.50		\$224.00		\$230.75		\$237.50	
Revenue Per Available Room:	\$137.15		\$141.38		\$145.60		\$149.99		\$154.38	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Revenues										
Rooms	\$40,048,000	65.2%	\$41,282,000	65.4%	\$42,632,000	65.5%	\$43,796,000	65.6%	\$45,078,000	65.7%
Food & Beverage	18,963,000	30.9%	19,437,000	30.8%	19,977,000	30.7%	20,421,000	30.6%	20,931,000	30.5%
Other Operated Departments	1,422,000	2.3%	1,458,000	2.3%	1,498,000	2.3%	1,532,000	2.3%	1,570,000	2.3%
Rentals and Other Income	948,000	1.5%	972,000	1.5%	999,000	1.5%	1,021,000	1.5%	1,047,000	1.5%
Total Revenues	61,381,000	100.0%	63,149,000	100.0%	65,106,000	100.0%	66,770,000	100.0%	68,626,000	100.0%
Departmental Expenses										
Rooms	8,533,000	21.3%	8,747,000	21.2%	8,978,000	21.1%	9,189,000	21.0%	9,419,000	20.9%
Food & Beverage	12,895,000	68.0%	13,217,000	68.0%	13,570,000	67.9%	13,886,000	68.0%	14,233,000	68.0%
Other Operated Departments	853,000	60.0%	875,000	60.0%	899,000	60.0%	919,000	60.0%	942,000	60.0%
Total Departmental Expenses	22,281,000	36.3%	22,839,000	36.2%	23,447,000	36.0%	23,994,000	35.9%	24,594,000	35.8%
Departmental Profit	39,100,000	63.7%	40,310,000	63.8%	41,659,000	64.0%	42,776,000	64.1%	44,032,000	64.2%
Undistributed Expenses										
Administrative & General	4,525,000	7.4%	4,642,000	7.4%	4,766,000	7.3%	4,886,000	7.3%	5,012,000	7.3%
Marketing	4,896,000	8.0%	5,018,000	7.9%	5,143,000	7.9%	5,272,000	7.9%	5,404,000	7.9%
Property Operation and Maintenance	2,698,000	4.4%	2,765,000	4.4%	2,834,000	4.4%	2,905,000	4.4%	2,978,000	4.3%
Utility Costs	2,598,000	4.2%	2,663,000	4.2%	2,729,000	4.2%	2,797,000	4.2%	2,867,000	4.2%
Total Undistributed Operating Expenses	14,717,000	24.0%	15,088,000	23.9%	15,472,000	23.8%	15,860,000	23.8%	16,261,000	23.7%
Gross Operating Profit	24,383,000	39.7%	25,222,000	39.9%	26,187,000	40.2%	26,916,000	40.3%	27,771,000	40.5%
Base Management Fee	1,841,000	3.0%	1,894,000	3.0%	1,953,000	3.0%	2,003,000	3.0%	2,059,000	3.0%
Fixed Expenses										
Property Taxes	2,148,000	3.5%	2,210,000	3.5%	2,279,000	3.5%	2,337,000	3.5%	2,402,000	3.5%
Insurance	500,000	0.8%	512,000	0.8%	525,000	0.8%	538,000	0.8%	551,000	0.8%
Total Fixed Expenses	2,648,000	4.3%	2,722,000	4.3%	2,804,000	4.3%	2,875,000	4.3%	2,953,000	4.3%
Net Operating Income	19,894,000	32.4%	20,606,000	32.6%	21,430,000	32.9%	22,038,000	33.0%	22,759,000	33.2%
FF&E Reserve	2,455,000	4.0%	2,526,000	4.0%	2,604,000	4.0%	2,671,000	4.0%	2,745,000	4.0%
Net Operating Income After Reserve	\$17,439,000	28.4%	\$18,080,000	28.6%	\$18,826,000	28.9%	\$19,367,000	29.0%	\$20,014,000	29.2%
Source: <i>PKF Consulting USA</i>										

Section VIII – Possible Incentive Structures

Draft at 8-19-2013

Listed below are representative solutions that have been successfully employed which may or may not be relevant to the GWCCA:

- 100% Tax-Exempt, non-profit ownership structure, financed with bonds.
- Zero percent loan financing from City with principal forgiven if 18% cumulative equity returns are not achieved.
- Second tier equity from City subordinate to 20% cumulative equity returns.
- Catering Contracts for specific public facilities with commissions to City waived and reduced in early years.
- 99-year Ground lease with payments to City subordinate to debt service.
- 99-year Premises Lease (Meeting Space) with payments to City subordinate to 18% equity returns.
- Tax Increment Financing of City subordinated equity.
- Cash payments from City in order to offset costs of providing a “buildable site”.
- Management Contracts on public facilities, including Parking Garage and Conference Center.
- 99-year Management Agreement on 100% publicly funded conference facility with a “fee” paid to hotel owner equal to all profits generated up to a pro forma amount, and 50% thereafter.
- Management Agreement on 100% publicly funded parking garage with a “fee” paid to hotel owner equal to 50% of the profits.
- Below market Shortfall Loans from City equal to 80% of actual hotel operating shortfalls, including payments of preferred returns to equity investors.
- Development Contracts on 100% publicly funded facilities.
- Public Convention space rental charge credits based on level of room rates paid by convention groups.
- Sales Tax Exempt Purchasing of development costs.
- Property tax exemptions and “Payment in Lieu of Taxes” (PILOT) Agreement.
- General Obligation Bond financing of 100% of development costs.
- Taxable Revenue bond financing for Conference facility through hotel occupancy taxes.
- Municipal leases for hotel/conference center equipment.
- Below market interest rate loans from municipality in one instance, and from a consortium of community lending institutions in another instance.
- Combination construction/term loan with extension options to 15 years.
- Below market construction/term loan assignable at sale.
- Agreement to purchase City parking spaces at “wholesale” rates, below market, in order to resell to hotel guests at a profit.
- Shared costs of HVAC systems with public facilities.

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- Shared obligations for replacement of hotel/conference center Capital Equipment.
 - Streetscape and hotel waterfront improvements paid by public funds.
 - Reduced cost and waiver of construction permits and fees.
 - City funding of Title Insurance premiums.
 - City agreed to purchase and provides shuttles to outlying parking facilities for hotel employees' use.
 - Formation of condominium ownership structure with municipal ownership and below market lease to private enterprise.
 - Cash Grants.
 - City loan with two percent (2.0%) interest for 25 years.
 - One dollar (\$1.00) per year premises lease with City participation in excess profits.
 - Municipal guarantee of portion of private loans, secured by Municipal Letter of Credit.
 - Sale/Leaseback of certain hotel public spaces to City with lease payments equal to incremental City bond costs.

Addendum 1 – Detailed Phase 1 Case Studies

Draft at 8-19-2013

Case Study 1: Atlanta

Table 1-A: Property Description and Market Data

Hotel Name	Omni Atlanta		
Hotel Opening Date			2004
Size of Hotel Expansion			600
Convention Center Name	Georgia World Congress Center		
CC Total Size (SF)			3,900,000
Exhibition (SF)			1,400,000
CC Opening Date			1976
<u>Major Events</u>	<u>Year</u>	<u>Major Events</u>	<u>Year</u>
Super Bowl	1994, 2000	GWCC Expansion	1985, 1992, 2002
Men's Final Four	2002, 2007, 2012	Aquarium Opens	2006
		World of Coke	
Summer Olympic Games	1996	Opens	2007

Table 1-B: Metro Area Economic Summary

Year	Gross Metro Product (Billions) \$	Change in Gross Metro Product	Real Personal Income (Thousands) \$	Change in Real Personal Income	Total Employment (Thousands)	Change in Total Employment
1999	189	8.7%	148,689	6.3%	2,234	4.7%
2000	198	4.5%	160,931	8.3%	2,296	2.8%
2001	203	2.7%	164,496	2.2%	2,306	0.4%
2002	206	1.3%	165,108	0.4%	2,263	-1.9%
2003	210	1.8%	166,464	0.8%	2,240	-1.0%
2004	215	2.4%	171,139	2.8%	2,271	1.4%
2005	222	3.3%	179,115	4.7%	2,340	3.1%
2006	228	2.7%	187,345	4.6%	2,406	2.8%
2007	235	2.9%	193,385	3.2%	2,454	2.0%
2008	233	-0.8%	189,941	-1.8%	2,427	-1.1%
2009	218	-6.4%	179,705	-5.4%	2,291	-5.6%

Source: Moody's Analytics

Chart 1-A: Select Metro Area Economic Data

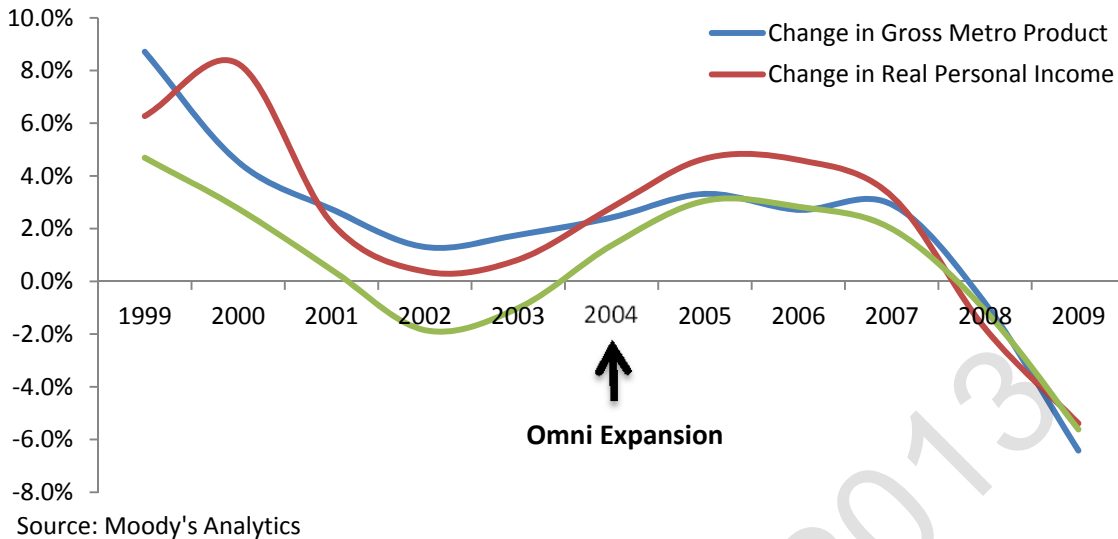


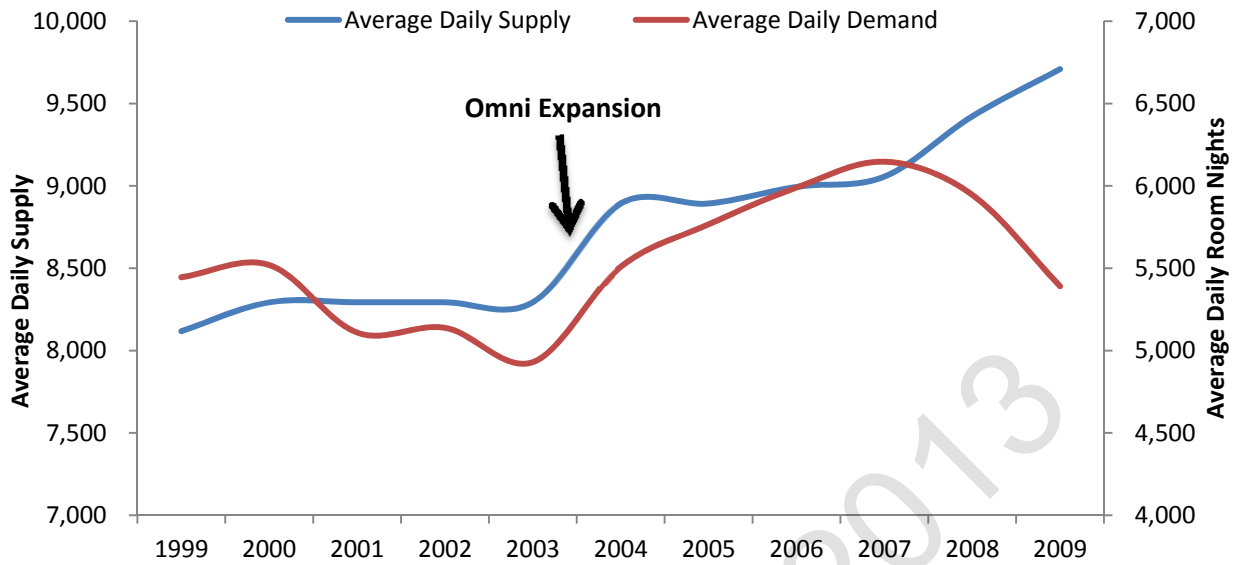
Table 1-C: Submarket Lodging Data

Upper-Priced Downtown Atlanta Submarket

Year	Occupancy	Change in Occupancy	Average Daily Rates	Change in Average Daily Rates	RevPAR	Change in RevPAR	Average Daily Supply	Change in Supply	Average Daily Demand	Change in Average Daily Demand
1999	67.1%	4.8%	\$ 137.53	5.5%	\$ 92.25	10.6%	8,118	2.9%	5,445	7.8%
2000	66.6%	-0.8%	\$ 140.00	1.8%	\$ 93.18	1.0%	8,293	2.2%	5,520	1.4%
2001	61.6%	-7.4%	\$ 139.97	0.0%	\$ 86.22	-7.5%	8,293	0.0%	5,109	-7.4%
2002	62.0%	0.6%	\$ 135.98	-2.8%	\$ 84.26	-2.3%	8,293	0.0%	5,138	0.6%
2003	59.4%	-4.1%	\$ 127.17	-6.5%	\$ 75.60	-10.3%	8,293	0.0%	4,930	-4.1%
2004	61.9%	4.2%	\$ 129.26	1.6%	\$ 80.07	5.9%	8,893	7.2%	5,509	11.7%
2005	64.8%	4.7%	\$ 133.03	2.9%	\$ 86.26	7.7%	8,893	0.0%	5,766	4.7%
2006	66.6%	2.7%	\$ 144.22	8.4%	\$ 96.04	11.3%	8,994	1.1%	5,990	3.9%
2007	67.9%	1.9%	\$ 150.05	4.0%	\$ 101.85	6.0%	9,056	0.7%	6,147	2.6%
2008	63.1%	-7.0%	\$ 150.85	0.5%	\$ 95.19	-6.5%	9,423	4.0%	5,946	-3.3%
2009	55.5%	-12.0%	\$ 141.89	-5.9%	\$ 78.78	-17.2%	9,709	3.0%	5,391	-9.3%

Source: Smith Travel Research

Chart 1-B: Submarket Supply and Demand Levels



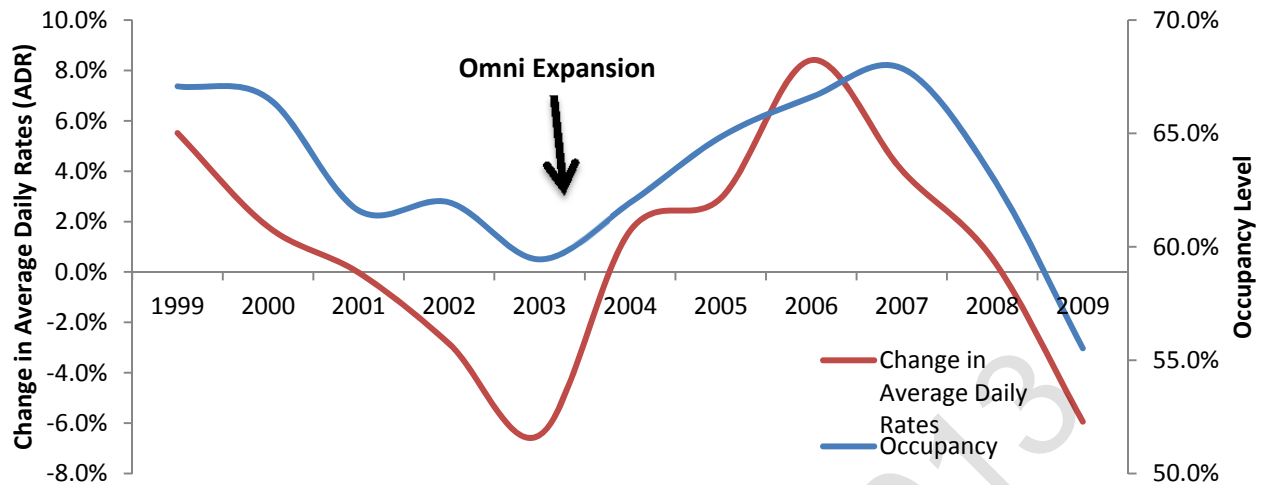
Source: Smith Travel Research

Table 1-D: Quantifying the Latent Demand and Real ADR Effect

Actual Year Operating Year Studied:	2004	2005	2006	2007	2008	2009	2010	2011	2012
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
Induced Average Daily Room Nights:	278	371	372	374	344	332	320	301	281
Induced Demand as a Percent of Rooms Added:	46.4%	61.9%	61.9%	62.3%	57.3%	55.3%	53.4%	50.2%	46.8%
Impact on Real Average Daily Rate	-\$4.75	-\$5.09	-\$4.81	-\$4.85	-\$3.92	-\$3.78	-\$4.05	-\$4.35	-\$4.30

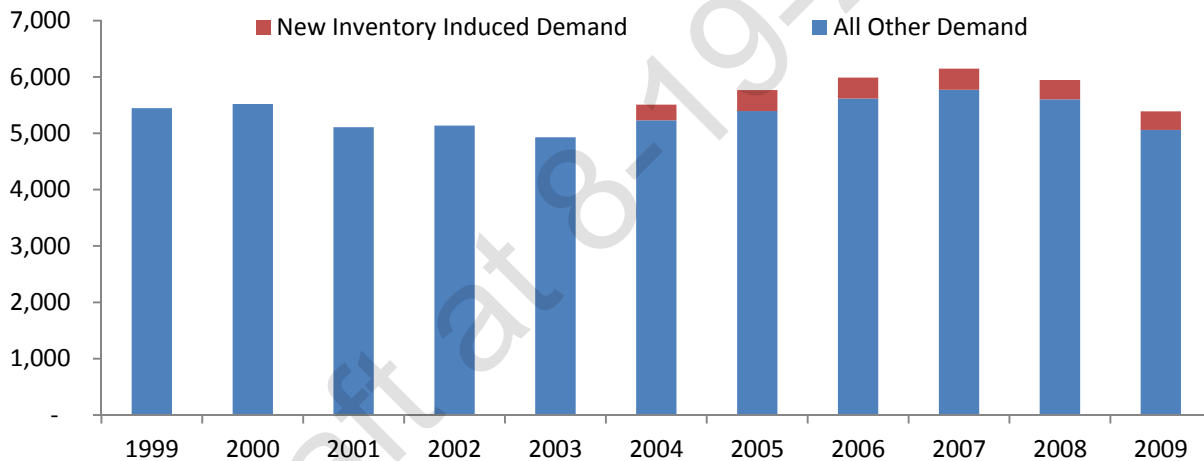
Source: PKF Hospitality Research, LLC

Chart 1-C: Resulting Change in Nominal Average Daily Rate and Occupancy Level



Source: Smith Travel Research, PKF-Hospitality Research, LLC

Chart 1-D: Average Daily Induced and All Other Demand



Source: PKF Hospitality Research, LLC, Smith Travel Research

Overall Observations:

- The expansion of the Omni induced significant demand levels into the Downtown market. Submarket occupancy levels did not decline during the initial year of operation, and increased consistently through the fourth year of operation.
- The expansion of the Omni impaired the level of ADR growth in the Downtown market in all years studied.

Case Study 2: Charlotte

Table 2-A: Property Description and Market Data

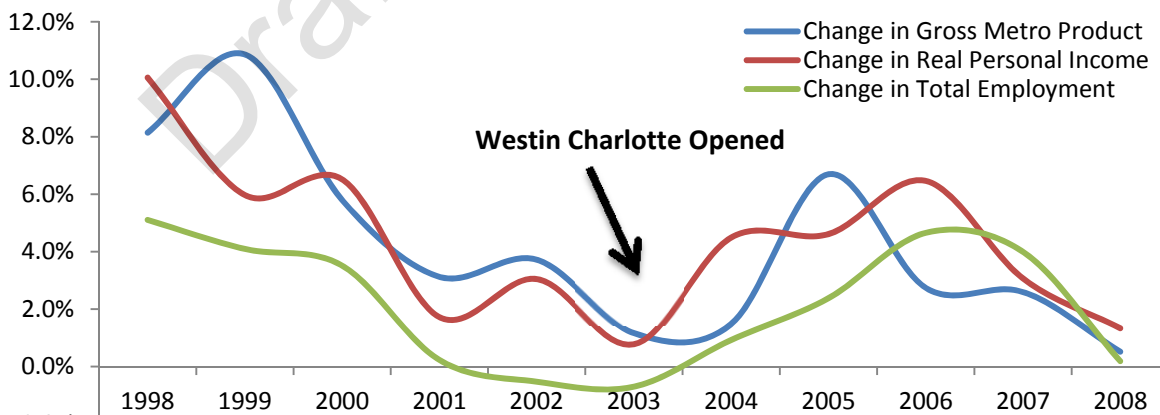
Hotel Name	Westin Charlotte
Hotel Opening Date	2003
Size of Hotel	700
Convention Center Name	Charlotte CC
CC Total Size (SF)	850,000
Exhibition (SF)	280,000
Meeting/Breakout (SF)	90,000
CC Opening Date	1995
Major Events	Year
Democratic National Convention	2012

Table 2-B: Metro Area Economic Summary

Year	Gross Metro Product (Billions) \$	Change in Gross Metro Product	Real Personal Income (Thousands) \$	Change in Real Personal Income	Total Employment (Thousands)	Change in Total Employment
1998	57	8.1%	43,930	10.1%	715	5.1%
1999	63	10.9%	46,547	6.0%	744	4.1%
2000	67	5.8%	49,571	6.5%	770	3.5%
2001	69	3.1%	50,419	1.7%	772	0.2%
2002	72	3.7%	51,954	3.0%	767	-0.5%
2003	73	1.2%	52,356	0.8%	762	-0.7%
2004	74	1.5%	54,711	4.5%	769	0.9%
2005	79	6.7%	57,214	4.6%	787	2.4%
2006	81	2.7%	60,913	6.5%	824	4.7%
2007	83	2.6%	62,774	3.1%	857	4.0%
2008	83	0.5%	63,611	1.3%	858	0.2%

Source: Moody's Analytics

Chart 2-A: Select Metro Area Economic Data



Source: Moody's Analytics

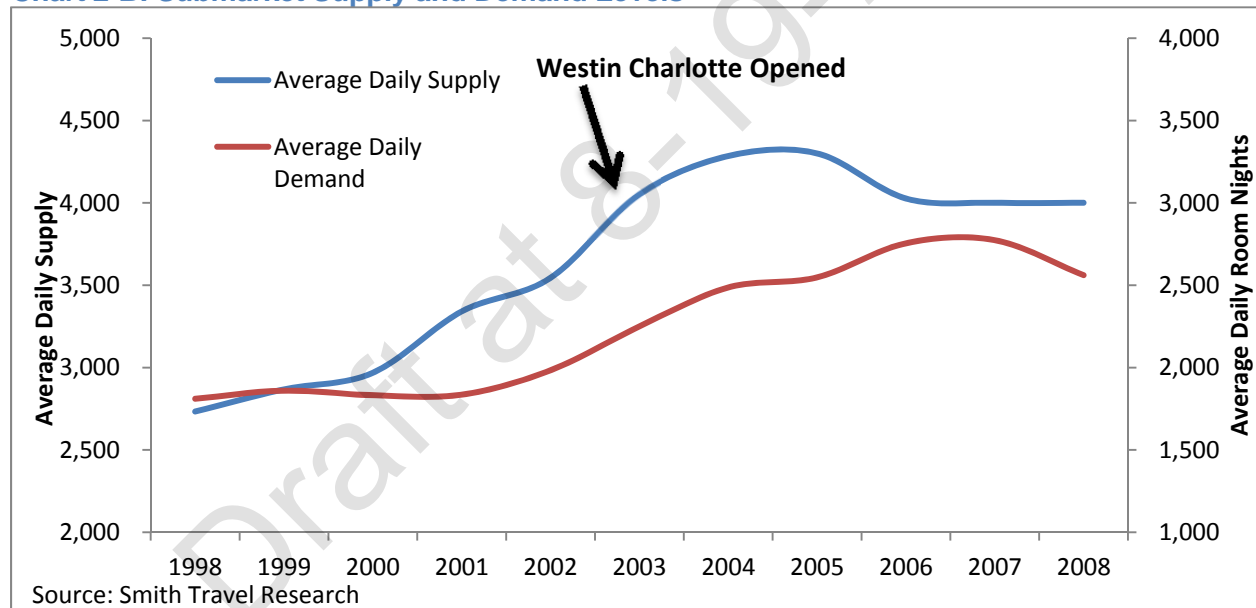
Table 2-C: Submarket Lodging Data

Upper-Priced Downtown Charlotte Submarket

Year	Occupancy	Change in Occupancy	Average Daily Rates	Change in Average Daily Rates	RevPAR	Change in RevPAR	Average Daily Supply	Change in Supply	Average Daily Demand	Change in Average Daily Demand
1998	66.2%	0.8%	\$ 99.60	8.4%	\$ 65.97	9.3%	2,733	1.4%	1,810	2.2%
1999	64.9%	-2.1%	\$ 105.89	6.3%	\$ 68.68	4.1%	2,868	4.9%	1,860	2.7%
2000	61.7%	-4.9%	\$ 108.14	2.1%	\$ 66.72	-2.8%	2,968	3.5%	1,832	-1.5%
2001	54.9%	-11.0%	\$ 102.29	-5.4%	\$ 56.19	-15.8%	3,341	12.6%	1,835	0.2%
2002	56.0%	1.9%	\$ 98.06	-4.1%	\$ 54.87	-2.4%	3,545	6.1%	1,983	8.1%
2003	55.5%	-0.8%	\$ 97.20	-0.9%	\$ 53.94	-1.7%	4,054	14.4%	2,250	13.4%
2004	58.0%	4.6%	\$ 101.36	4.3%	\$ 58.83	9.1%	4,284	5.7%	2,486	10.5%
2005	59.2%	2.1%	\$ 105.90	4.5%	\$ 62.73	6.6%	4,301	0.4%	2,548	2.5%
2006	68.4%	15.5%	\$ 117.41	10.9%	\$ 80.32	28.0%	4,027	-6.4%	2,755	8.1%
2007	69.3%	1.3%	\$ 129.59	10.4%	\$ 89.84	11.8%	4,001	-0.6%	2,774	0.7%
2008	64.0%	-7.7%	\$ 137.83	6.4%	\$ 88.22	-1.8%	4,001	0.0%	2,561	-7.7%

Source: Smith Travel Research

Chart 2-B: Submarket Supply and Demand Levels



Source: Smith Travel Research

Table 2-D: Quantifying the Latent Demand and Real ADR Effect

Actual Year Operating Year Studied:	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Induced Average Daily Room Nights:	395	399	397	406	407	422	427	417	395	358
Induced Demand as a Percent of Rooms Added:	39.5%	39.9%	39.7%	40.6%	40.7%	42.1%	42.7%	41.7%	39.5%	35.7%
Impact on Real Average Daily Rate	\$0.92	\$0.78	\$0.84	\$0.50	\$0.43	\$0.41	\$0.41	\$0.41	\$0.42	\$0.48

Source: PKF Hospitality Research, LLC

Chart 2-C: Resulting Change in Nominal Average Daily Rate and Occupancy Level

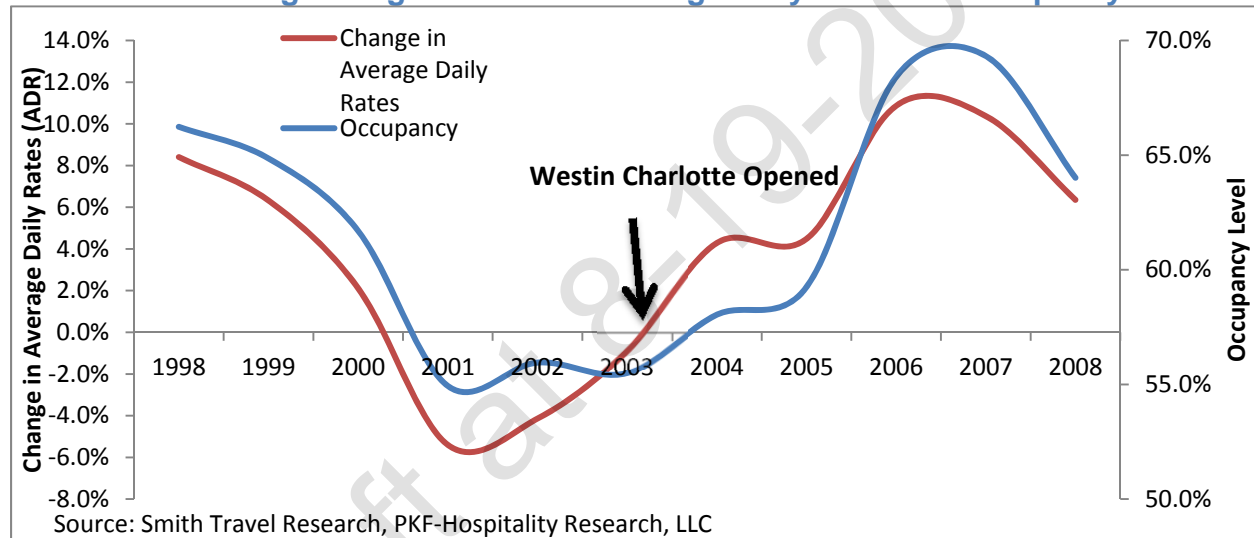
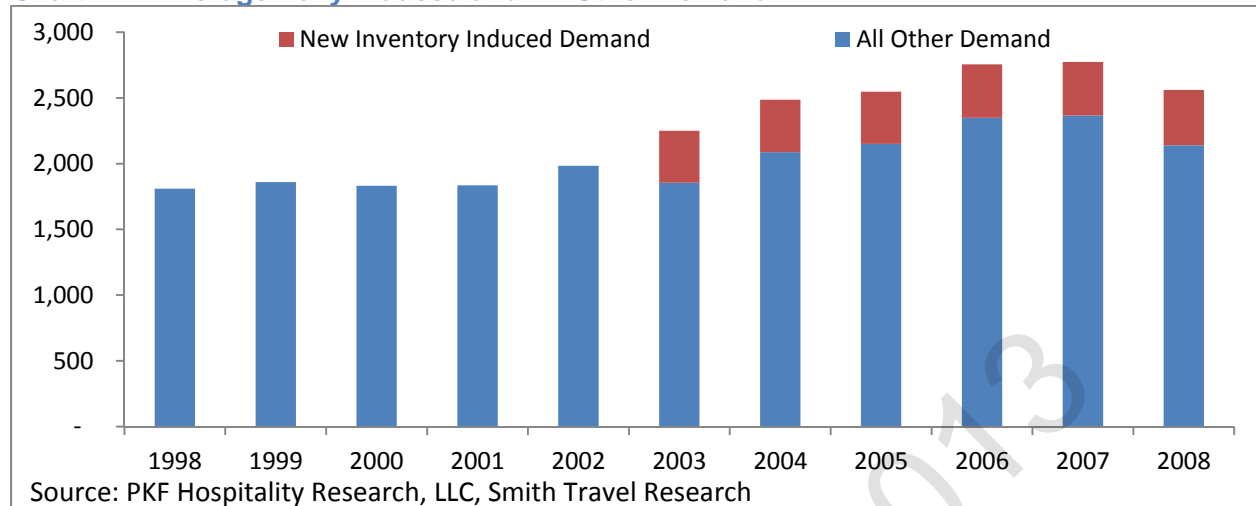


Chart 2-D: Average Daily Induced and All Other Demand



Overall Observations:

- The opening of the 700 room Westin induced substantial demand to the market such that occupancy levels were only slightly impaired.
- The comparatively high room rates at the Westin had a slight positive impact on average daily rate change in the market.

Case Study 3: Dallas

Table 3-A: Property Description and Market Data

Hotel Name	Omni Dallas Convention Center Hotel
Hotel Opening Date	November, 2011
Size of Hotel	1001 Rooms
Convention Center Name	Kay Bailey Hutchison CC
CC Total Size (SF)	2,000,000
Exhibition (SF)	726,726
CC Opening Date	1957

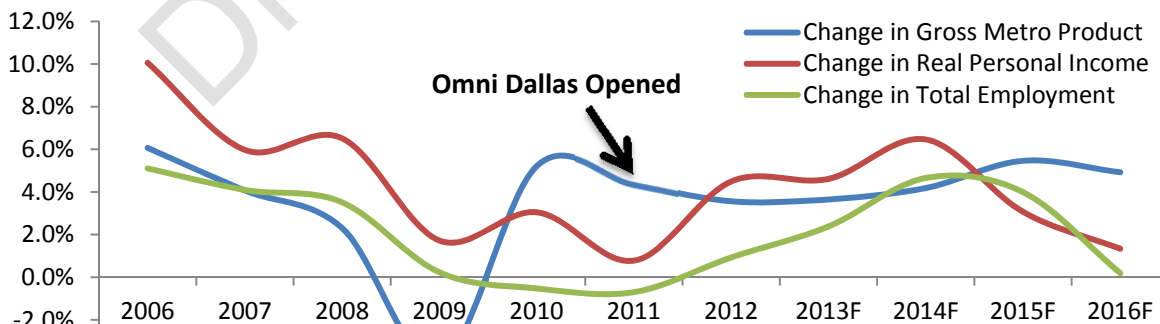
Major Events	Year
2002 CC Expansion	2002
Super Bowl	2011
Light Rail (DART) opened	1996
Hurricane Katrina	2005

Table 3-B: Metro Area Economic Summary

Year	Gross Metro Product (Billions) \$	Change in Gross Metro Product	Real Personal Income (Thousands) \$	Change in Real Personal Income	Total Employment (Thousands)	Change in Total Employment
2006	202	6.1%	163,077	5.5%	2,015	3.4%
2007	210	4.1%	169,251	3.8%	2,074	2.9%
2008	215	2.3%	173,140	2.3%	2,098	1.2%
2009	206	-4.0%	161,182	-6.9%	2,015	-4.0%
2010	217	5.2%	167,143	3.7%	2,017	0.1%
2011	226	4.4%	173,406	3.8%	2,062	2.2%
2012	234	3.6%	175,706	1.3%	2,121	2.9%
2013F	243	3.7%	179,437	2.1%	2,198	3.6%
2014F	253	4.2%	184,911	3.0%	2,263	3.0%
2015F	267	5.5%	195,721	5.8%	2,346	3.7%
2016F	280	4.9%	207,533	6.0%	2,436	3.8%

Source: Moody's Analytics

Chart 3-A: Select Metro Area Economic Data



Source: Moody's Analytics

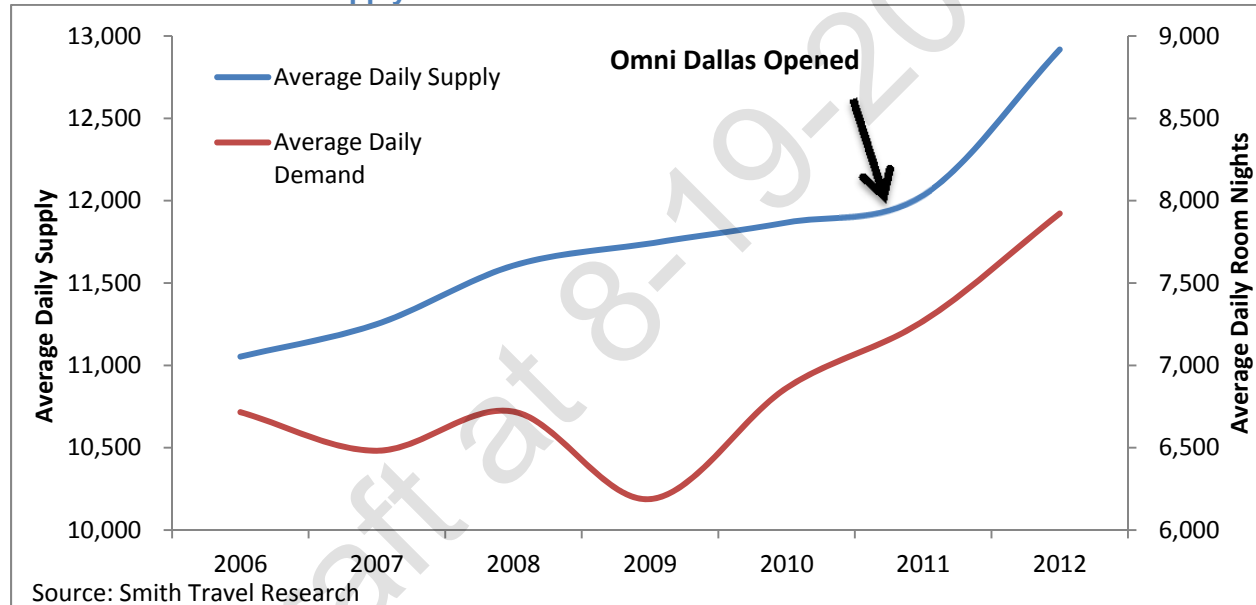
Table 3-C: Submarket Lodging Data

Upper-Priced Downtown Dallas Submarket

Year	Occupancy	Change in Occupancy	Change in			Change in RevPAR	Average Daily Supply	Change in Supply	Average Daily Demand	Change in Average Daily Demand
			Average Daily Rates	Average Daily Rates	RevPAR					
2006	60.8%	6.7%	\$ 135.27	8.2%	\$ 82.26	15.5%	11,053	2.8%	6,716	9.6%
2007	57.6%	-5.2%	\$ 144.01	6.5%	\$ 83.09	0.9%	11,251	1.8%	6,481	-3.5%
2008	57.9%	0.6%	\$ 145.94	1.3%	\$ 84.64	2.0%	11,606	3.2%	6,719	3.8%
2009	52.7%	-8.7%	\$ 131.36	-10.0%	\$ 69.36	-17.9%	11,741	1.2%	6,187	-7.6%
2010	57.8%	9.8%	\$ 129.43	-1.4%	\$ 74.88	8.3%	11,867	1.1%	6,863	11.0%
2011	60.5%	4.4%	\$ 137.22	5.9%	\$ 83.28	10.7%	12,033	1.4%	7,268	5.8%
2012	61.3%	1.6%	\$ 139.38	2.1%	\$ 85.55	3.8%	12,918	7.4%	7,922	9.1%

Source: Smith Travel Research

Chart 3-B: Submarket Supply and Demand Levels



Source: Smith Travel Research

Table 3-D: Quantifying the Latent Demand and Real ADR Effect

Actual Year	2012
Operating Year Studied:	Year 1
Induced Average Daily Room Nights:	745
Induced Demand as a Percent of Rooms Added:	74.5%
Impact on Real Average Daily Rate	\$-1.98

Source: PKF Hospitality Research, LLC

Chart 3-C: Resulting Change in Nominal Average Daily Rate and Occupancy Level

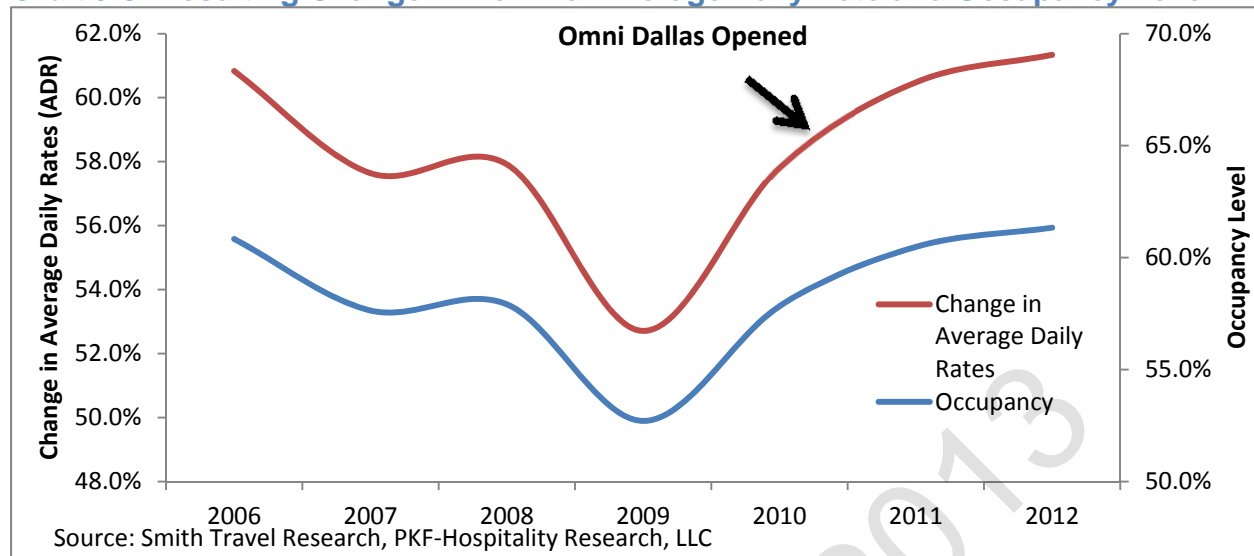
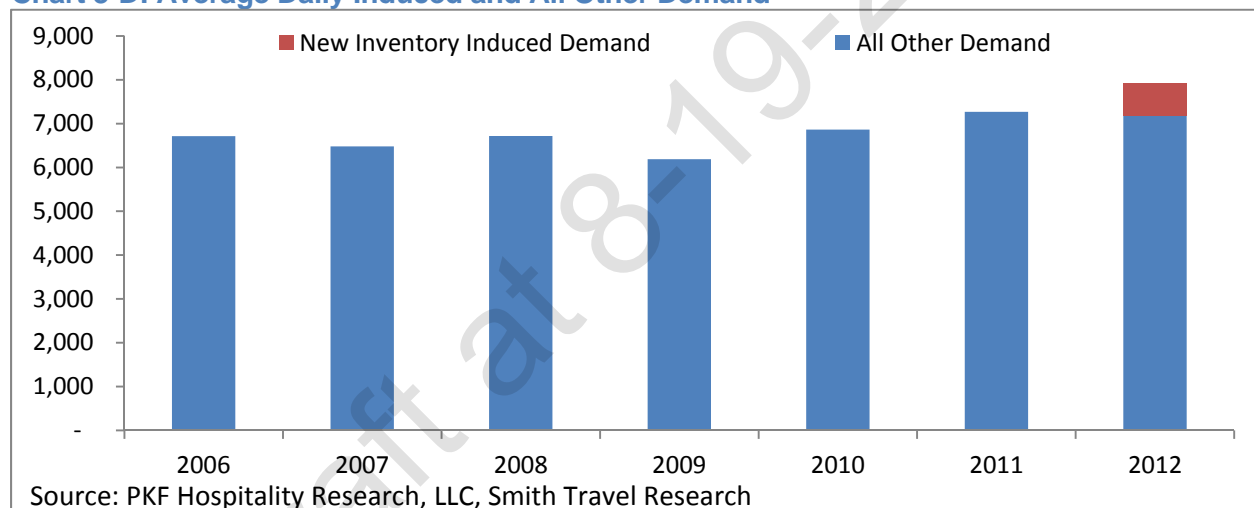


Chart 3-D: Average Daily Induced and All Other Demand



Overall Observations:

- The recent opening of the Omni hotel had a positive impact on submarket occupancy. The subject property induced the equivalent of over 70 percent of its accommodated demand. Therefore, submarket occupancy levels rose in 2011 and 2012.
- The submarket ADR was negatively impacted by the first full year of operation of the new Omni Hotel (2012).

Case Study 4: Denver

Table 4-A: Property Description and Market Data

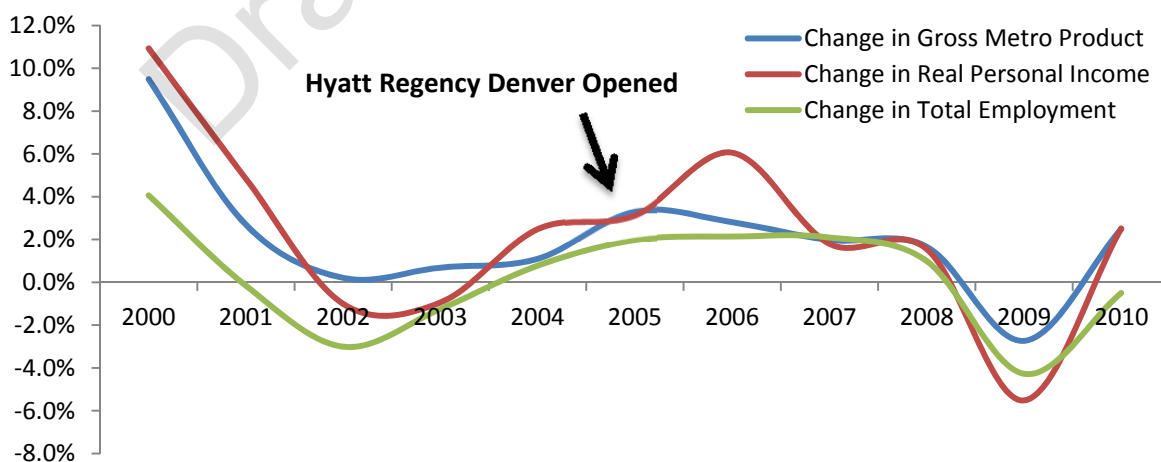
Hotel Name	Hyatt Regency Denver
Hotel Opening Date	Dec-05
Size of Hotel	1100
Convention Center Name	Colorado CC
CC Total Size (SF)	2,200,000
Exhibition (SF)	584,000
Meeting/Breakout (SF)	100,000
CC Opening Date	1990
Major Events	Year
Colorado CC opened	1990
CC Expansion	2004
Democratic National Convention	2008

Table 4-B: Metro Area Economic Summary

Year	Gross Metro Product (Billions) \$	Change in Gross Metro Product	Real Personal Income (Thousands) \$	Change in Real Personal Income	Total Employment (Thousands)	Change in Total Employment
2000	110	9.5%	93,731	10.9%	1,211	4.1%
2001	113	2.7%	98,210	4.8%	1,209	-0.2%
2002	113	0.2%	97,216	-1.0%	1,173	-3.0%
2003	114	0.7%	96,294	-0.9%	1,158	-1.2%
2004	115	1.1%	98,685	2.5%	1,167	0.8%
2005	119	3.3%	101,781	3.1%	1,190	2.0%
2006	123	2.8%	107,944	6.1%	1,215	2.1%
2007	125	2.0%	109,887	1.8%	1,241	2.1%
2008	127	1.7%	111,568	1.6%	1,253	1.0%
2009	124	-2.7%	105,407	-5.5%	1,200	-4.3%
2010	127	2.5%	108,006	2.5%	1,193	-0.5%

Source: Moody's Analytics

Chart 4-A: Select Metro Area Economic Data



Source: Moody's Analytics

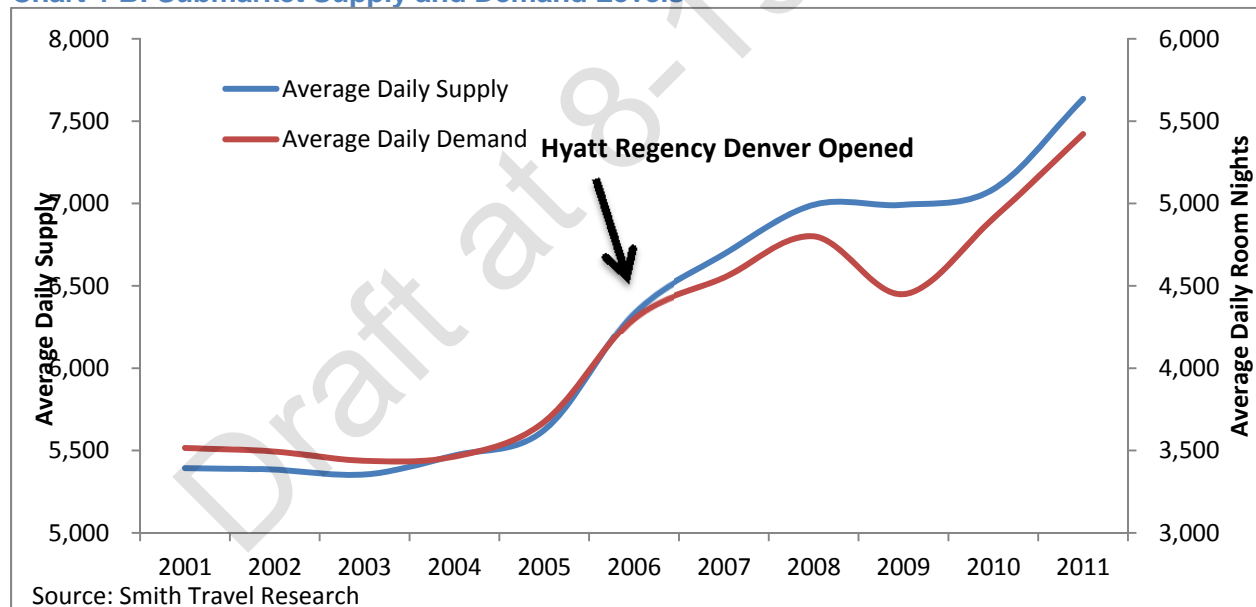
Table 4-C: Submarket Lodging Data

Upper-Priced Downtown Denver Submarket

Year	Occupancy	Change in Occupancy	Average Daily Rates	Change in Average Daily Rates	RevPAR	Change in RevPAR	Average Daily Supply	Change in Supply	Average Daily Demand	Change in Average Daily Demand
2001	65.2%	-8.0%	\$128.21	2.5%	\$83.58	-5.7%	5,392	0.2%	3,516	-7.8%
2002	64.9%	-0.5%	\$124.44	-2.9%	\$80.75	-3.4%	5,384	-0.2%	3,493	-0.6%
2003	64.2%	-1.1%	\$125.73	1.0%	\$80.72	0.0%	5,354	-0.5%	3,437	-1.6%
2004	63.3%	-1.4%	\$125.79	0.0%	\$79.64	-1.3%	5,470	2.2%	3,463	0.7%
2005	65.3%	3.2%	\$136.08	8.2%	\$88.88	11.6%	5,624	2.8%	3,673	6.1%
2006	67.9%	4.0%	\$144.91	6.5%	\$98.45	10.8%	6,336	12.7%	4,305	17.2%
2007	68.0%	0.1%	\$158.55	9.4%	\$107.79	9.5%	6,692	5.6%	4,550	5.7%
2008	68.7%	1.0%	\$164.58	3.8%	\$113.00	4.8%	6,992	4.5%	4,801	5.5%
2009	63.6%	-7.3%	\$146.24	-11.1%	\$93.06	-17.6%	6,992	0.0%	4,449	-7.3%
2010	69.3%	8.9%	\$153.80	5.2%	\$106.55	14.5%	7,086	1.4%	4,909	10.3%
2011	71.0%	2.5%	\$158.95	3.3%	\$112.86	5.9%	7,636	7.8%	5,422	10.4%

Source: Smith Travel Research

Chart 4-B: Submarket Supply and Demand Levels



Source: Smith Travel Research

Table 4-D: Quantifying the Latent Demand and Real ADR Effect

Actual Year Operating Year Studied:	2006	2007	2008	2009	2010	2011	2012
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Induced Average Daily Room Nights:	590	646	613	647	648	555	588
Induced Demand as a Percent of Rooms Added:	53.6%	58.8%	55.8%	58.8%	58.9%	50.5%	53.4%
Impact on Real Average Daily Rate	-\$0.44	-\$0.14	-\$1.13	-\$1.59	-\$1.65	-\$1.98	-\$2.19

Source: PKF Hospitality Research, LLC

Chart 4-C: Resulting Change in Nominal Average Daily Rate and Occupancy Level

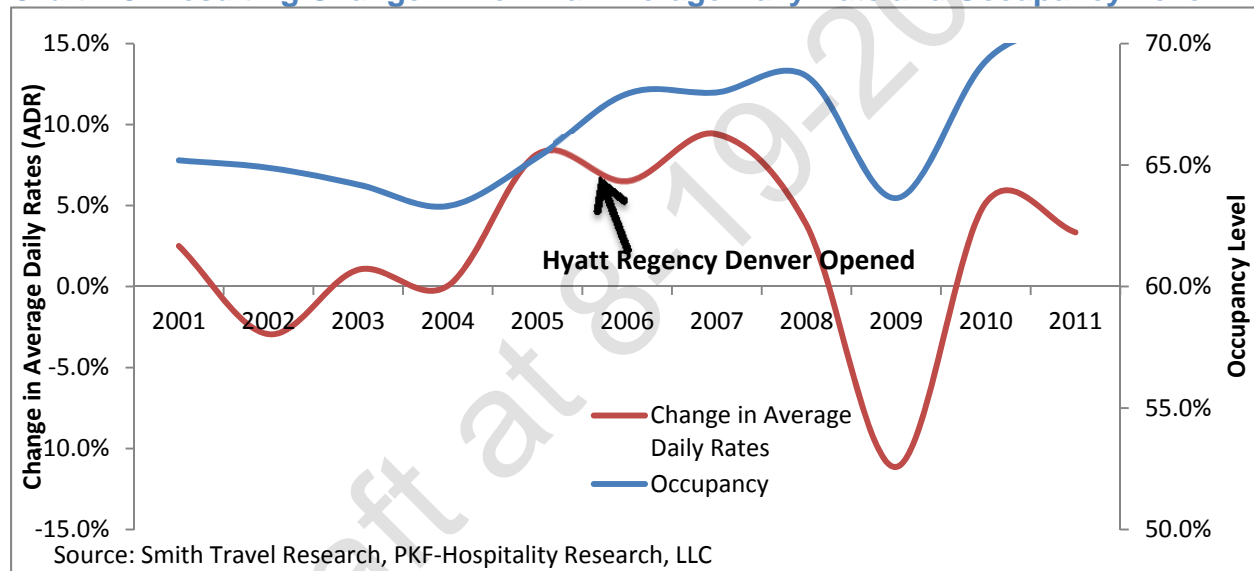
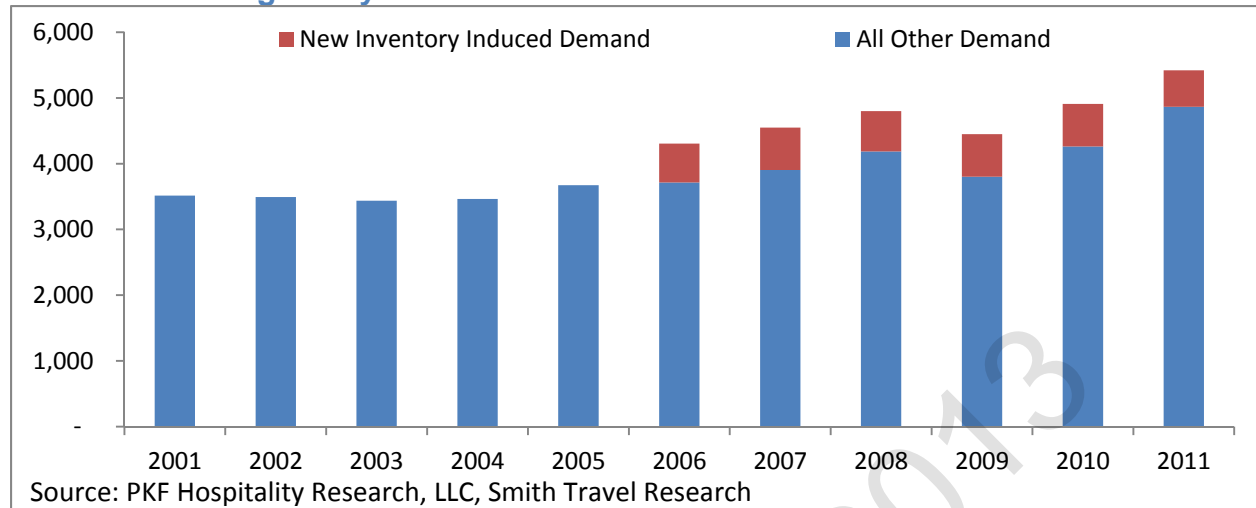


Chart 4-D: Average Daily Induced and All Other Demand



Overall Observations:

- The 1,100 Hyatt Regency was able to induce the equivalent of over 50 percent of its accommodated demand in 2006, thus contributing to a market occupancy increase despite the 12.7 percent expansion to supply.
- The opening of the Hyatt Regency had minimal impact on the change in submarket average daily rate.

Case Study 5: Ft. Worth

Table 5-A: Property Description and Market Data

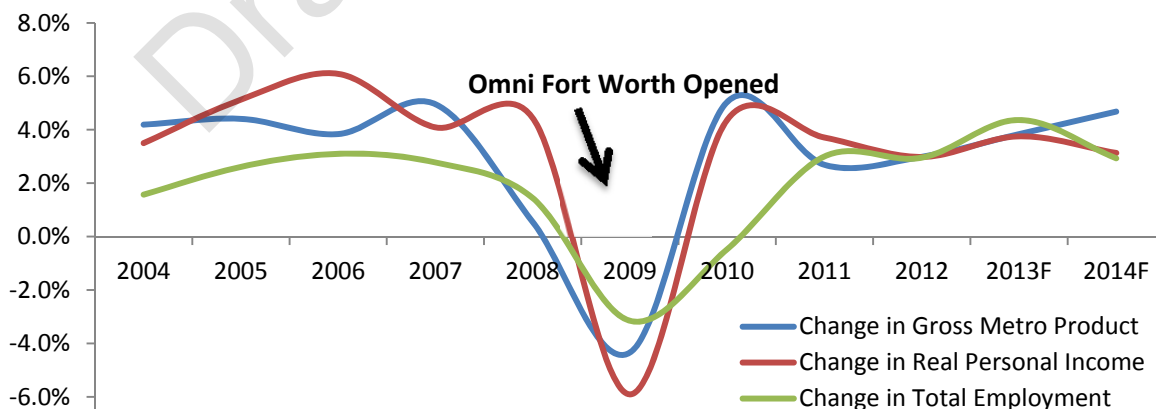
Hotel Name	Omni Fort Worth
Hotel Opening Date	2009
Size of Hotel	614
Convention Center Name	Fort Worth CC
CC Total Size (SF)	300,000
Exhibition (SF)	253,226
Meeting/Breakout (SF)	58,849
Major Events	Date
CC Expansion	2002
CC Expansion	2003

Table 5-B: Metro Area Economic Summary

Year	Gross Metro Product (Billions) \$	Change in Gross Metro Product	Real Personal Income (Thousands) \$	Change in Real Personal Income	Total Employment (Thousands)	Change in Total Employment
2004	70	4.2%	62,649	3.5%	795	1.6%
2005	74	4.4%	65,861	5.1%	816	2.6%
2006	76	3.8%	69,874	6.1%	841	3.1%
2007	80	5.0%	72,730	4.1%	864	2.8%
2008	81	0.6%	75,942	4.4%	877	1.4%
2009	77	-4.3%	71,456	-5.9%	849	-3.2%
2010	81	5.0%	74,541	4.4%	845	-0.5%
2011	83	2.7%	77,286	3.7%	870	3.0%
2012	86	3.0%	79,588	3.0%	896	3.0%
2013F	89	3.8%	82,569	3.8%	935	4.4%
2014F	93	4.7%	85,156	3.1%	962	2.9%

Source: Moody's Analytics

Chart 5-A: Select Metro Area Economic Data



Source: Moody's Analytics

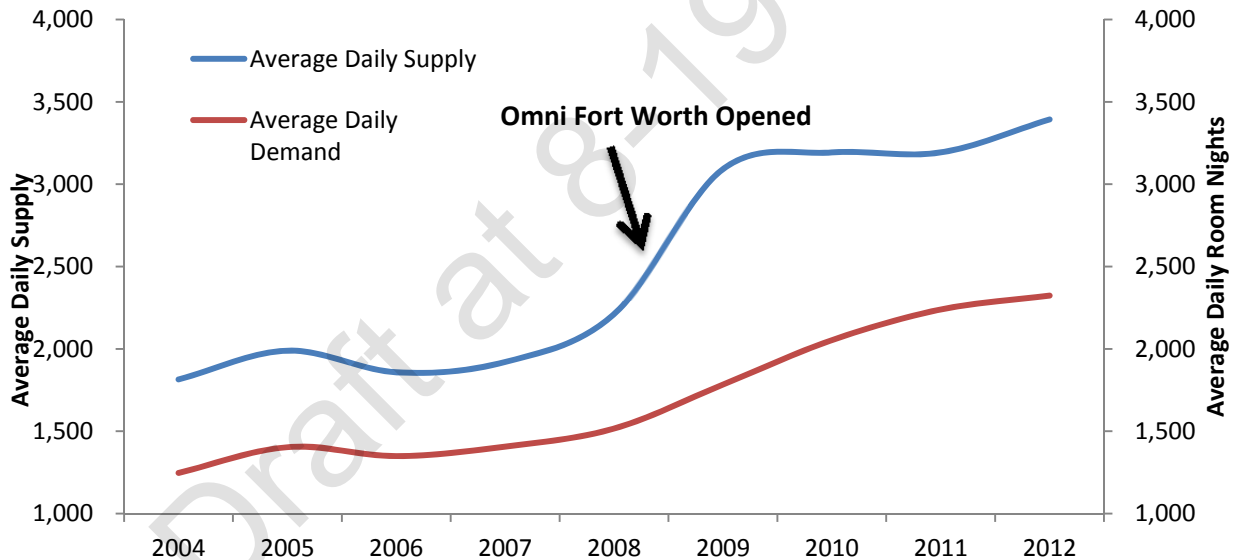
Table 5-C: Submarket Lodging Data

Upper-Priced Downtown Fort Worth Submarket

Year	Occupancy	Change in Occupancy	Average Daily Rates	Change in Average Daily Rates	RevPAR	Change in RevPAR	Average Daily Supply	Change in Supply	Average Daily Demand	Change in Average Daily Demand
2004	68.7%	-1.0%	\$ 106.67	1.6%	\$ 73.29	0.6%	1,814	10.6%	1,247	9.5%
2005	70.6%	2.7%	\$ 112.37	5.3%	\$ 79.28	8.2%	1,989	9.6%	1,403	12.6%
2006	72.6%	2.9%	\$ 131.40	16.9%	\$ 95.39	20.3%	1,858	-6.6%	1,349	-3.9%
2007	73.2%	0.9%	\$ 144.51	10.0%	\$ 105.83	10.9%	1,921	3.4%	1,406	4.3%
2008	68.6%	-6.4%	\$ 148.28	2.6%	\$ 101.66	-3.9%	2,211	15.1%	1,516	7.8%
2009	57.7%	-15.9%	\$ 141.09	-4.9%	\$ 81.38	-20.0%	3,091	39.8%	1,783	17.6%
2010	64.3%	11.5%	\$ 137.19	-2.8%	\$ 88.21	8.4%	3,193	3.3%	2,053	15.1%
2011	70.1%	9.1%	\$ 139.61	1.8%	\$ 97.91	11.0%	3,193	0.0%	2,239	9.1%
2012	68.5%	-2.4%	\$ 139.11	-0.4%	\$ 95.25	-2.7%	3,393	6.3%	2,324	3.8%

Source: Smith Travel Research

Chart 5-B: Submarket Supply and Demand Levels



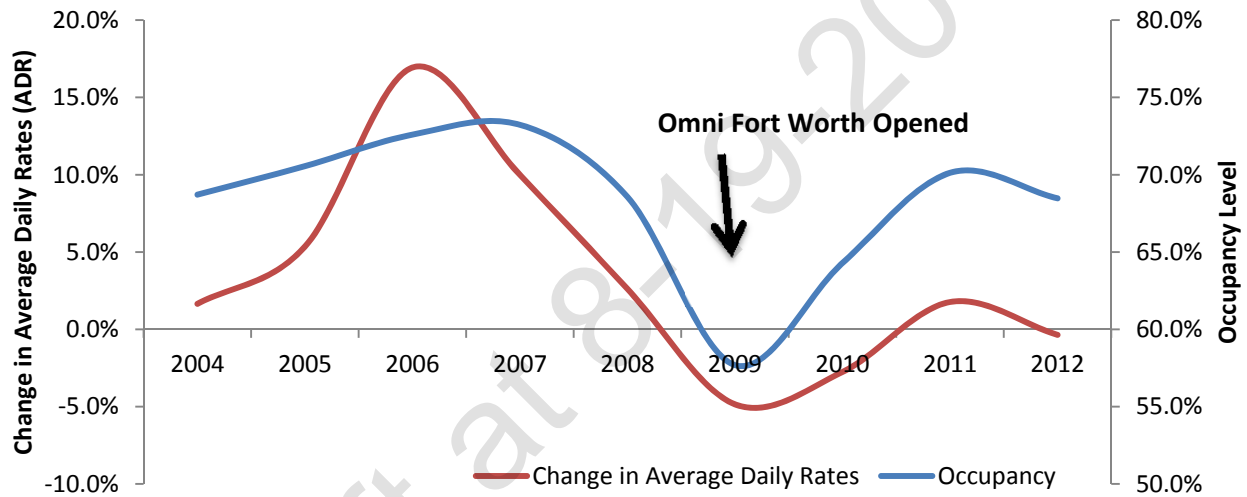
Source: Smith Travel Research

Table 5-D: Quantifying the Latent Demand and Real ADR Effect

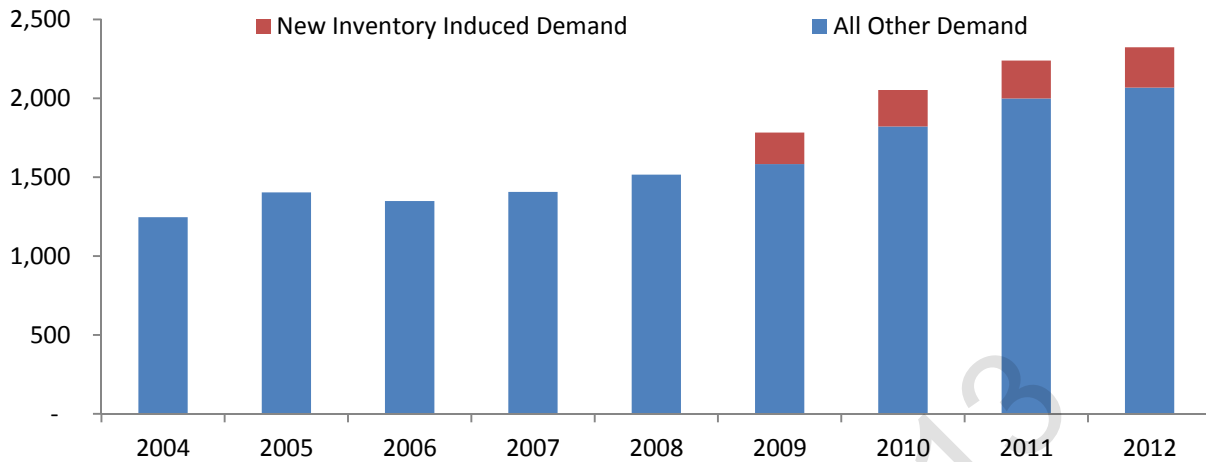
Actual Year	2009	2010	2011	2012
Operating Year Studied:	Year 1	Year 2	Year 3	Year 4
Induced Average Daily Room Nights:	201	232	240	255
Induced Demand as a Percent of Rooms Added:	32.7%	37.7%	39.1%	41.5%
Impact on Real Average Daily Rate	\$7.65	\$5.91	\$2.91	\$2.23

Source: PKF Hospitality Research, LLC

Chart 5-C: Resulting Change in Nominal Average Daily Rate and Occupancy Level



Source: Smith Travel Research, PKF-Hospitality Research, LLC

Chart 5-D: Average Daily Induced and All Other Demand

Source: PKF Hospitality Research, LLC, Smith Travel Research

Overall Observations:

- While the Omni Fort Worth Hotel was able to induce demand equivalent to one third of its available supply, the combination of 614 rooms added to the supply, plus the economic recession, forced market occupancy levels to decline significantly from 2008 to 2009.
- While occupancy levels declined, the relatively high rates charged by the Omni helped to offset some of the decline in market ADR.

Case Study 6: Houston

Table 6-A: Property Description and Market Data

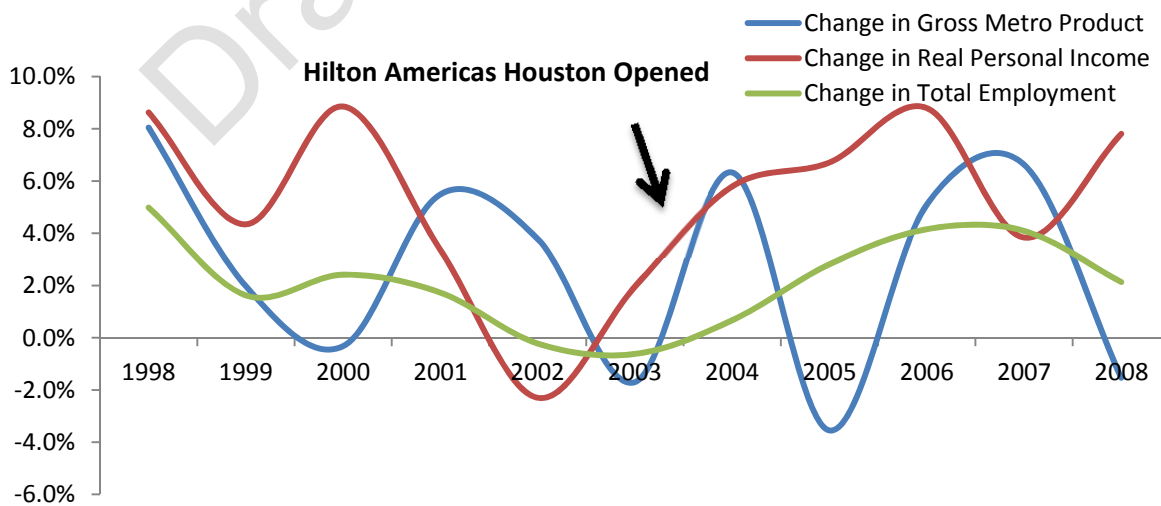
Hotel Name	Hilton Americas Houston
Hotel Opening Date	Nov-03
Size of Hotel	1200
Convention Center Name	George R. Brown CC
CC Total Size (SF)	1,800,000
CC Opening Date	1987
Major Events	Year
Convention Center Expansion	2003
Super Bowl	2004
Hurricane Katrina	2005

Table 6-B: Metro Area Economic Summary

Year	Gross Metro Product (Billions) \$	Change in Gross Metro Product	Real Personal Income (Thousands) \$	Change in Real Personal Income	Total Employment (Thousands)	Change in Total Employment
1998	244	8.0%	158,821	8.6%	2,163	5.0%
1999	249	2.0%	165,708	4.3%	2,198	1.6%
2000	248	-0.3%	180,370	8.9%	2,251	2.4%
2001	262	5.5%	186,387	3.4%	2,290	1.7%
2002	271	3.8%	182,088	-2.3%	2,285	-0.2%
2003	267	-1.7%	185,630	2.0%	2,270	-0.6%
2004	284	6.3%	196,400	5.8%	2,285	0.7%
2005	274	-3.6%	209,597	6.7%	2,350	2.8%
2006	287	5.1%	227,982	8.8%	2,448	4.2%
2007	306	6.6%	236,730	3.8%	2,548	4.1%
2008	302	-1.5%	255,107	7.8%	2,602	2.1%

Source: Moody's Analytics

Chart 6-A: Select Metro Area Economic Data



Source: Moody's Analytics

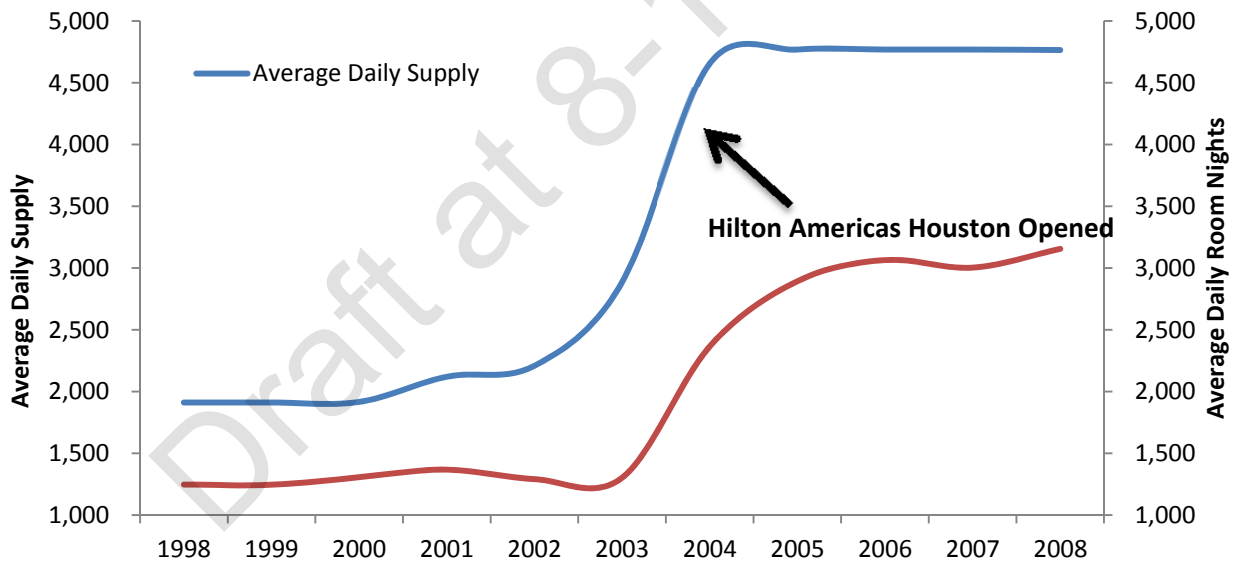
Table 6-C: Submarket Lodging Data

Upper-Priced Downtown Houston Submarket

Year	Occupancy	Change in Occupancy	Average Daily Rates	Change in Average Daily Rates	RevPAR	Change in RevPAR	Average Daily Supply	Change in Supply	Average Daily Demand	Change in Average Daily Demand
1998	65.2%	-0.8%	\$ 133.17	12.5%	\$ 86.90	11.6%	1,911	0.0%	1,247	-0.8%
1999	65.1%	-0.2%	\$ 144.03	8.2%	\$ 93.80	7.9%	1,911	0.0%	1,244	-0.2%
2000	68.2%	4.7%	\$ 150.74	4.7%	\$ 102.77	9.6%	1,916	0.2%	1,306	4.9%
2001	64.5%	-5.4%	\$ 157.83	4.7%	\$ 101.78	-1.0%	2,120	10.7%	1,367	4.7%
2002	58.4%	-9.4%	\$ 155.91	-1.2%	\$ 91.11	-10.5%	2,208	4.2%	1,291	-5.6%
2003	45.1%	-22.8%	\$ 142.00	-8.9%	\$ 64.08	-29.7%	2,883	30.5%	1,301	0.8%
2004	50.8%	12.6%	\$ 136.74	-3.7%	\$ 69.46	8.4%	4,656	61.5%	2,365	81.8%
2005	60.7%	19.4%	\$ 131.97	-3.5%	\$ 80.06	15.3%	4,769	2.4%	2,893	22.3%
2006	64.3%	5.9%	\$ 143.67	8.9%	\$ 92.32	15.3%	4,769	0.0%	3,064	5.9%
2007	63.0%	-2.0%	\$ 151.97	5.8%	\$ 95.70	3.7%	4,769	0.0%	3,003	-2.0%
2008	66.2%	5.1%	\$ 159.58	5.0%	\$ 105.65	10.4%	4,765	-0.1%	3,155	5.1%

Source: Smith Travel Research

Chart 6-B: Submarket Supply and Demand Levels



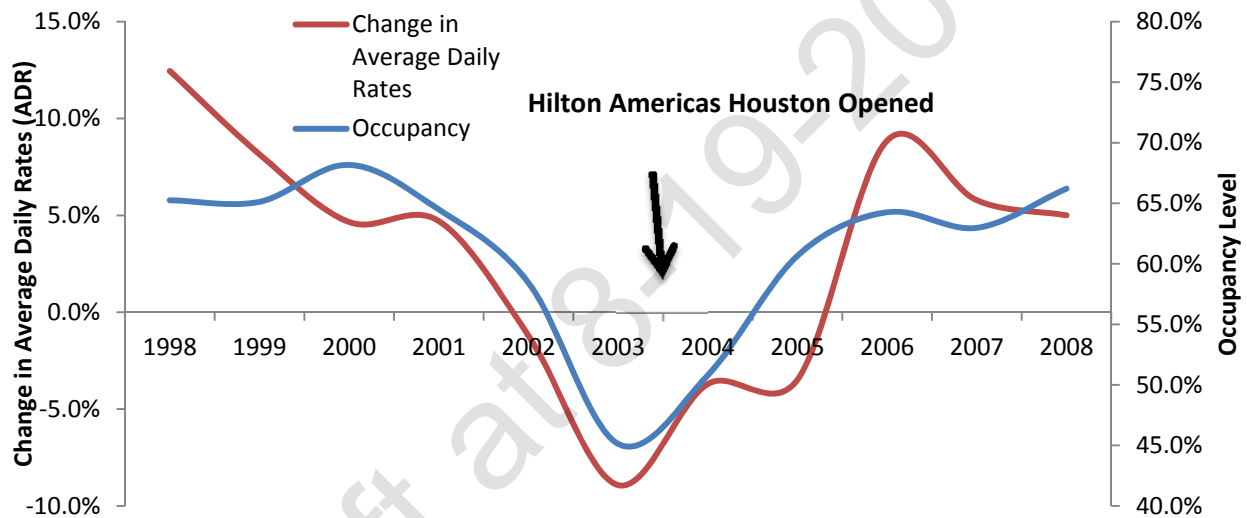
Source: Smith Travel Research

Table 6-D: Quantifying the Latent Demand and Real ADR Effect

Actual Year Operating Year Studied:	2004	2005	2006	2007	2008	2009	2010	2011	2012
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
Induced Average Daily Room Nights:	953	872	855	845	850	787	794	703	650
Induced Demand as a Percent of Rooms Added:	79.4%	72.7%	71.3%	70.4%	70.8%	65.6%	66.1%	58.6%	54.2%
Impact on Real Average Daily Rate	-\$5.27	-\$5.11	-\$3.62	-\$3.05	-\$3.46	-\$4.08	-\$3.97	-\$4.22	-\$4.26

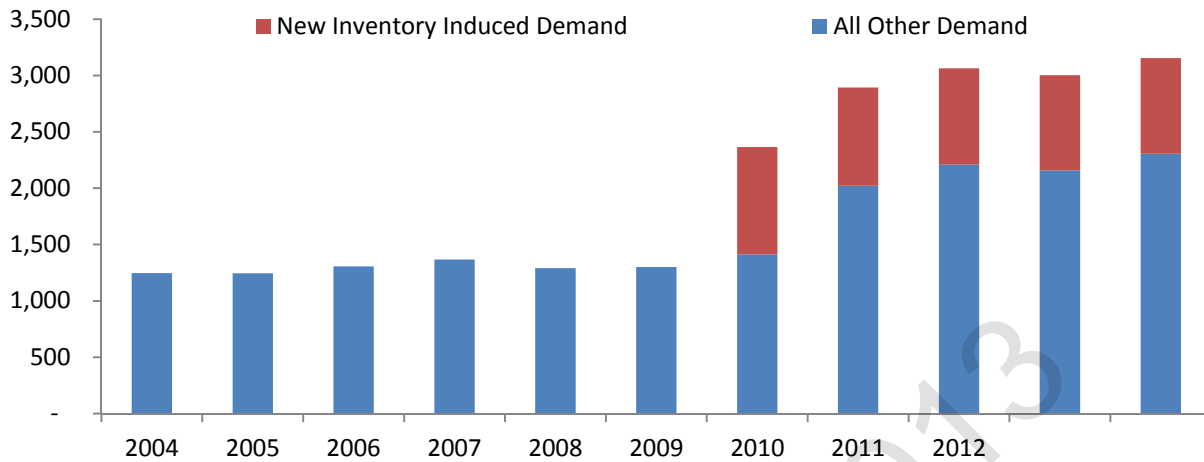
Source: PKF Hospitality Research, LLC

Chart 6-C: Resulting Change in Nominal Average Daily Rate and Occupancy Level



Source: Smith Travel Research, PKF-Hospitality Research, LLC

Chart 6-D: Average Daily Induced and All Other Demand



Source: PKF Hospitality Research, LLC, Smith Travel Research

Overall Observations:

- Since the opening of the Hilton hotel in 2003, market occupancy levels have surpassed the 60 percent level. This is partially attributable to the ability of the Hilton to induce the equivalent of over 70 percent of the available rooms added to the market.
- While market demand and occupancy levels were bolstered by the opening of the Hilton, the market ADR declined.

Case Study 7: Indianapolis

Table 7-A: Property Description and Market Data

Hotel Name	Marriott Indianapolis Downtown	JW Marriott Indianapolis
Hotel Opening Date	2001	2011
Size of Hotel	622	1005
Convention Center Name	Indiana CC	
CC Total Size (SF)	1,300,000	
Exhibition (SF)	556,000	
CC Opening Date	1972	
Major Events	Year	
Super Bowl	2012	
Gen Con Started	2003	
National FFA Convention	2006-2012	
CC Expansion	2011	

Table 7-B: Metro Area Economic Summary

Year	Gross Metro Product (Billions) \$	Change in Gross Metro Product	Real Personal Income (Thousands) \$	Change in Real Personal Income	Total Employment (Thousands)	Change in Total Employment
1996	55	5.2%	44,568	3.8%	773	1.9%
1997	57	3.8%	46,211	3.7%	783	1.3%
1998	60	5.9%	50,317	8.9%	806	2.9%
1999	63	4.7%	51,971	3.3%	831	3.1%
2000	67	5.9%	55,379	6.6%	854	2.8%
2001	67	1.0%	56,563	2.2%	861	0.9%
2002	69	2.2%	57,166	1.1%	858	-0.4%
2003	72	4.9%	58,047	1.5%	865	0.9%
2004	75	4.0%	59,540	2.6%	877	1.4%
2005	76	1.5%	60,009	0.8%	888	1.2%
2006	77	1.3%	62,306	3.8%	903	1.6%
2007	80	3.6%	62,417	0.2%	916	1.5%
2008	79	-1.0%	63,066	1.0%	914	-0.2%
2009	77	-3.0%	60,545	-4.0%	873	-4.5%
2010	79	2.6%	61,599	1.7%	871	-0.2%
2011	79	0.6%	63,416	3.0%	889	2.0%
2012	80	0.9%	64,169	1.2%	914	2.9%
2013	81	1.9%	65,026	1.3%	931	1.8%
2014	84	2.5%	67,809	4.3%	948	1.8%
2015	86	3.2%	71,072	4.8%	973	2.7%
2016	88	2.5%	73,908	4.0%	998	2.5%

Source: Moody's Analytics

Chart 7-A: Select Metro Area Economic Data

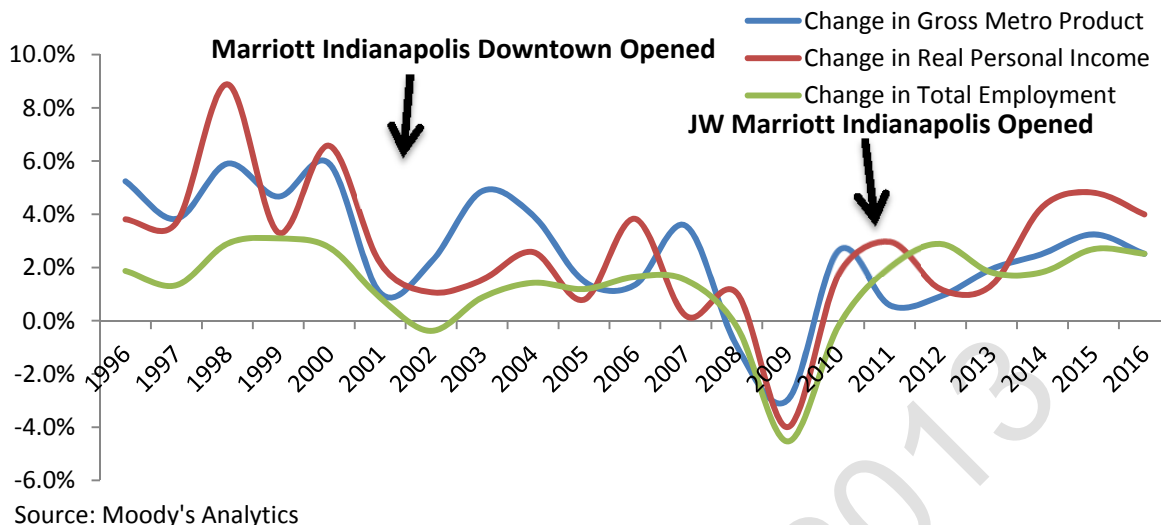


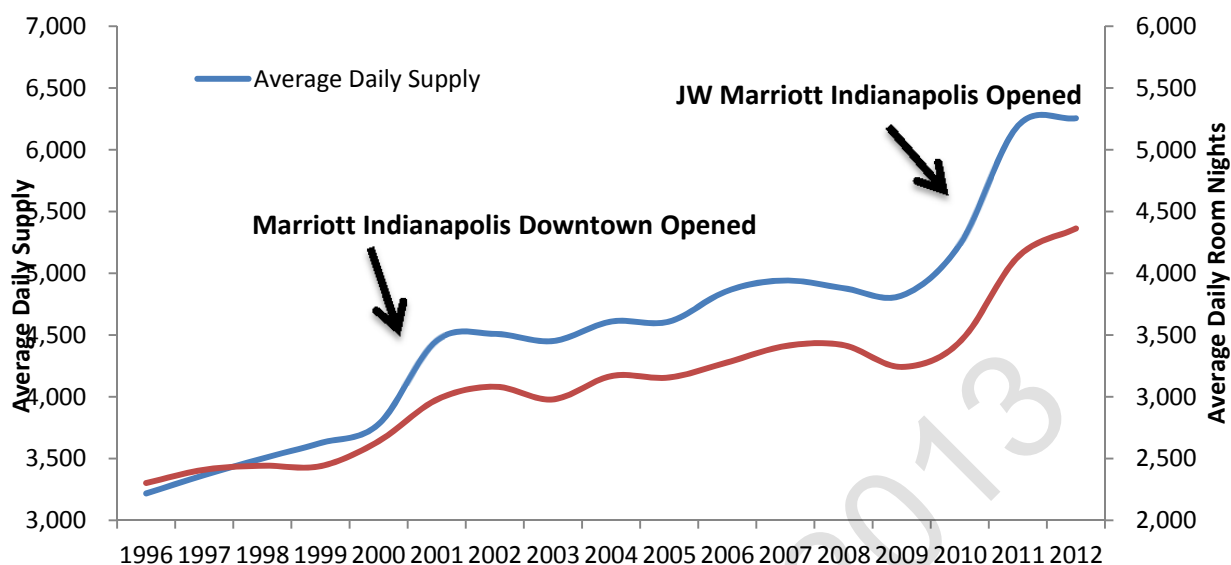
Table 7-C: Submarket Lodging Data

Upper-Priced Downtown Indianapolis Submarket

Year	Occupancy	Change in Occupancy	Average Daily Rates	Change in Average Daily Rates	RevPAR	Change in RevPAR	Average Daily Supply	Change in Supply	Average Daily Demand	Change in Average Daily Demand
1996	71.5%	-0.1%	\$ 97.47	6.7%	\$ 69.74	6.6%	3,217	0.0%	2,302	-0.1%
1997	71.6%	0.0%	\$ 102.57	5.2%	\$ 73.42	5.3%	3,366	4.6%	2,409	4.7%
1998	69.8%	-2.5%	\$ 107.00	4.3%	\$ 74.65	1.7%	3,500	4.0%	2,442	1.4%
1999	67.3%	-3.6%	\$ 109.77	2.6%	\$ 73.83	-1.1%	3,625	3.6%	2,438	-0.1%
2000	69.9%	3.9%	\$ 120.92	10.2%	\$ 84.49	14.4%	3,778	4.2%	2,640	8.3%
2001	66.8%	-4.4%	\$ 120.40	-0.4%	\$ 80.42	-4.8%	4,456	18.0%	2,976	12.8%
2002	68.3%	2.3%	\$ 120.20	-0.2%	\$ 82.15	2.2%	4,509	1.2%	3,082	3.5%
2003	66.9%	-2.1%	\$ 120.46	0.2%	\$ 80.60	-1.9%	4,451	-1.3%	2,978	-3.4%
2004	68.7%	2.7%	\$ 124.29	3.2%	\$ 85.41	6.0%	4,609	3.5%	3,167	6.3%
2005	68.5%	-0.4%	\$ 125.75	1.2%	\$ 86.11	0.8%	4,609	0.0%	3,156	-0.4%
2006	67.5%	-1.4%	\$ 133.86	6.5%	\$ 90.33	4.9%	4,857	5.4%	3,278	3.9%
2007	69.0%	2.3%	\$ 139.00	3.8%	\$ 95.92	6.2%	4,942	1.7%	3,411	4.0%
2008	70.1%	1.5%	\$ 137.92	-0.8%	\$ 96.62	0.7%	4,879	-1.3%	3,418	0.2%
2009	67.3%	-4.0%	\$ 128.84	-6.6%	\$ 86.67	-10.3%	4,819	-1.2%	3,242	-5.2%
2010	65.8%	-2.2%	\$ 127.89	-0.7%	\$ 84.12	-2.9%	5,234	8.6%	3,442	6.2%
2011	66.7%	1.4%	\$ 131.99	3.2%	\$ 88.06	4.7%	6,193	18.3%	4,132	20.0%
2012	69.7%	4.5%	\$ 141.77	7.4%	\$ 98.89	12.3%	6,255	1.0%	4,363	5.6%

Source: Smith Travel Research

Chart 7-B: Submarket Supply and Demand Levels



Source: Smith Travel Research

Table 7-D: Quantifying the Latent Demand and Real ADR Effect

Actual Year Studied:	2002 Year 1	2003 Year 2	2004 Year 3	2005 Year 4	2006 Year 5	2007 Year 6	2008 Year 7	2009 Year 8	2010 Year 9	2011 Year 10	2012 Year 11
Induced Average Daily Room Nights:	348	302	317	318	293	294	264	272	274	253	242
Induced Demand as a Percent of Rooms Added:	56.0%	48.5%	51.0%	51.1%	47.1%	47.3%	42.4%	43.7%	44.0%	40.7%	38.9%
Impact on Real Average Daily Rate	-\$2.36	-\$2.37	-\$0.03	-\$0.03	\$0.75	\$0.51	\$0.73	-\$0.22	-\$1.20	-\$1.29	-\$1.31
Actual Year Studied:	2011 Year 1	2012 Year 2									
Induced Average Daily Room Nights:	643	615									
Induced Demand as a Percent of Rooms Added:	64.0%	61.2%									
Impact on Real Average Daily Rate	\$0.69	-\$0.16									

Source: PKF Hospitality Research, LLC

Chart 7-C: Resulting Change in Nominal Average Daily Rate and Occupancy Level

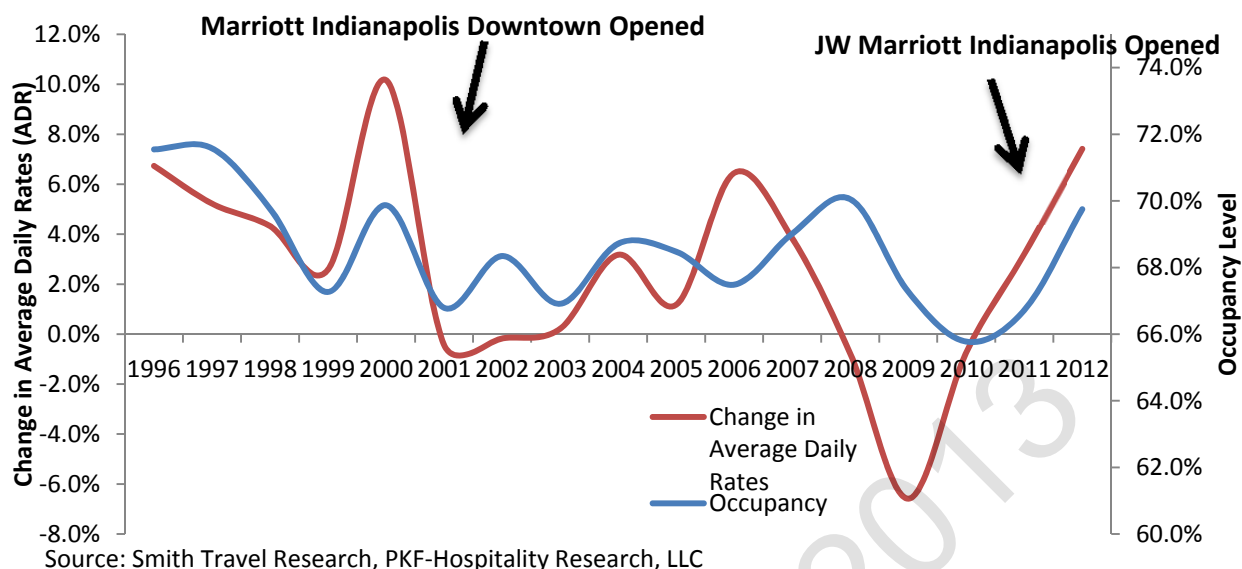
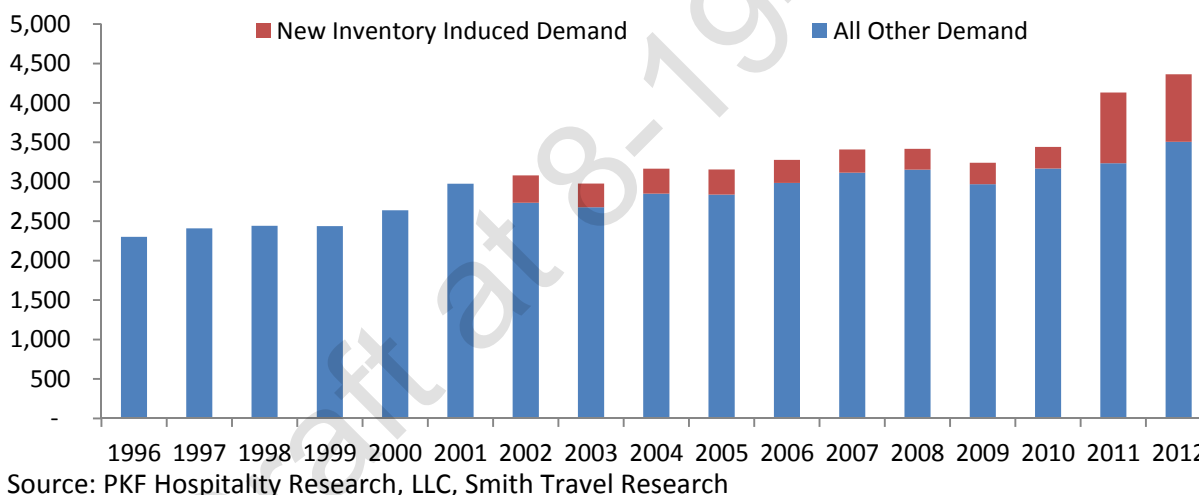


Chart 7-D: Average Daily Induced and All Other Demand



Overall Observations:

- While the Marriott hotel opened during the 2001 economic recession, it was able to induce the equivalent of 50 percent of its own demand, thus mitigating the impact on market occupancy. The economic recession also contributed to the initial decline in market ADR during the first two years of operation.
- The combined expansion of the convention center and opening of the JW Marriott in 2011 enabled this property to induce the equivalent of over 60 percent of its accommodated demand during the first two years of operation. The strong growth in demand mitigated any negative impact on market average daily rate.

Case Study 8: Los Angeles

Table 8-A: Property Description and Market Data

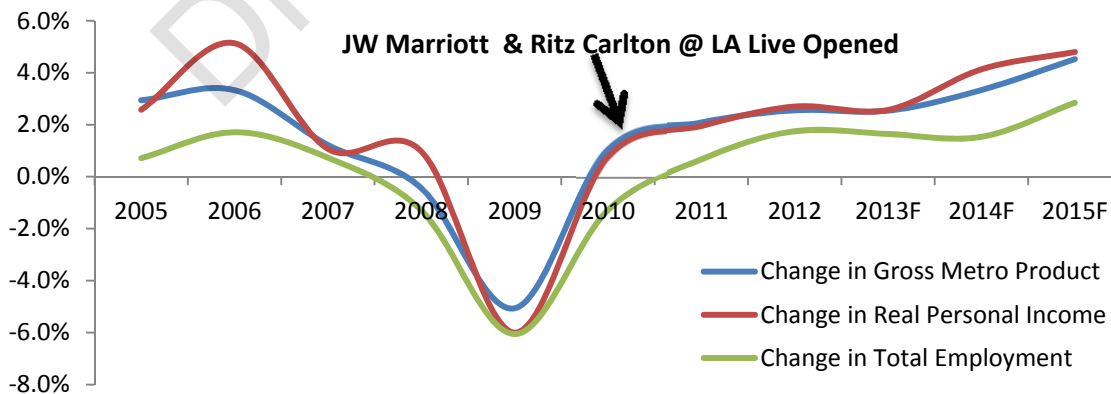
Hotel Name	JW Marriott & Ritz Carlton @ LA Live
Hotel Opening Date	2010
Size of Hotel	1001
Convention Center Name	Los Angeles CC
Exhibition (SF)	720,000
Meeting/Breakout (SF)	147,000
CC Opening Date	1971
Major Events	Year
CC Expansion	1993, 2005
World Cup (Soccer)	1994

Table 8-B: Metro Area Economic Summary

Year	Gross Metro Product (Billions) \$	Change in Gross Metro Product	Real Personal Income (Thousands) \$	Change in Real Personal Income	Total Employment (Thousands)	Change in Total Employment
2005	472	2.9%	357,160	2.6%	4,024	0.7%
2006	488	3.3%	375,485	5.1%	4,093	1.7%
2007	494	1.2%	379,488	1.1%	4,123	0.7%
2008	492	-0.4%	383,183	1.0%	4,070	-1.3%
2009	467	-5.1%	360,191	-6.0%	3,823	-6.1%
2010	472	1.1%	362,899	0.8%	3,773	-1.3%
2011	482	2.1%	369,922	1.9%	3,798	0.7%
2012	494	2.6%	379,865	2.7%	3,865	1.7%
2013F	506	2.5%	389,631	2.6%	3,928	1.6%
2014F	523	3.3%	405,735	4.1%	3,989	1.5%
2015F	547	4.5%	425,214	4.8%	4,102	2.8%

Source: Moody's Analytics

Chart 8-A: Select Metro Area Economic Data



Source: Moody's Analytics

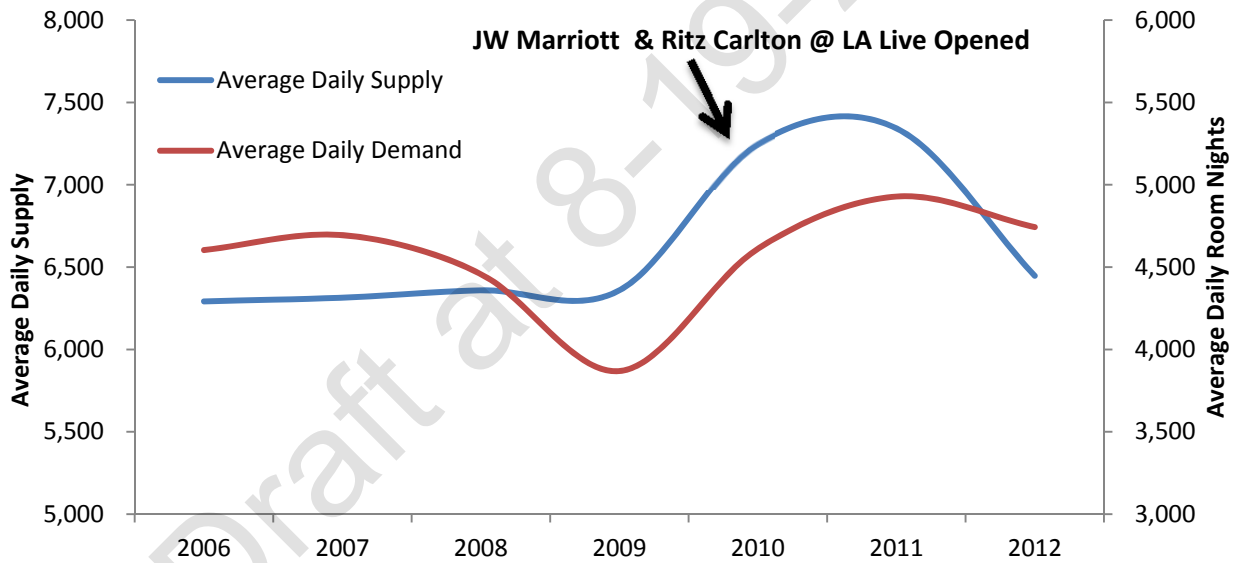
Table 8-C: Submarket Lodging Data

Upper-Priced Downtown Los Angeles Submarket

Year	Occupancy	Change in Occupancy	Average Daily Rates	Change in Average Daily Rates	RevPAR	Change in RevPAR	Average Daily Supply	Change in Supply	Average Daily Demand	Change in Average Daily Demand
2006	73.2%	7.3%	\$ 122.24	2.9%	\$ 89.44	10.3%	6,292	0.0%	4,604	7.3%
2007	74.3%	1.6%	\$ 129.60	6.0%	\$ 96.34	7.7%	6,314	0.4%	4,694	2.0%
2008	70.1%	-5.7%	\$ 142.84	10.2%	\$ 100.13	3.9%	6,359	0.7%	4,458	-5.0%
2009	60.8%	-13.2%	\$ 131.73	-7.8%	\$ 80.14	-20.0%	6,359	0.0%	3,869	-13.2%
2010	63.6%	4.5%	\$ 138.52	5.2%	\$ 88.10	9.9%	7,251	14.0%	4,611	19.2%
2011	67.1%	5.5%	\$ 151.53	9.4%	\$ 101.70	15.4%	7,343	1.3%	4,928	6.9%
2012	73.6%	9.6%	\$ 166.97	10.2%	\$ 122.83	20.8%	6,447	-12.2%	4,743	-3.8%

Source: Smith Travel Research

Chart 8-B: Submarket Supply and Demand Levels



Source: Smith Travel Research

Table 8-D: Quantifying the Latent Demand and Real ADR Effect

Actual Year	2011	2012
Operating Year Studied:	Year 1	Year 2
Induced Average Daily Room Nights:	402	402
Induced Demand as a Percent of Rooms Added:	40.1%	40.2%
Impact on Real Average Daily Rate	\$2.25	\$2.27

Source: PKF Hospitality Research, LLC

Chart 8-C: Resulting Change in Nominal Average Daily Rate and Occupancy Level

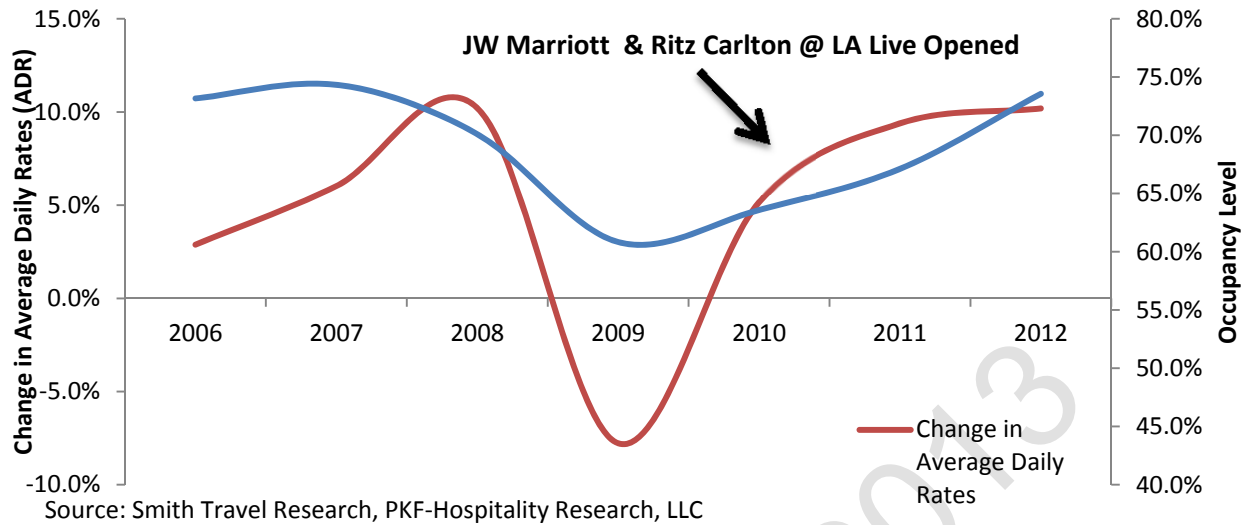
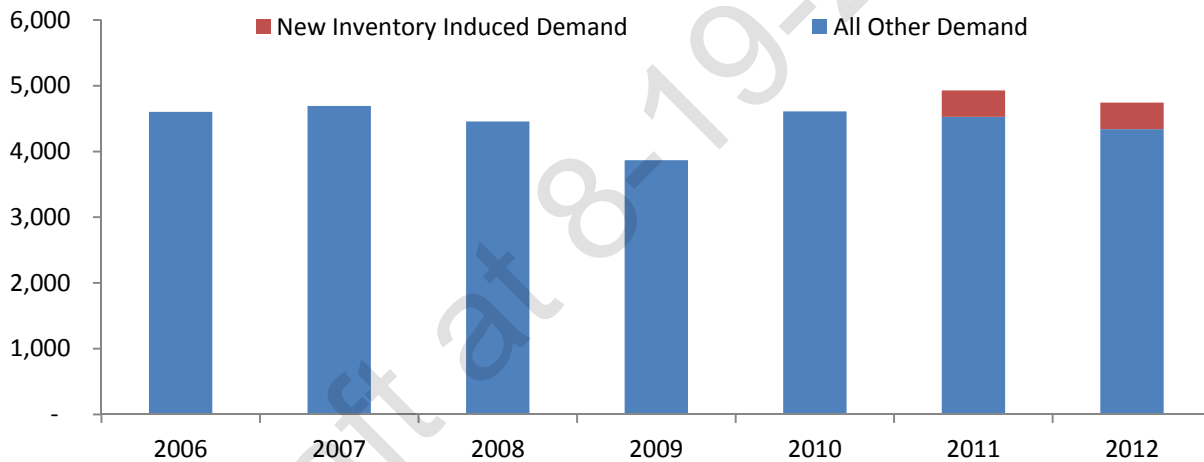


Chart 8-D: Average Daily Induced and All Other Demand



Overall Observations:

- Since opening in 2001, the JW Marriott and Ritz-Carlton hotels have induced demand to the equivalent of 40 percent of the available rooms they added to the market.
- Being luxury hotels, the JW Marriott and Ritz-Carlton properties helped submarket ADR levels increase significantly above the pace of inflation.

Case Study 9: Philadelphia

Table 9-A: Property Description and Market Data

Hotel Name	Marriott Philadelphia Downtown
Hotel Opening Date	1995
Size of Hotel	1200
Convention Center Name	Pennsylvania Convention Center
CC Total Size (SF)	1,000,000
Exhibition (SF)	679,000
Meeting/Breakout (SF)	246,000
CC Opening Date	1993
Major Events	Year
Independence Center Open	2001
Navy Yard Renovated	2002
International Terminal Opened	2003
New Stadiums opened	2004

Table 9-B: Metro Area Economic Summary

Year	Gross Metro Product (Billions) \$	Change in Gross Metro Product	Real Personal Income (Thousands) \$	Change in Real Personal Income	Total Employment (Thousands)	Change in Total Employment
1990	196	0.9%	166,859	1.4%	2,499	-0.5%
1991	195	-0.6%	166,724	-0.1%	2,423	-3.0%
1992	198	1.6%	170,207	2.1%	2,396	-1.1%
1993	200	1.2%	171,633	0.8%	2,413	0.7%
1994	205	2.5%	173,883	1.3%	2,446	1.4%
1995	210	2.5%	178,119	2.4%	2,473	1.1%
1996	217	3.2%	184,150	3.4%	2,519	1.9%
1997	226	4.4%	190,107	3.2%	2,584	2.6%
1998	235	3.7%	203,539	7.1%	2,644	2.3%
1999	241	2.8%	207,944	2.2%	2,702	2.2%
2000	247	2.2%	218,293	5.0%	2,745	1.6%

Source: Moody's Analytics

Chart 9-A: Select Metro Area Economic Data

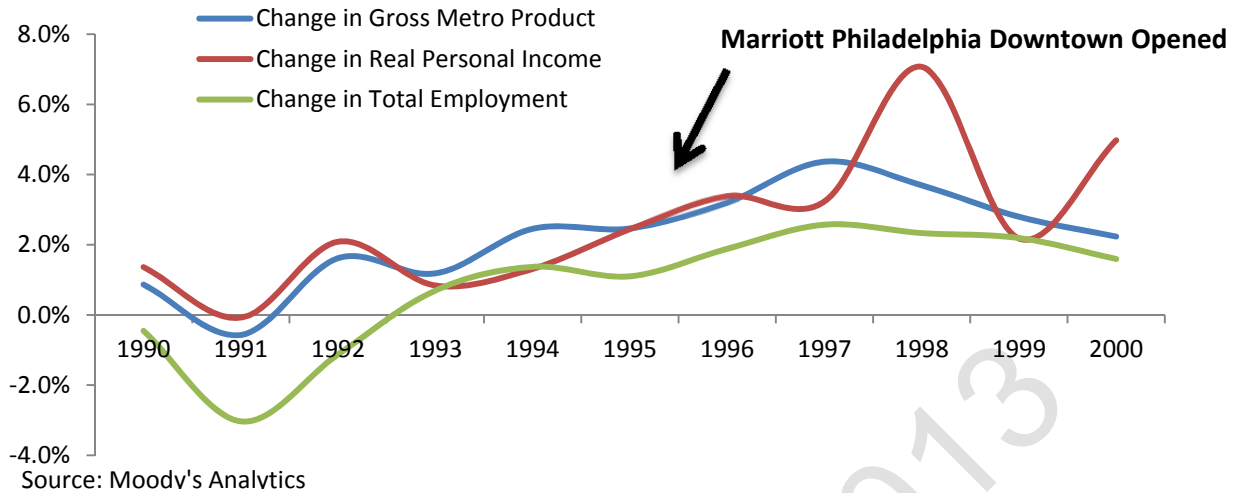


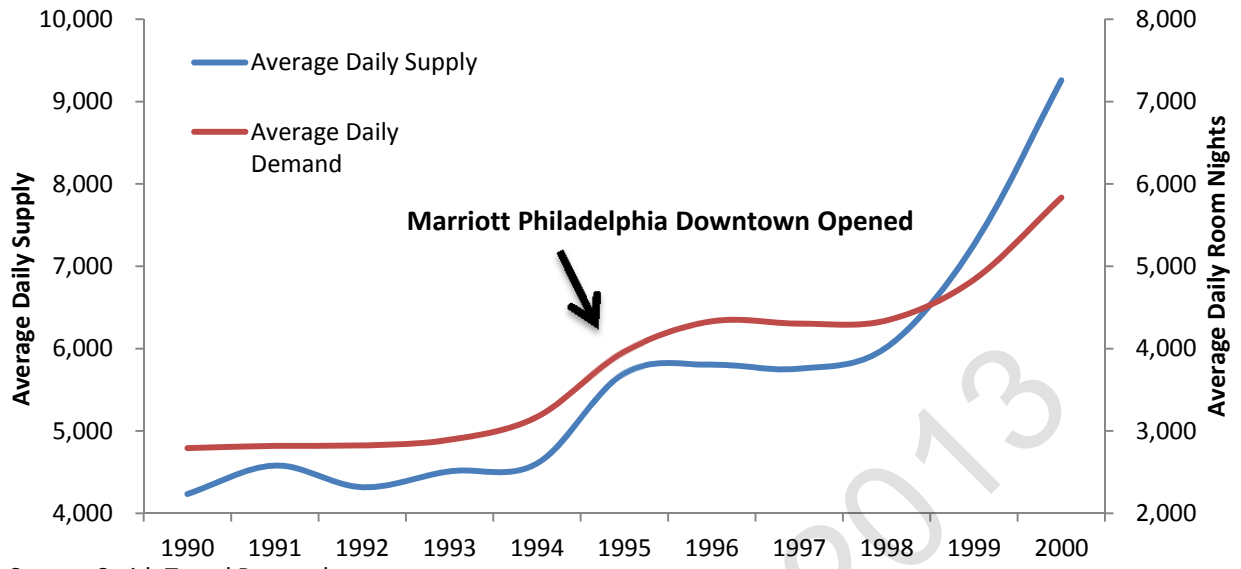
Table 9-C: Submarket Lodging Data

Upper-Priced Downtown Philadelphia Submarket

Year	Occupancy	Change in Occupancy	Average Daily Rates	Change in Average Daily Rates	RevPAR	Change in RevPAR	Average Daily Supply	Change in Supply	Average Daily Demand	Change in Average Daily Demand
1990	65.9%	-8.6%	\$ 95.89	3.0%	\$ 63.22	-5.9%	4,234	10.5%	2,792	1.0%
1991	61.5%	-6.7%	\$ 94.05	-1.9%	\$ 57.88	-8.4%	4,580	8.2%	2,818	1.0%
1992	65.4%	6.3%	\$ 94.19	0.1%	\$ 61.62	6.5%	4,316	-5.8%	2,823	0.2%
1993	64.1%	-1.9%	\$ 95.39	1.3%	\$ 61.19	-0.7%	4,509	4.5%	2,892	2.4%
1994	68.8%	7.3%	\$101.87	6.8%	\$ 70.14	14.6%	4,604	2.1%	3,170	9.6%
1995	69.5%	1.0%	\$108.72	6.7%	\$ 75.58	7.8%	5,702	23.9%	3,964	25.0%
1996	74.6%	7.4%	\$120.14	10.5%	\$ 89.66	18.6%	5,804	1.8%	4,331	9.3%
1997	74.8%	0.2%	\$130.11	8.3%	\$ 97.28	8.5%	5,756	-0.8%	4,303	-0.6%
1998	72.2%	-3.5%	\$138.93	6.8%	\$100.29	3.1%	6,015	4.5%	4,342	0.9%
1999	66.6%	-7.7%	\$140.82	1.4%	\$ 93.80	-6.5%	7,262	20.7%	4,837	11.4%
2000	63.0%	-5.4%	\$145.40	3.3%	\$ 91.62	-2.3%	9,259	27.5%	5,834	20.6%

Source: Smith Travel Research

Chart 9-B: Submarket Supply and Demand Levels



Source: Smith Travel Research

Draft at 8-19-2013

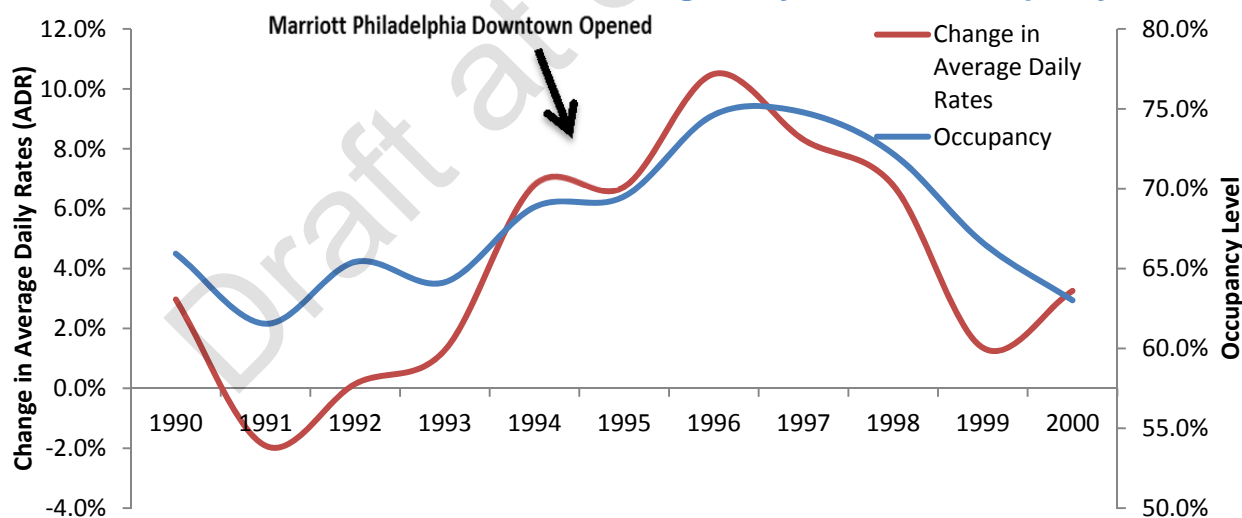
Table 9-D: Quantifying the Latent Demand and Real ADR Effect

Actual Year Operating Year Studied:	1996 Year 1	1997 Year 2	1998 Year 3	1999 Year 4	2000 Year 5	2001 Year 6	2002 Year 7	2003 Year 8	2004 Year 9	2005 Year 10	2006 Year 11
Induced Average Daily Room Nights:	754	844	843	908	908	908	893	889	886	895	922
Induced Demand as a Percent of Rooms Added:	63%	70%	70%	76%	76%	76%	74%	74%	74%	75%	77%
Impact on Real Average Daily Rate	\$0.79	\$1.01	\$0.97	\$1.49	\$1.22	\$1.75	\$2.05	\$1.79	\$1.88	\$2.21	\$2.15

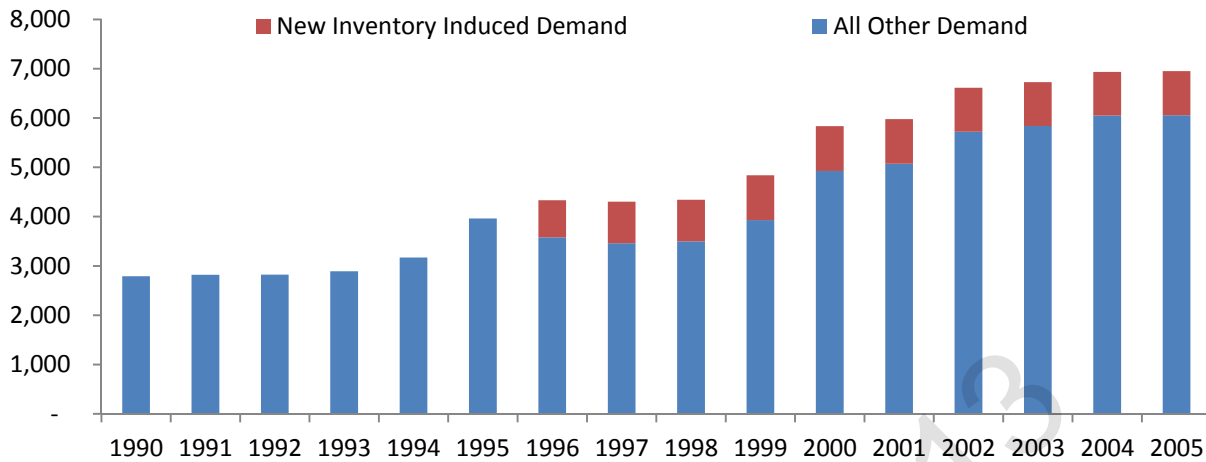
Actual Year Operating Year Studied:	2007 Year 12	2008 Year 13	2009 Year 14	2010 Year 15	2011 Year 16	2012 Year 17
Induced Average Daily Room Nights:	876	808	845	838	827	793
Induced Demand as a Percent of Rooms Added:	73%	67%	70%	70%	69%	66%
Impact on Real Average Daily Rate	\$1.96	\$2.16	\$1.86	\$1.74	\$1.82	\$1.89

Source: PKF Hospitality Research, LLC

Chart 9-C: Resulting Change in Nominal Average Daily Rate and Occupancy Level



Source: Smith Travel Research, PKF-Hospitality Research, LLC

Chart 9-D: Average Daily Induced and All Other Demand

Source: PKF Hospitality Research, LLC, Smith Travel Research

Overall Observations:

- Since the Marriott hotel opened in 1995 it has been responsible for inducing demand the equivalent of over 70 percent of its available supply. With minimal negative impact on area occupancy levels, ADR for the market grew in excess of inflation during the first four years of operation.
- The opening of the Loews Hotel in 2000 was beneficial to the performance of the market area properties. The level of new demand induced into the market was greater than the increase in new supply. However, the increased competition did temper the pace of ADR growth.

Case Study 10: Salt Lake City

Table 10-A: Property Description and Market Data

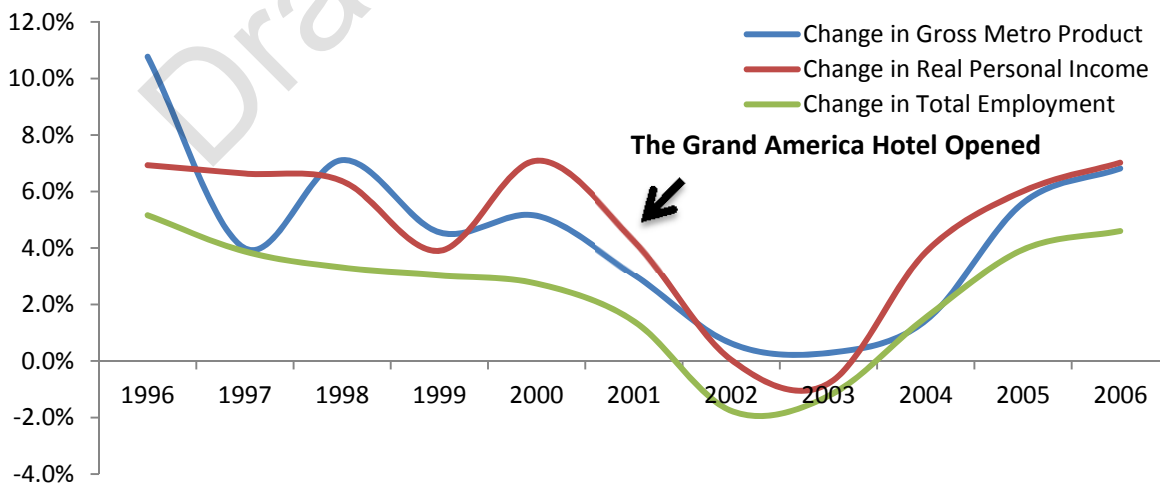
Hotel Name	Grand America The Grand America Hotel
Hotel Opening Date	2001
Size of Hotel	775
Convention Center Name	Calvin L. Rampton Salt Palace CC
CC Total Size (SF)	679,000
Exhibition (SF)	515,000
Meeting/Breakout (SF)	160,000
Major Events	Date
CC Expansion	2000, 2005
Winter Olympic Games	2002

Table 10-B: Metro Area Economic Summary

Year	Gross Metro Product (Billions) \$	Change in Gross Metro Product	Real Personal Income (Thousands) \$	Change in Real Personal Income	Total Employment (Thousands)	Change in Total Employment
1996	35	10.8%	24,586	6.9%	498	5.2%
1997	37	4.0%	26,216	6.6%	517	3.9%
1998	39	7.1%	27,886	6.4%	534	3.3%
1999	41	4.6%	28,973	3.9%	551	3.0%
2000	43	5.1%	31,027	7.1%	566	2.7%
2001	45	3.1%	32,345	4.3%	574	1.4%
2002	45	0.6%	32,359	0.0%	563	-1.8%
2003	45	0.3%	32,095	-0.8%	556	-1.2%
2004	46	1.4%	33,333	3.9%	565	1.5%
2005	48	5.6%	35,339	6.0%	587	3.9%
2006	52	6.8%	37,813	7.0%	614	4.6%

Source: Moody's Analytics

Chart 10-A: Select Metro Area Economic Data



Source: Moody's Analytics

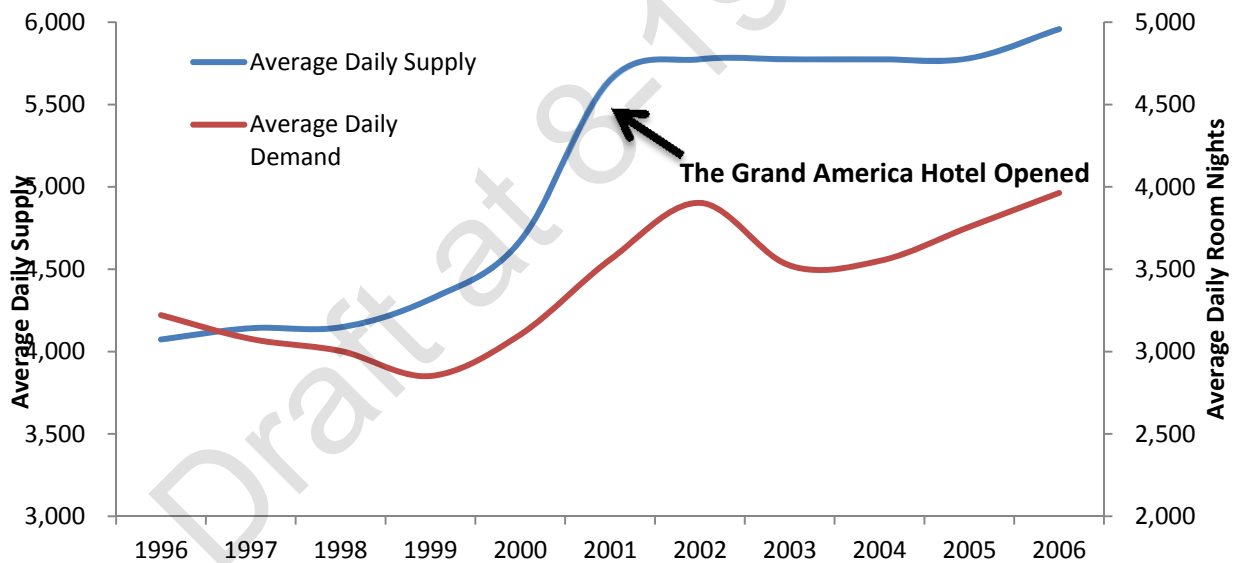
Table 10-C: Submarket Lodging Data

Upper-Priced Downtown Salt Lake City Submarket

Year	Occupancy	Change in Occupancy	Average Daily Rates	Change in Average Daily Rates	RevPAR	Change in RevPAR	Average Daily Supply	Change in Supply	Average Daily Demand	Change in Average Daily Demand
1996	79.1%	2.8%	\$ 88.93	13.3%	\$ 70.31	16.5%	4,073	1.2%	3,221	4.0%
1997	74.3%	-6.1%	\$ 95.65	7.6%	\$ 71.05	1.0%	4,142	1.7%	3,077	-4.5%
1998	72.4%	-2.5%	\$ 99.81	4.4%	\$ 72.27	1.7%	4,147	0.1%	3,003	-2.4%
1999	66.0%	-8.8%	\$ 99.53	-0.3%	\$ 65.71	-9.1%	4,319	4.1%	2,851	-5.0%
2000	66.4%	0.6%	\$ 95.58	-4.0%	\$ 63.47	-3.4%	4,671	8.2%	3,102	8.8%
2001	63.0%	-5.2%	\$ 95.34	-0.2%	\$ 60.04	-5.4%	5,650	20.9%	3,558	14.7%
2002	67.6%	7.3%	\$ 109.59	14.9%	\$ 74.07	23.4%	5,775	2.2%	3,903	9.7%
2003	61.0%	-9.8%	\$ 102.88	-6.1%	\$ 62.75	-15.3%	5,775	0.0%	3,523	-9.8%
2004	61.5%	0.8%	\$ 102.87	0.0%	\$ 63.24	0.8%	5,775	0.0%	3,550	0.8%
2005	65.0%	5.7%	\$ 107.25	4.3%	\$ 69.71	10.2%	5,780	0.1%	3,757	5.8%
2006	66.5%	2.3%	\$ 117.86	9.9%	\$ 78.39	12.5%	5,958	3.1%	3,963	5.5%

Source: Smith Travel Research

Chart 10-B: Submarket Supply and Demand Levels



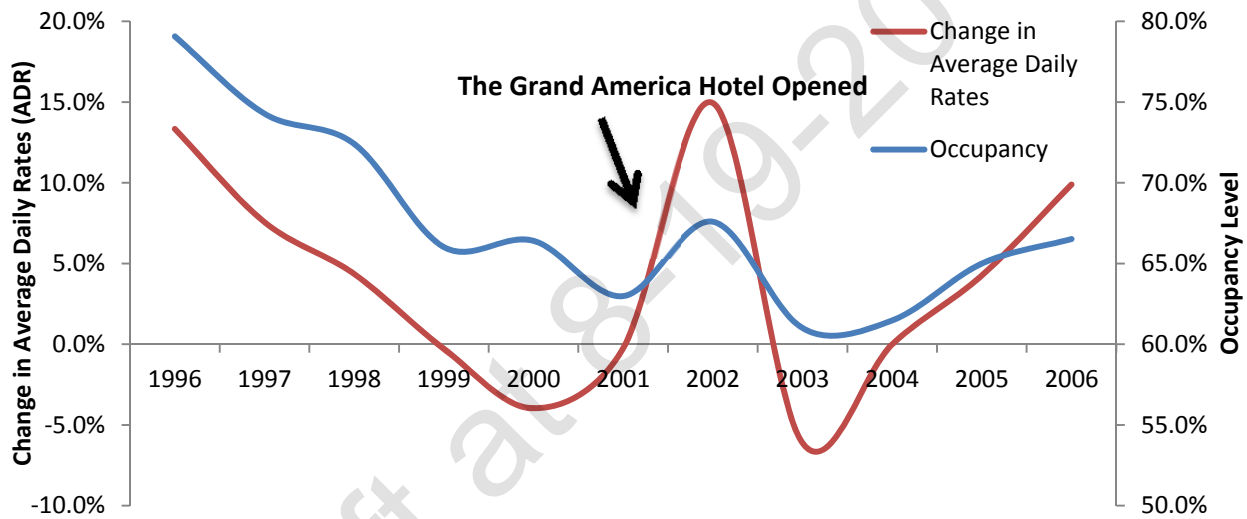
Source: Smith Travel Research

Table 10-D: Quantifying the Latent Demand and Real ADR Effect

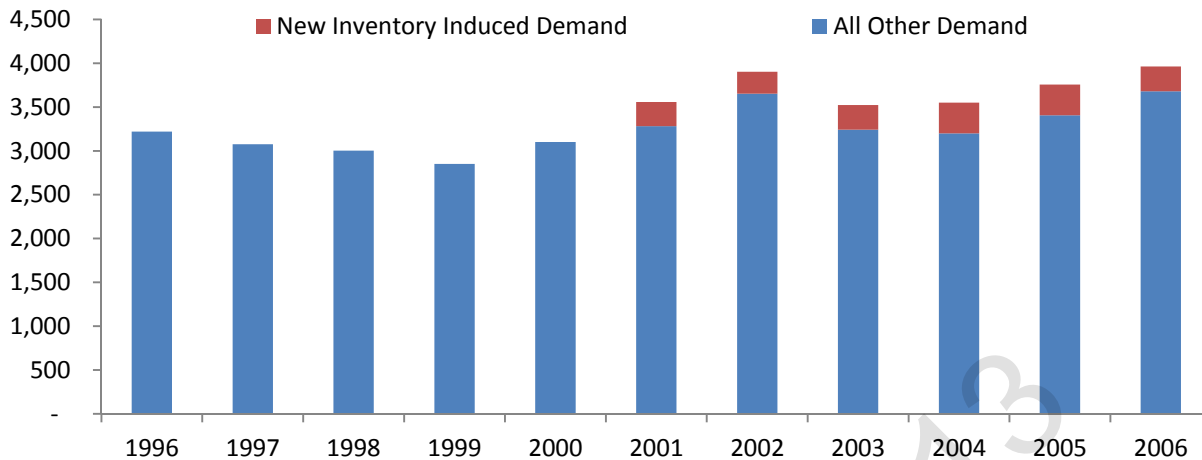
Actual Year Operating Year Studied:	2001 Year 1	2002 Year 2	2003 Year 3	2004 Year 4	2005 Year 5	2006 Year 6	2007 Year 7	2008 Year 8	2009 Year 9	2010 Year 10	2011 Year 11	2012 Year 12
Induced Average Daily Room Nights:	275	250	280	350	350	283	305	391	361	425	368	417
Induced Demand as a Percent of Rooms Added:	35.5%	32.2%	36.2%	45.1%	45.2%	36.5%	39.4%	50.4%	46.5%	54.8%	47.5%	53.8%
Impact on Real Average Daily Rate	\$4.94	\$5.20	\$6.81	\$4.23	\$3.83	\$3.75	\$3.71	\$3.42	\$7.06	\$4.24	\$3.58	\$3.11

Source: PKF Hospitality Research, LLC

Chart 10-C: Resulting Change in Nominal Average Daily Rate and Occupancy Level



Source: Smith Travel Research, PKF-Hospitality Research, LLC

Chart 10-D: Average Daily Induced and All Other Demand

Source: PKF Hospitality Research, LLC, Smith Travel Research

Overall Observations:

- The combination of the 775 new rooms at the Grand American, plus the economic recession, caused market occupancy levels to decline significantly in 2001. Hosting the Winter Olympics in 2002 served to stymie the ability of the Grand American to induce its own demand, but did enable market occupancy to grow that year.
- As seen in other markets, the greatest impact of the Olympic Games is on lodging market average daily rate. Despite the addition of the 775 rooms in 2001, submarket ADR has exhibited consistent growth.

Case Study 11: San Diego

Table 11-A: Property Description and Market Data

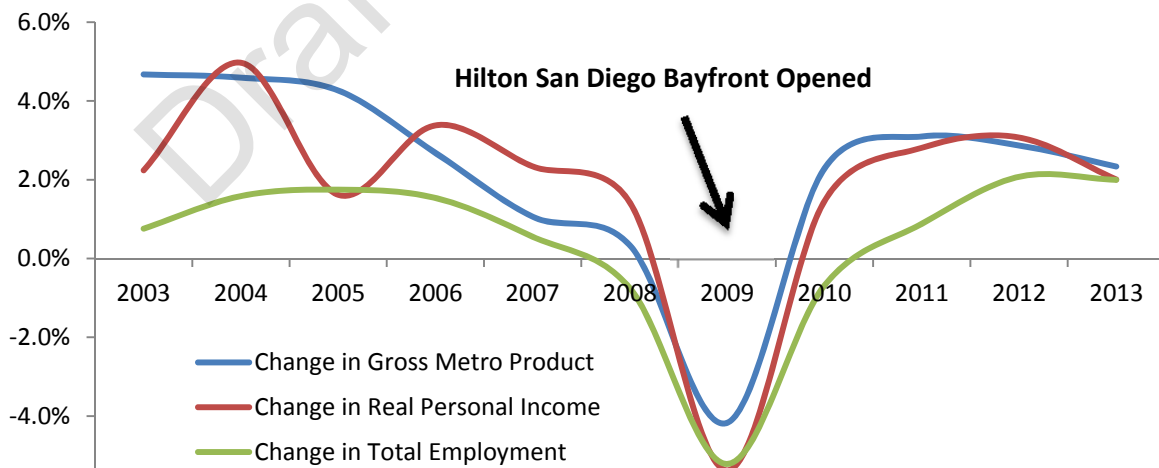
Hotel Name	Hilton San Diego Bayfront
Hotel Opening Date	2008
Size of Hotel	1190
Convention Center Name	San Diego Convention Center
CC Total Size (SF)	1,107,600
Exhibition (SF)	525,701
Meeting/Breakout (SF)	204,114
Major Events	Year
Republican National Convention	1996

Table 11-B: Metro Area Economic Summary

Year	Gross Metro Product (Billions) \$	Change in Gross Metro Product	Real Personal Income (Thousands) \$	Change in Real Personal Income	Total Employment (Thousands)	Change in Total Employment
2003	139	4.7%	114,402	2.2%	1,240	0.8%
2004	145	4.6%	120,091	5.0%	1,260	1.6%
2005	151	4.3%	122,022	1.6%	1,282	1.7%
2006	156	2.7%	126,146	3.4%	1,302	1.5%
2007	157	1.1%	129,091	2.3%	1,309	0.6%
2008	158	0.3%	130,922	1.4%	1,299	-0.8%
2009	151	-4.2%	123,880	-5.4%	1,231	-5.2%
2010	155	2.3%	125,642	1.5%	1,223	-0.7%
2011	159	3.1%	129,149	2.8%	1,233	0.9%
2012	164	2.9%	133,113	3.1%	1,259	2.1%
2013	168	2.3%	135,786	2.0%	1,284	2.0%

Source: Moody's Analytics

Chart 11-A: Select Metro Area Economic Data



Source: Moody's Analytics

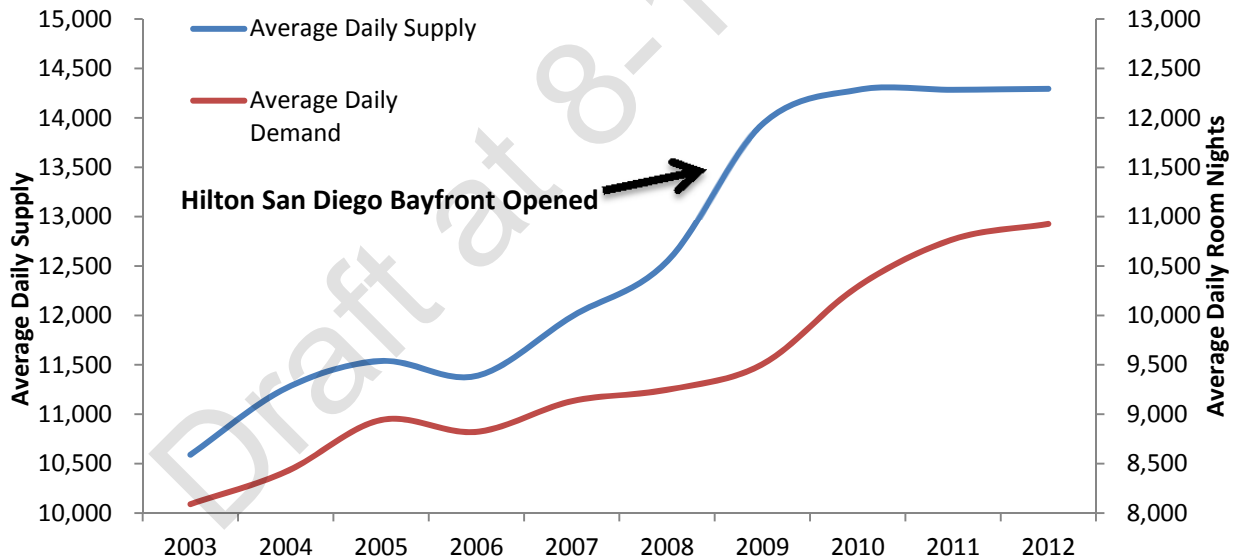
Table 11-C: Submarket Lodging Data

Upper-Priced Downtown San Diego Submarket

Year	Occupancy	Change in Occupancy	Average Daily Rates	Change in Average Daily Rates	RevPAR	Change in RevPAR	Average Daily Supply	Change in Supply	Average Daily Demand	Change in Average Daily Demand
2003	76.4%	0.4%	\$162.99	4.2%	\$124.51	4.6%	10,590	4.1%	8,090	4.5%
2004	74.7%	-2.2%	\$166.34	2.1%	\$124.32	-0.2%	11,262	6.3%	8,417	4.0%
2005	77.5%	3.7%	\$177.23	6.5%	\$137.33	10.5%	11,539	2.5%	8,941	6.2%
2006	77.5%	0.0%	\$193.04	8.9%	\$149.54	8.9%	11,387	-1.3%	8,821	-1.3%
2007	76.2%	-1.7%	\$199.27	3.2%	\$151.78	1.5%	11,989	5.3%	9,132	3.5%
2008	73.7%	-3.2%	\$203.84	2.3%	\$150.25	-1.0%	12,546	4.6%	9,248	1.3%
2009	68.2%	-7.5%	\$174.28	-14.5%	\$118.88	-20.9%	13,935	11.1%	9,505	2.8%
2010	72.1%	5.6%	\$168.18	-3.5%	\$121.18	1.9%	14,283	2.5%	10,292	8.3%
2011	75.4%	4.6%	\$174.20	3.6%	\$131.34	8.4%	14,284	0.0%	10,770	4.6%
2012	76.4%	1.4%	\$183.11	5.1%	\$139.97	6.6%	14,294	0.1%	10,927	1.5%
2003	76.4%	0.4%	\$162.99	4.2%	\$124.51	4.6%	10,590	4.1%	8,090	4.5%

Source: Smith Travel Research

Chart 11-B: Submarket Supply and Demand Levels



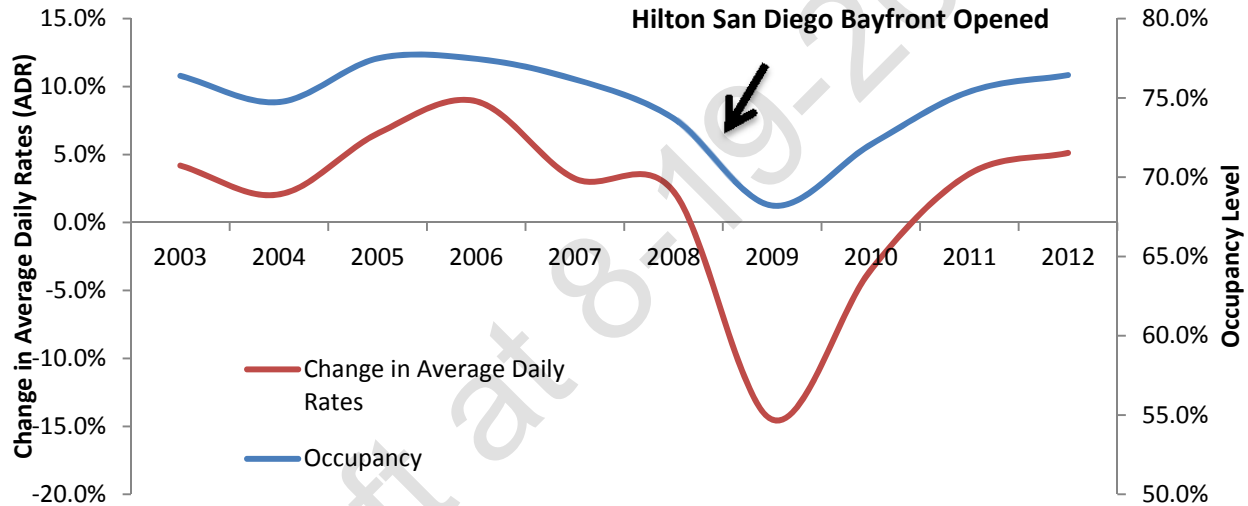
Source: Smith Travel Research

Table 11-D: Quantifying the Latent Demand and Real ADR Effect

Actual Year Operating Year Studied:	2009 Year 1	2010 Year 2	2011 Year 3	2012 Year 4
Induced Average Daily Room Nights:	470	424	432	391
Induced Demand as a Percent of Rooms Added:	40%	36%	36%	33%
Impact on Real Average Daily Rate	\$2.64	\$2.91	\$2.94	\$2.90

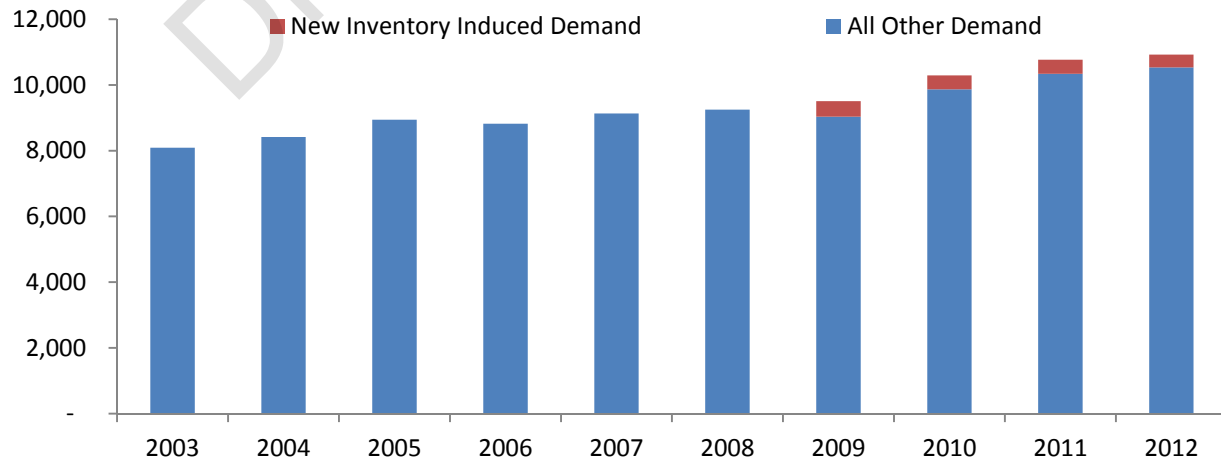
Source: PKF Hospitality Research, LLC

Chart 11-C: Resulting Change in Nominal Average Daily Rate and Occupancy Level



Source: Smith Travel Research, PKF-Hospitality Research, LLC

Chart 11-D: Average Daily Induced and All Other Demand



Source: PKF Hospitality Research, LLC, Smith Travel Research

Overall Observations:

- Any positive impact generated by the opening of the Hilton in 2008 was mitigated by the economic recession that commenced late that year and lasted through 2009.
- The introduction of all three properties into the submarket suppressed average daily rate growth.

Draft at 8-19-2013

Case Study 12: Tampa

Table 12-A: Property Description and Market Data

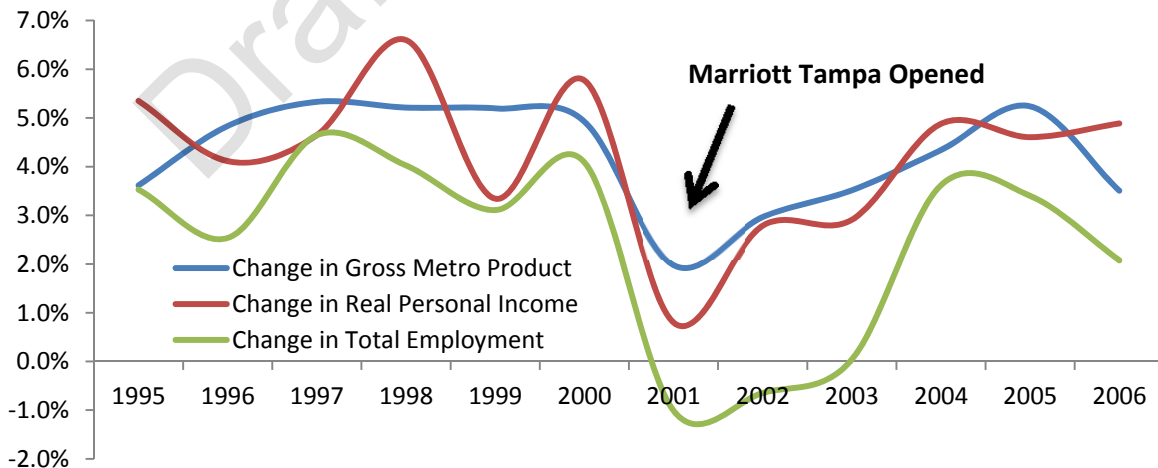
Hotel Name	Marriott Tampa Waterside Hotel & Marina
Hotel Opening Date	2000
Size of Hotel	719
Convention Center Name	Tampa CC
CC Total Size (SF)	600,000
Exhibition (SF)	200,000
Year Open	1990
Major Events	Year
Republican National Convention	2012

Table 12-B: Metro Area Economic Summary

Year	Gross Metro Product (Billions) \$	Change in Gross Metro Product	Real Personal Income (Thousands) \$	Change in Real Personal Income	Total Employment (Thousands)	Change in Total Employment
1995	71	3.6%	61,553	5.3%	959	3.5%
1996	75	4.8%	64,084	4.1%	983	2.5%
1997	79	5.3%	67,063	4.6%	1,029	4.6%
1998	83	5.2%	71,490	6.6%	1,070	4.0%
1999	87	5.2%	73,875	3.3%	1,103	3.1%
2000	91	4.9%	78,138	5.8%	1,148	4.1%
2001	93	2.0%	78,757	0.8%	1,137	-1.0%
2002	96	3.0%	80,952	2.8%	1,129	-0.6%
2003	99	3.5%	83,307	2.9%	1,130	0.0%
2004	103	4.3%	87,371	4.9%	1,171	3.6%
2005	109	5.2%	91,386	4.6%	1,210	3.4%

Source: Moody's Analytics

Chart 12-A: Select Metro Area Economic Data



Source: Moody's Analytics

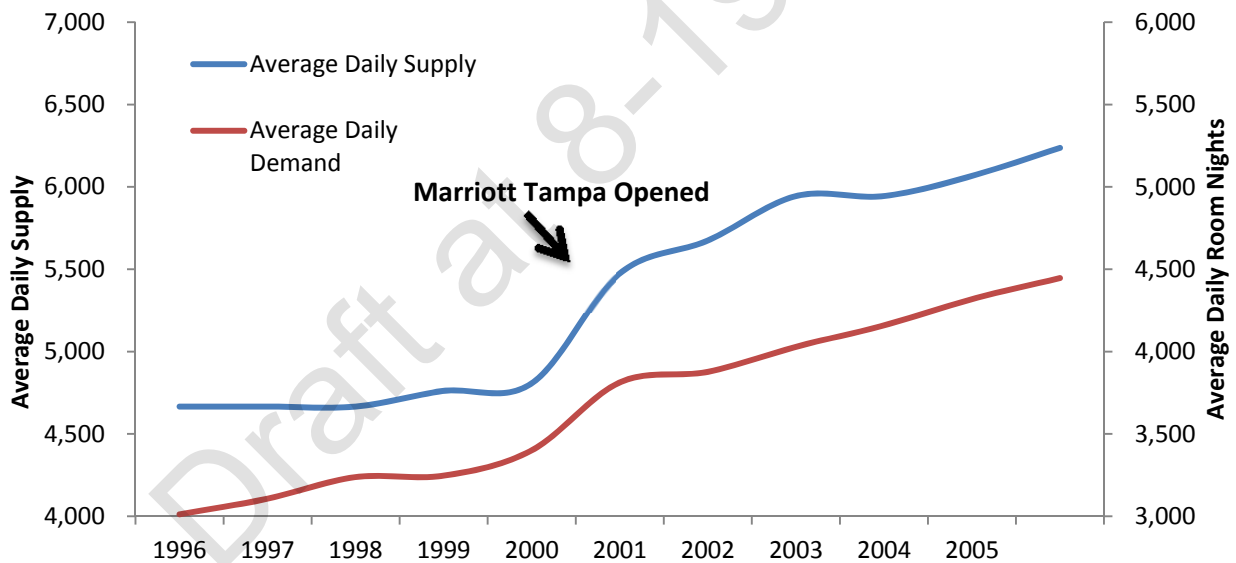
Table 12-C: Submarket Lodging Data

Upper-Priced Downtown Tampa Submarket

Year	Occupancy	Change in Occupancy	Average Daily Rates	Change in Average Daily Rates	RevPAR	Change in RevPAR	Average Daily Supply	Change in Supply	Average Daily Demand	Change in Average Daily Demand
1995	64.5%	-4.7%	\$ 85.32	4.6%	\$ 55.07	-0.3%	4,666	2.3%	3,011	-2.5%
1996	66.6%	3.2%	\$ 92.67	8.6%	\$ 61.71	12.1%	4,666	0.0%	3,107	3.2%
1997	69.4%	4.2%	\$ 101.39	9.4%	\$ 70.35	14.0%	4,666	0.0%	3,238	4.2%
1998	68.2%	-1.7%	\$ 106.84	5.4%	\$ 72.85	3.6%	4,761	2.0%	3,246	0.3%
1999	70.7%	3.7%	\$ 109.96	2.9%	\$ 77.77	6.8%	4,807	1.0%	3,400	4.7%
2000	69.6%	-1.5%	\$ 114.27	3.9%	\$ 79.58	2.3%	5,474	13.9%	3,813	12.1%
2001	68.3%	-1.9%	\$ 116.27	1.8%	\$ 79.44	-0.2%	5,674	3.7%	3,877	1.7%
2002	67.8%	-0.8%	\$ 109.62	-5.7%	\$ 74.30	-6.5%	5,944	4.8%	4,028	3.9%
2003	70.0%	3.2%	\$ 108.28	-1.2%	\$ 75.76	2.0%	5,944	0.0%	4,159	3.2%
2004	71.2%	1.7%	\$ 113.41	4.7%	\$ 80.72	6.5%	6,067	2.1%	4,318	3.8%
2005	71.3%	0.2%	\$ 122.85	8.3%	\$ 87.58	8.5%	6,237	2.8%	4,446	3.0%

Source: Smith Travel Research

Chart 12-B: Submarket Supply and Demand Levels



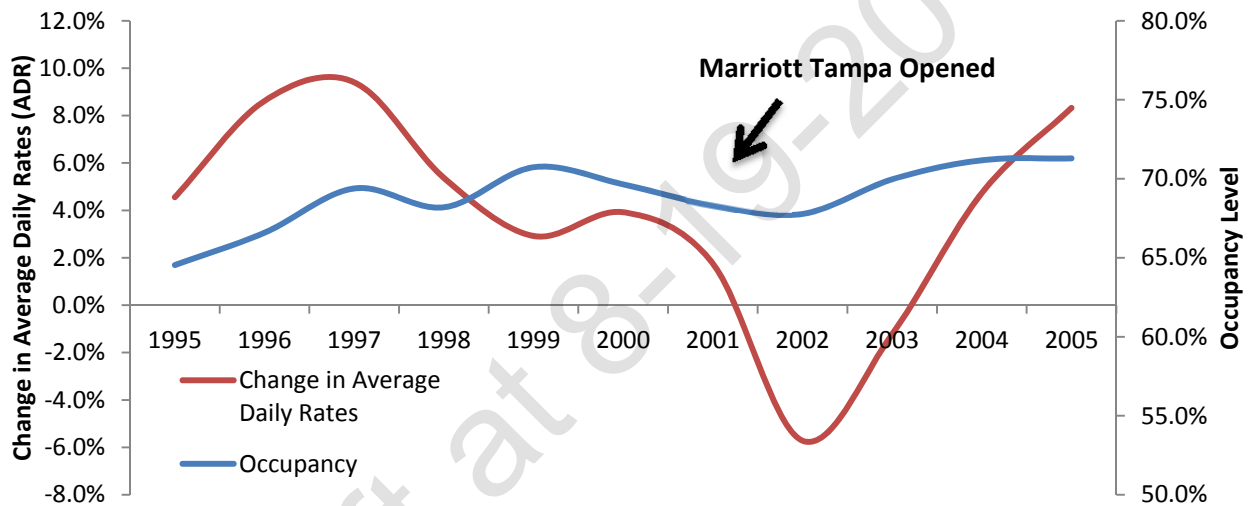
Source: Smith Travel Research

Table 12-D: Quantifying the Latent Demand and Real ADR Effect

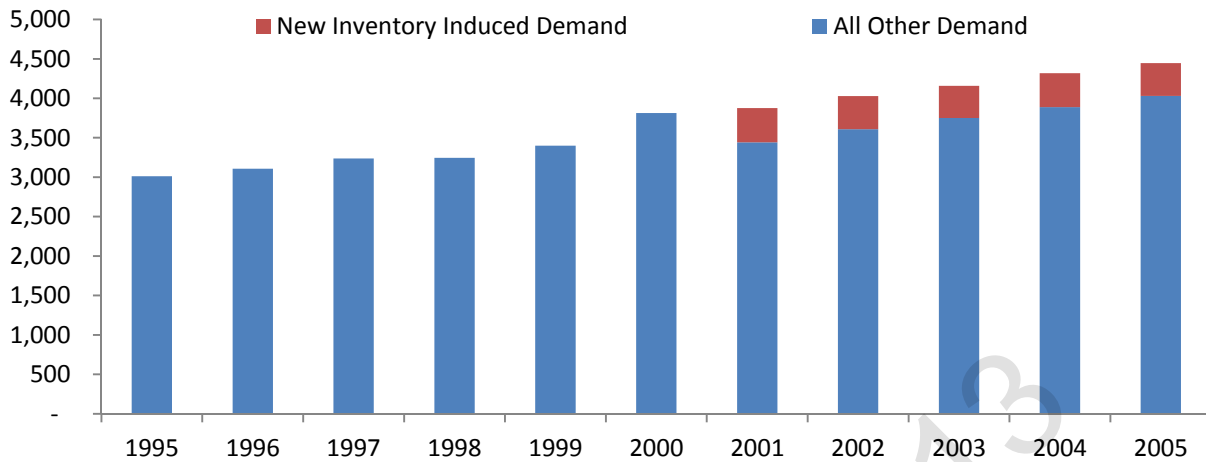
Actual Year Operating Year Studied:	2001 Year 1	2002 Year 2	2003 Year 3	2004 Year 4	2005 Year 5	2006 Year 6	2007 Year 7	2008 Year 8	2009 Year 9	2010 Year 10	2011 Year 11	2012 Year 12
Induced Average Daily Room Nights:	435	419	407	429	417	428	501	509	518	494	475	459
Induced Demand as a Percent of Rooms Added:	60.5%	58.3%	56.6%	59.7%	58.0%	59.6%	69.7%	70.7%	72.0%	68.7%	66.0%	63.9%
Impact on Real Average Daily Rate	-\$0.04	-\$3.33	-\$4.22	-\$4.06	-\$3.54	-\$3.08	-\$2.69	-\$2.59	-\$2.86	-\$2.86	-\$2.94	-\$2.98

Source: PKF Hospitality Research, LLC

Chart 12-C: Resulting Change in Nominal Average Daily Rate and Occupancy Level



Source: Smith Travel Research, PKF-Hospitality Research, LLC

Chart 12-D: Average Daily Induced and All Other Demand

Source: PKF Hospitality Research, LLC, Smith Travel Research

Overall Observations:

- The introduction of the 719 room Marriott in 2000, combined with the economic recession, caused submarket occupancy levels to decline from 2000 through 2002. Had the Marriott not been able to induce the equivalent of more than half of the rooms available at the hotel, the declines in occupancy would have been more severe.
- The negative impact of the opening of the Marriott on average daily rate growth was not fully felt until the market began to recover in 2003 from the 2001 economic recession.

**Addendum 2 – Statement of Assumptions and Limiting
Conditions**

Draft at 8-19-2013

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

Economic and Social Trends - The consultant assumes no responsibility for economic, physical or demographic factors which may affect or alter the opinions in this report if said economic, physical or demographic factors were not present as of the date of the letter of transmittal accompanying this report. The consultant is not obligated to predict future political, economic or social trends.

Information Furnished by Others - In preparing the report, the consultant was required to rely on information furnished by other individuals or found in previously existing records and/or documents. Unless otherwise indicated, such information is presumed to be reliable. However, no warranty, either express or implied, is given by the consultant for the accuracy of such information and the consultant assumes no responsibility for information relied upon later found to have been inaccurate. The consultant reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.

Hidden Conditions - The consultant assumes no responsibility for hidden or unapparent conditions of the properties, subsoil, ground water or structures. No responsibility is assumed for arranging for engineering, geologic or environmental studies that may be required to discover such hidden or unapparent conditions.

Hazardous Materials - The consultant has not been provided any information regarding the presence of any material or substance on or in any portion of the subject property, which material or substance possesses or may possess toxic, hazardous and/or other harmful and/or dangerous characteristics. Unless otherwise stated in the report, the consultant did not become aware of the presence of any such material or substance during the consultant's inspection of the subject property. However, the consultant is not qualified to investigate or test for the presence of such materials or substances. The consultant assumes no responsibility for the presence of any such substance or material on or in the subject property, nor for any expertise or engineering knowledge required to discover the presence of such substance or material. Unless otherwise stated, this report assumes the subject property is in compliance with all federal, state and local environmental laws, regulations and rules.

Zoning and Land Use - Unless otherwise stated, the subject property is assumed to be in full compliance with all applicable zoning and land use regulations and restrictions.

Licenses and Permits - Unless otherwise stated, the property is assumed to have all required licenses, permits, certificates, consents or other legislative and/or administrative authority from any local, state or national government or private entity or organization that have been or can be obtained or renewed for any use on which the performance estimates contained in this report are based.

Engineering Survey - No engineering survey has been made by the consultant. Except as specifically stated, data relative to size and area of the subject property was taken from sources considered reliable and no encroachment of the subject property is considered to exist.

Subsurface Rights - No opinion is expressed as to the value of subsurface oil, gas or mineral rights or whether the property is subject to surface entry for the exploration or removal of such materials, except as is expressly stated.

Maps, Plats and Exhibits - Maps, plats and exhibits included in this report are for illustration only to serve as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced or used apart from the report.

Legal Matters - No opinion is intended to be expressed for matters which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate consultants.

Right of Publication - Possession of this report, or a copy of it, does not carry with it the right of publication. Without the written consent of the consultant, this report may not be used for any purpose by any person other than the party to whom it is addressed. In any event, this report may be used only with properly written qualification and only in its entirety for its stated purpose.

Archeological Significance - No investigation has been made by the consultant and no information has been provided to the consultant regarding potential archeological significance of the subject property or any portion thereof. This report assumes no portion of the subject property has archeological significance.

Compliance with the Americans with Disabilities Act - The Americans with Disabilities Act ("ADA") became effective January 26, 1992. It is assumed that the property will be in direct compliance with the various detailed requirements of the ADA.

Definitions and Assumptions - The definitions and assumptions upon which our analyses, opinions and conclusions are based are set forth in appropriate sections of this report and are to be part of these general assumptions as if included here in their entirety.

Utilization of the Land and/or Improvements - It is assumed that the utilization of the land and/or improvements is within the boundaries or property described herein and that there is no encroachment or trespass.

Dissemination of Material - Neither all nor any part of the contents of this report shall be disseminated to the general public through advertising or sales media, public relations media, new media or other public means of communication without the prior written consent and approval of the consultant(s).

Distribution and Liability to Third Parties - The party of whom this report was prepared may distribute copies of this report only in its entirety to such third parties as may be selected by the party for whom this report was prepared; however, portions of this report shall not be given to third parties without our written consent. Liability to third parties will not be accepted.

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