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# Summary Appraisal Report

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## Crowne Plaza Five Seasons

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### Cedar Rapids, Iowa

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**Property Location:**

350 1st Avenue Northeast  
Cedar Rapids, Iowa 52401-1108

**Prepared by:**

HVS Consulting and Valuation Services  
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**Submitted to:**

Mr. Jeffrey A. Pomeranz  
City of Cedar Rapids  
3851 River Ridge Drive NE  
Cedar Rapids, IA, 52402  
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j.pomeranz@cedar-rapids.org



October 6, 2010

Mr. Jeffrey A. Pomeranz  
City of Cedar Rapids  
3851 River Ridge Drive NE  
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Re: Crowne Plaza Five Seasons  
Cedar Rapids, Iowa  
HVS Reference: 2010410028

Dear Mr. Pomeranz:

As you requested, we are pleased to submit our summary appraisal report for the above-captioned hotel. We have inspected the real estate and analyzed the market conditions in the Cedar Rapids, Iowa area. Our report was prepared in accordance with, and is subject to, the requirements of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) and the Uniform Standards of Professional Appraisal Practice (USPAP), as provided by the Appraisal Foundation.

Based on our analysis, it is our opinion that the "when complete" prospective market value of the fee simple interest in the Crowne Plaza Five Seasons, as of September 1, 2012, is:

\$19,100,000

NINETEEN MILLION ONE HUNDRED THOUSAND DOLLARS

This value estimate equates to \$80,000 per room, based on an assumed reduction in guestroom inventory to 238 units.

Based on our analysis, it is our opinion that the "when stabilized" prospective market value of the fee simple interest in the Crowne Plaza Five Seasons, as of September 1, 2015, is:

\$23,100,000

TWENTY-THREE MILLION ONE HUNDRED THOUSAND DOLLARS

This value estimate equates to \$97,000 per room, based on an assumed reduction in guestroom inventory to 238 units.

- Atlanta
- Boston
- Boulder
- Chicago
- Dallas
- Denver
- Las Vegas
- Mexico City
- Miami
- Nassau
- New York
- Newport
- San Francisco
- Toronto
- Vancouver
- Washington
- Athens
- Buenos Aires
- Dubai
- Hong Kong
- Lima
- London
- Madrid
- Mumbai
- New Delhi
- Sao Paulo
- Shanghai
- Singapore

Specialists in Hotel Consulting and  
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We hereby certify that we have no undisclosed interest in the property, and our employment and compensation are not contingent upon our findings. This study is subject to the comments made throughout this report and to all assumptions and limiting conditions set forth herein, including several extraordinary assumptions detailed in this report.

Sincerely,

*Hans Detlefsen*

Hans Detlefsen, MPP, MAI

Managing Director

CCG Holdings, LLC

A licensee of the HVS service mark

State Appraiser License 553.001838 (IL)

hdetlefsen@hvs.com, +1 312 587-9900 ext. 15



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# 1. Summary of Salient Data and Conclusions

Property:	Crowne Plaza Five Seasons
Location:	350 1st Avenue Northeast Cedar Rapids, Iowa 52401
Interest Appraised:	Fee Simple
Highest and Best Use (as improved):	Full-service lodging facility

## Land Description

Area:	0.38 acres, or 16,351 square feet
Zoning:	C5 - Central Business District
Assessor's Parcel Number(s):	14213-77001-02000
Flood Zone:	X

## Improvements Description

Year Opened:	1979
Property Type:	Full-service lodging facility
Building Area:	199,139 square feet
Guestrooms (after renovation):	238
Number of Stories:	16
Food and Beverage Facilities:	A restaurant, a lounge
Meeting Space (after renovation):	28,500 square feet
Additional Facilities:	An indoor pool, an exercise room, a business center, and a vending area
Parking Spaces (assumption):	Access to 238 parking spaces for useful life of hotel

**Opinions of “When Complete” Prospective Market Value – September 1, 2012**

Income Capitalization Approach:	\$19,100,000
Prospective Market Value Conclusion per Room:	\$80,000
Sales Comparison Approach:	\$18,300,000 to \$20,900,000
Cost Approach:	Not Applicable

**Opinions of “When Stabilized” Prospective Market Value – September 1, 2015**

Income Capitalization Approach:	\$23,100,000
Market Value Conclusion per Room:	\$97,000

**Assignment Conditions****Extraordinary Assumptions:**

We have made several extraordinary assumptions specific to the subject property. (1) We assume all necessary capital improvements will be made to allow the property to maintain its brand and re-open as a Crowne Plaza in 2012. (2) We assume the adjacent U.S. Cellular Arena will complete a major refurbishment that will make the venue more attractive and enhance all common areas that are used by hotel guests. (3) We assume the new convention center will be adjacent to the subject property, with adequate connectivity to allow the subject property to serve as the convention center's headquarters hotel. (4) We assume the new convention center will perform as projected, as no detailed market study has been completed as of our report date. (5) We assume the proposed convention center will be developed at a cost of approximately \$67 million and offer 60,000 square feet of rentable function space while the subject property's complete renovation and redevelopment will cost approximately \$21 million. (6) We assume that all of these projects except the convention center (1/1/2013 open) will be completed as of September 1, 2012, which is the effective value date for this appraisal. Additionally, several important



general assumptions have been made that apply to this appraisal and our valuations of hotels in general. These aspects are set forth in the Assumptions and Limiting Conditions chapter of this report.

Hypothetical Conditions:

We have made no assumptions of hypothetical conditions in our report.

Capital Expenditure (if applicable):

We assume all capital expenditures will be completed prior to the first projection year of the stabilization period. As such, no capital deduction is applied to the prospective market value opinion.



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## 2. Nature of the Assignment

### **Subject of the Appraisal**

The subject of the appraisal is the fee simple interest in a 16,351-square-foot (0.38-acre) parcel improved with a full-service lodging facility known as the Crowne Plaza Five Seasons. The property opened in 1979 and currently features 275 rooms, a restaurant, a lounge, 22,362 square feet of meeting space, an indoor pool, an exercise room, a business center, and a vending area. The hotel also features all necessary back-of-the-house-space. The hotel's civic address is 350 1st Avenue Northeast, Cedar Rapids, Iowa, 52401.

### **Property Rights Appraised**

The property rights appraised are the fee simple ownership of the land and improvements, including the furniture, fixtures, and equipment. The fee simple estate is defined as "absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."<sup>1</sup>

The Crowne Plaza Five Seasons is appraised as a going concern (i.e., an open and operating facility).

### **Pertinent Dates**

The effective date of the "when stabilized" prospective market value conclusion is September 1, 2015. The subject property was inspected by Hans Detlefsen, MPP, MAI, on September 23, 2010.

### **Ownership, Franchise, and Management History and Assumptions**

The subject property is currently owned by CWCapital LLC, a subsidiary of CW Financial Services, which is based in Washington, D.C. The subject property was last sold in 2007; Kronos bought the hotel from Lodgian for a reported sum of \$6.7 million on June 13, 2007. A group of lenders, including CWCapital LLC foreclosed on the borrower in October of 2008; CWCapital LLC was appointed receiver on November 19, 2008 and has owned the property since that time. No other transfers of the property have reportedly occurred within the last three years. The hotel is currently listed for sale; however, a listing price has not been disclosed. Jones Lang LaSalle is the

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<sup>1</sup> Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 4<sup>th</sup> ed. (Chicago Appraisal Institute, 2002).



reported broker. We are unaware of any pending sale; the City has the right to match or beat any offer to purchase the hotel. This appraisal is being prepared for strategic planning purposes related to the City's rights to purchase the hotel.

The hotel is managed by Prism Hotels & Resorts. Details pertaining to management terms were not available for our review. We have assumed a market-appropriate total management fee of 3.0% of total revenues in our study. Please refer to the income capitalization approach chapter for additional discussion pertaining to our management fee assumptions.

As mentioned, the property is currently branded as a Crowne Plaza, under the InterContinental Hotels Group offering of brands. InterContinental Hotels Group is a leading global hospitality group with 4,186 hotels and 619,851 guestrooms worldwide. In 1994, the upscale Crowne Plaza brand was established; there were more than 350 properties located in major markets worldwide as of year-end 2009. These hotels feature guestrooms with data ports and voicemail, a 24-hour business center, wireless high-speed Internet access in the lobby, a fitness center, a swimming pool (in most hotels), fine-dining restaurants, and concierge service.

### **Highest and Best Use**

Based on our analysis of the subject site, including its location, the surrounding land-use patterns, the available alternate uses, and the market influences of supply and demand, it is our opinion that the property's highest and best use as improved is its current use as a full-service lodging facility.

### **Objective of the Appraisal**

The objective of the appraisal is to evaluate the supply and demand factors affecting the market for transient accommodations in the Cedar Rapids area for the purpose of developing an opinion of the subject property's market value. The following definition of market value has been agreed upon by the agencies that regulate federal financial institutions in the United States:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:



1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.<sup>2</sup>

“As is” market value is defined by the Appraisal Institute as follows:

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.<sup>3</sup>

**Intended Use of the Appraisal**

This summary report is being prepared for use for the asset evaluation of the subject property.

**Identification of the Client and Intended User(s)**

The client for this engagement is the City of Cedar Rapids, Iowa. This report is intended for the City of Cedar Rapids and its representatives, and may not be distributed to or relied upon by other persons or entities.

**Assignment Conditions**

We have made several important general assumptions have been made that apply to this appraisal and our valuations of hotels in general. These aspects are set forth in the Assumptions and Limiting Conditions chapter of this report.

We have made no assumptions of hypothetical conditions in our report. We have not made any jurisdictional exceptions to the Uniform Standards of Professional Appraisal Practice in our analysis or report.

**Exposure Period**

The exposure period, referring to the amount of time necessary for the real estate to have been exposed retrospectively, prior to our date of value, is estimated to be less than or equal to nine months. Published surveys report marketing time, not the exposure period. Marketing time is an opinion of the amount of time it might take to sell a property at the concluded market value level during the period immediately after the effective date of an appraisal.

<sup>2</sup> *Federal Register*, Vol. 55, No. 165, August 24, 1990: 34696.

<sup>3</sup> Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010).



Currently, marketing time for full-service and luxury/upper-upscale hotels is averaging 9.31 and 10.38 months, respectively, according to the Korpacz Real Estate Investor Survey - First Quarter 2010, published by PricewaterhouseCoopers. Overall marketing time is averaging 10.0 months for hotels, as reported by the Real Estate Research Corporation's Fall 2009 Real Estate Survey.

**Competency**

Our qualifications are available upon request. These qualifications reflect that we have the competence required to complete this engagement, in accordance with the competency provision of the Uniform Standards of Professional Appraisal Practice. Our knowledge and experience is appropriate for the complexity of this assignment.

**Scope of Work**

In appraising real estate for market value, the professional appraiser has three approaches from which to select: income capitalization, cost, and sales comparison. Although all three valuation models are considered, the inherent strengths of each approach and the nature of the subject property must be evaluated to determine which model will provide supportable estimates of market value. The appraiser then selects one or more of the appropriate approaches in arriving at a final value estimate.

Data such as operating history and descriptions of the subject property were supplied by corporate management. The subject property was personally inspected by Hans Detlefsen for the purpose of this appraisal. The subject property's historical and future operating performances were analyzed. The hotel's financial performance, market, and physical condition were discussed with the General Manager via in-person interviews. We have reviewed improved sales, as well as capitalization and equity-yield rates.

We have analyzed this information and have considered the sales comparison and income capitalization approaches to value. Based on our findings, we have prepared a forecast of income and expense and have capitalized the net income based on current required debt and equity returns. Based on our experience with hotel investors, the cost approach is better suited for new and proposed properties and has been excluded in the valuation of the subject property. Our value conclusion is based upon this investigation and analysis and is conveyed in this summary report.



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## 3. Description of the Real Estate

### **LAND**

The suitability of the land for the operation of a lodging facility is an important consideration affecting the economic viability of a property and its overall value. Factors such as size, topography, access, visibility, and the availability of utilities have a direct impact on the desirability of a particular site.

The subject property is located in the Central Business District, directly east of Interstate 380, southwest of the intersection formed by Fourth Street and First Avenue. The street address of the Crowne Plaza Five Seasons is 350 1st Avenue Northeast, Cedar Rapids, Iowa, 52401.

### **IMPROVEMENTS Property Overview**

The quality of a lodging facility's physical improvements has a direct influence on its marketability and attainable occupancy and average rate. The design and functionality of the structure can also affect operating efficiency and overall profitability. This section investigates the subject property's physical improvements and personal property in an effort to determine how they contribute to total value.

### **Functional Obsolescence**

Due to the age of the subject property, some functional obsolescence is to be expected. Although the subject hotel suffers from an inefficient layout, we assume all of the functional obsolescence is curable and each item will be adequately cured as part of the proposed renovation.

### **Summary of the Facilities**

A summary of the subject property's facilities is presented in the following table.

**Figure 3-1 Facilities Summary**

<b>Guestroom Configuration</b>	<b>Number of Units</b>
King	130
Queen/Queen	142
One-Bedroom Suite	3
<b>Total</b>	<b>275 Pre-Renovation</b> <b>238 Post-Renovation</b>
<b>Food &amp; Beverage Facilities</b>	<b>Seating Capacity</b>
16 at the Top	96
Top of the Five Lounge	20
<b>Meeting &amp; Banquet Facilities</b>	<b>Square Footage</b>
4th Floor Boardroom	300
5th Floor Boardroom	300
Ambassador	750
Boardroom 1020	675
Commerce Club	960
Crown	750
Diplomat	750
Executive	750
Grand Ballroom	12,996
Monarch	1,131
Seasons A	750
Seasons B	750
Seasons C	750
Seasons D	750
<b>Total</b>	<b>22,362 Pre-Renovation</b> <b>28,464 Post-Renovation</b>
<b>Amenities &amp; Services</b>	
Indoor Swimming Pool	Exercise Room
Vending Areas	Business Center
Ice Machines	Skywalk to Arena and Parkade
<b>Infrastructure</b>	
Parking Spaces	No on-site parking
Elevators	4 Guest, 2 Service
Life-Safety Systems	Sprinklers, Smoke Detectors
Construction Details	Steel, Reinforced Concrete



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## 4. Supply and Demand Analysis

### **Definition of Subject Hotel Market**

The 275-room Crowne Plaza Five Seasons is located in Cedar Rapids, Iowa. The greater market surrounding the subject property offers 113 hotels and motels, spanning 7,911 rooms. The two largest hotels (besides the subject property) are the 286-room Marriott Coralville and the 234-room Sheraton Iowa City.

Of this larger supply set, the subject property competes with a smaller set of hotels based on various factors. These factors may include location, price point, product quality, length of stay (such as an extended-stay focus vs. non-extended-stay focus), room type (all-suite vs. standard), hotel age, or brand, among other factors. We have reviewed these pertinent attributes and established a competitive set based upon this review. Our review of the subject property's specific competitive set within the Cedar Rapids area begins after our review of national occupancy, average rate, and RevPAR trends.

### **Historical Supply and Demand Data**

Smith Travel Research (STR) is an independent research firm that compiles and publishes data on the lodging industry, routinely used by typical hotel buyers. STR has compiled historical supply and demand data for the subject property and its competitors. This information is presented in the following table, along with the market-wide occupancy, average rate, and rooms revenue per available room (RevPAR). RevPAR is calculated by multiplying occupancy by average rate and provides an indication of how well rooms revenue is being maximized.

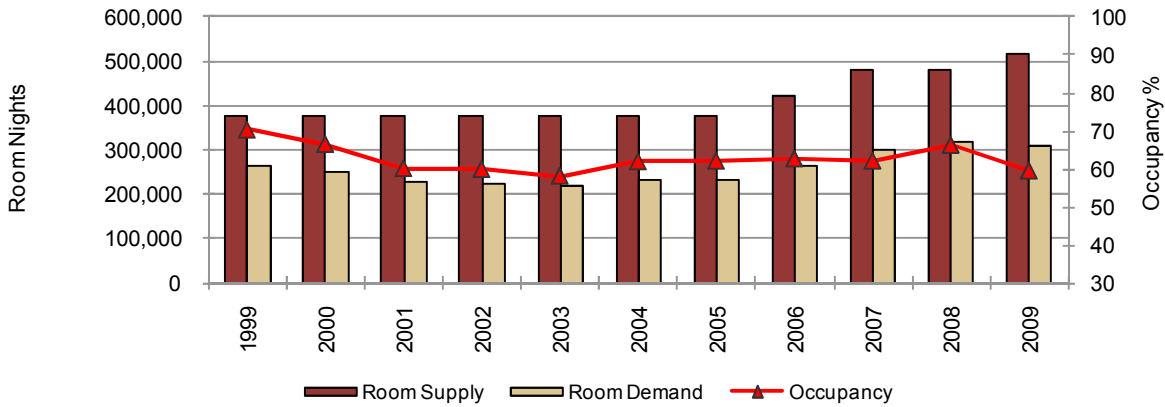
**Figure 4-1 Historical Supply and Demand Trends (STR)**

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
1999	1,030	375,950	—	264,330	—	70.3 %	\$72.59	—	\$51.04	—
2000	1,030	375,950	0.0 %	249,938	(5.4) %	66.5	73.36	1.1 %	48.77	(4.4) %
2001	1,030	375,950	0.0	225,850	(9.6)	60.1	74.79	1.9	44.93	(7.9)
2002	1,030	375,950	0.0	224,854	(0.4)	59.8	72.17	(3.5)	43.16	(3.9)
2003	1,030	375,950	0.0	218,116	(3.0)	58.0	72.38	0.3	41.99	(2.7)
2004	1,030	375,950	0.0	232,643	6.7	61.9	72.45	0.1	44.83	6.8
2005	1,030	375,950	0.0	233,185	0.2	62.0	79.83	10.2	49.51	10.4
2006	1,150	419,708	11.6	262,867	12.7	62.6	87.34	9.4	54.70	10.5
2007	1,316	480,340	14.4	298,161	13.4	62.1	92.43	5.8	57.37	4.9
2008	1,316	480,340	0.0	318,240	6.7	66.3	99.63	7.8	66.01	15.0
2009	1,419	517,935	7.8	307,580	(3.3)	59.4	96.43	(3.2)	57.26	(13.2)
<b>Year-to-Date Through July</b>										
2009	1,419	300,828	—	180,308	—	59.9 %	\$95.93	—	\$57.50	—
2010	1,419	300,828	0.0 %	182,162	1.0 %	60.6	95.39	(0.6) %	57.76	0.5 %
Average Annual Compounded Change:										
1999-2009			3.3 %		1.5 %			2.9 %		1.2 %
<b>Hotels Included in Sample</b>				<b>Number of Rooms</b>	<b>Year Affiliated</b>	<b>Year Opened</b>				
Best Western Long Branch Hotel & Conv Ctr				106	Apr-78	Jun 1968				
Clarion Hotel & Conv Ctr Cedar Rapids				157	Jun-02	Jun 1976				
Crowne Plaza Cedar Rapids Five Seasons				275	Jul-97	Jun 1979				
Marriott Cedar Rapids				220	Sep-04	Aug 1988				
Hampton Inn Cedar Rapids				106	Jun-94	Jun 1994				
Holiday Inn Express Cedar Rapids Collins Rd				83	May-96	May 1996				
Holiday Inn Express & Suites Cedar Rapids I 380				83	Nov-97	Nov 1997				
Marriott Coralville Hotel & Conf Center				286	Aug-06	Aug 2006				
Hampton Inn Suites Cedar Rapids North				103	Jan-09	Jan 2009				
<b>Total</b>				<b>1,419</b>						

Source: Smith Travel Research



**Figure 4-2 Historical Supply and Demand Graph**



Source: Smith Travel Research

It is important to note some limitations of the STR data. Hotels are occasionally added to or removed from the sample, and not every property reports data in a consistent and timely manner; these factors can influence the overall quality of the information by skewing the results. These inconsistencies may also cause the STR data to differ from the results of our competitive survey. Nonetheless, STR data provide the best indication of aggregate growth or decline in existing supply and demand; thus, these trends have been considered in our analysis.

The average daily room count in 2009 was 1,419 for this reporting set, showing an average annual rate of change of 3.3% over the period. Opening dates, as available, are presented for each reporting hotel in the previous table.

These data reflect an overall market average rate level of \$96.43 in 2009, which compares to \$99.63 for 2008. These occupancy and average rate trends resulted in a RevPAR level of \$57.26 in 2009.

**SUPPLY**

The following tables summarize the important operating characteristics of the primary competitors and the secondary competitors (if applicable). This information was compiled from personal interviews, inspections, lodging directories, and our in-house library of operating data. The table also sets forth each property’s penetration factors; penetration is the ratio between a specific hotel’s operating results and the corresponding data for the market. If



the penetration factor is greater than 100%, the property is performing better than the market as a whole; conversely, if the penetration is less than 100%, the hotel is performing at a level below the market-wide average. The room count of each secondary competitor has been weighted based on its assumed degree of competitiveness with the subject property.

**Figure 4-3 Primary Competitors – Operating Performance**

Property	Number of Rooms	Est. Segmentation			Estimated 2007				Estimated 2008				Estimated 2009						
		Commercial	Meeting and Group	Leisure	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	RevPAR Change	Occupancy Penetration	Yield Penetration
Crowne Plaza Cedar Rapids	275	25 %	40 %	35 %	275	66 %	\$74.54	\$48.97	275	48 %	\$79.14	\$38.07	275	40 %	\$74.69	\$29.58	(22.3) %	67.5 %	52.0 %
Marriott Cedar Rapids	220	50	30	20	220	70	121.00	84.70	220	74	123.00	91.02	220	72	115.00	82.80	(9.0)	122.7	145.5
Marriott Coralville Hotel & Conference Center	286	35	55	10	286	56	106.00	59.36	286	65	116.00	75.40	286	62	109.00	67.58	(10.4)	105.6	118.7
<b>Sub-Totals/Averages</b>	<b>781</b>	<b>38 %</b>	<b>42 %</b>	<b>20 %</b>	<b>781</b>	<b>63.4 %</b>	<b>\$99.18</b>	<b>\$62.84</b>	<b>781</b>	<b>61.6 %</b>	<b>\$108.23</b>	<b>\$66.65</b>	<b>781</b>	<b>56.9 %</b>	<b>\$102.73</b>	<b>\$58.49</b>	<b>(12.3) %</b>	<b>97.0 %</b>	<b>102.7 %</b>
Secondary Competitors	638	54 %	23 %	23 %	401	60.2 %	\$81.77	\$49.25	401	72.4 %	\$87.16	\$63.13	473	61.6 %	\$88.23	\$54.34	(13.9) %	104.9 %	95.5 %
<b>Totals/Averages</b>	<b>1,419</b>	<b>44 %</b>	<b>35 %</b>	<b>21 %</b>	<b>1,182</b>	<b>62.3 %</b>	<b>\$93.47</b>	<b>\$58.23</b>	<b>1,182</b>	<b>65.3 %</b>	<b>\$100.30</b>	<b>\$65.46</b>	<b>1,254</b>	<b>58.7 %</b>	<b>\$97.00</b>	<b>\$56.92</b>	<b>(13.0) %</b>	<b>100.0 %</b>	<b>100.0 %</b>

**Figure 4-4 Secondary Competitors – Operating Performance**

Property	Number of Rooms	Est. Segmentation			Total Competitive Level	Estimated 2007				Estimated 2008				Estimated 2009			
		Commercial	Meeting and Group	Leisure		Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
Best Western Longbranch	106	25 %	50 %	25 %	80 %	85	65 %	\$65.00	\$42.25	85	70 %	\$75.00	\$52.50	85	55 %	\$75.00	\$41.25
Clarion Cedar Rapids	157	40	35	25	80	126	51	78.00	39.78	126	67	78.00	52.26	126	55	70.00	38.50
Hampton Inn & Suites Cedar Rapids North	103	70	15	15	70	0	0	0.00	0.00	0	0	0.00	0.00	72	58	109.00	63.22
Hampton Inn Cedar Rapids	106	70	10	20	70	74	59	90.00	53.10	74	78	94.00	73.32	74	69	93.00	64.17
Holiday Inn Express	83	65	10	25	70	58	71	93.00	66.03	58	76	100.00	76.00	58	71	97.00	68.87
Holiday Inn Express & Suites	83	60	10	30	70	58	64	91.00	58.24	58	77	99.00	76.23	58	71	98.00	69.58
<b>Totals/Averages</b>	<b>638</b>	<b>54 %</b>	<b>23 %</b>	<b>23 %</b>	<b>74 %</b>	<b>401</b>	<b>60.2 %</b>	<b>\$81.77</b>	<b>\$49.25</b>	<b>401</b>	<b>72.4 %</b>	<b>\$87.16</b>	<b>\$63.13</b>	<b>473</b>	<b>61.6 %</b>	<b>\$88.23</b>	<b>\$54.34</b>



## Supply Changes

It is important to consider any new hotels that may have an impact on the subject property's operating performance. According to the local planning office, and our research and inspection (as applicable), new supply expected to be competitive within the subject property's competitive submarket is outlined in the following table.

**Figure 4-5 New Supply**

<b>Proposed Property</b>	<b>Number of Rooms</b>	<b>Total Competitive Level</b>	<b>Estimated Opening Date</b>	<b>Development Stage</b>
Hotel at Kirkwood Center	71	30	July 26, 2010	Recently Opened
Homewood Suites	95	20	August 13, 2010	Recently Opened
<b>Totals/Averages</b>	<b>404</b>			

While we have taken reasonable steps to investigate proposed hotel projects and their status, due to the nature of real estate development, it is impossible to determine with certainty every hotel that will be opened in the future, or what their marketing strategies and effect in the market will be. Depending on the outcome of current and future projects, the future operating potential of the subject property may be positively or negatively affected. Future improvement in market conditions will raise the risk of increased competition. Our forthcoming forecast of stabilized occupancy and average rate is intended to reflect such risk.

## Supply Conclusion

We have identified various properties that are competitive to some degree with the subject property. We have also investigated potential increases in competitive supply in this Cedar Rapids submarket. The Crowne Plaza Five Seasons will continue to operate in a dynamic market of varying product types and price points. Next, we will present our forecast for demand change, using the historical supply data presented as a starting point.

## DEMAND

The following table presents the most recent trends for the subject hotel market as tracked by HVS. These data pertain to the subject and competitors discussed previously in this section; performance results are estimated, rounded for the competition, and in some cases weighted if there are secondary competitors present. In this respect, the information in the table differs from the previously presented STR data and is consistent with the supply and demand analysis developed for this appraisal.

**Figure 4-6 Historical Market Trends**

Year	Accommodated		Room Nights		Market			Market	
	Room Nights	% Change	Available	% Change	Occupancy	Market ADR	% Change	RevPAR	% Change
Est. 2007	268,721	—	431,357	—	62.3 %	\$93.47	—	\$58.23	—
Est. 2008	281,508	4.8 %	431,357	0.0 %	65.3	100.30	7.3 %	65.46	12.4 %
Est. 2009	268,589	(4.6)	457,674	6.1	58.7	97.00	(3.3)	56.92	(13.0)
Avg. Annual Compounded Chg., Est. 2007-Est. 2009:		(0.0) %		3.0 %			1.9 %		(1.1) %

### Demand Analysis Using Market Segmentation

For the purpose of demand analysis, the overall market is divided into individual segments based on the nature of travel. Based on our fieldwork, area analysis, and knowledge of the local lodging market, we estimate the 2009 distribution of accommodated room night demand as follows.

**Figure 4-7 Accommodated Room Night Demand**

Market Segment	Marketwide	
	Accommodated Demand	Percentage of Total
Commercial	118,426	44 %
Meeting and Group	93,348	35
Leisure	56,815	21
<b>Total</b>	<b>268,589</b>	<b>100 %</b>

The market's demand mix comprises commercial demand, with this segment representing roughly 44% of the accommodated room nights in this Cedar Rapids submarket. The remaining portion comprises meeting and group at 35%, with the final portion leisure in nature, reflecting 21%.

Using the distribution of accommodated hotel demand as a starting point, three segments were defined as representing the subject property's lodging market. Various types of economic and demographic data were then evaluated to determine their propensity to reflect changes in hotel demand. Based on this procedure, we forecast the following average annual compounded market segment growth rates.




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**Figure 4-8 Average Annual Compounded Market Segment Growth Rates**


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Market Segment	Annual Growth Rate						
	2010	2011	2012	2013	2014	2015	2016
Commercial	1.0 %	1.5 %	2.0 %	1.5 %	0.5 %	0.5 %	0.5 %
Meeting and Group	1.0	1.5	1.5	1.5	0.5	0.5	0.5
Leisure	1.5	1.5	1.5	1.5	0.5	0.5	0.5
<b>Base Demand Growth</b>	<b>1.1 %</b>	<b>1.5 %</b>	<b>1.7 %</b>	<b>1.5 %</b>	<b>0.5 %</b>	<b>0.5 %</b>	<b>0.5 %</b>

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### Latent Demand

A table presented earlier in this section illustrated the accommodated room night demand in the subject property's competitive market. Because this estimate is based on historical occupancy levels, it includes only those hotel rooms that were used by guests. Latent demand reflects potential room night demand that has not been realized by the existing competitive supply; this type of demand can be divided into unaccommodated demand and induced demand.

### Unaccommodated Demand

Unaccommodated demand refers to individuals who are unable to secure accommodations in the market because all the local hotels are filled. These travelers must defer their trips, settle for less desirable accommodations, or stay in properties located outside the market area. Because this demand did not yield occupied room nights, it is not included in the estimate of historical accommodated-room-night demand. If additional lodging facilities are expected to enter the market, it is reasonable to assume that these guests will be able to secure hotel rooms in the future, and it is therefore necessary to quantify this demand.

Unaccommodated demand is further indicated if the market is at all seasonal, with distinct high and low seasons; such seasonality indicates that although year-end occupancy may not average in excess of 70%, the market sells out many nights during the year. The following table presents our estimate of unaccommodated demand in the subject market.

**Figure 4-9 Unaccommodated Demand Estimate**

Market Segment	Accommodated Room Night Demand	Unaccommodated Demand Percentage	Unaccommodated Room Night Demand
Commercial	118,426	0.5 %	537
Meeting and Group	93,348	0.4	344
Leisure	56,815	0.2	106
<b>Total</b>	<b>268,589</b>	<b>0.4 %</b>	<b>987</b>

### Induced Demand

Induced demand represents the additional room nights that are expected to be attracted to the market following the introduction of a new demand generator. Situations that can result in induced demand include the opening of a new manufacturing plant, the expansion of a convention center, or the addition of a new hotel with a distinct chain affiliation or unique facilities. The following table summarizes our estimate of induced demand.

**Figure 4-10 Induced Demand Estimate**

Market Segment	Induced Room Nights						
	2010	2011	2012	2013	2014	2015	2016
Commercial	0	0	0	0	0	0	0
Meeting and Group	0	0	375	14,250	21,000	27,000	27,000
Leisure	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>375</b>	<b>14,250</b>	<b>21,000</b>	<b>27,000</b>	<b>27,000</b>

The new convention center, which will be a new facility directly connected to the subject property, should induce a considerable amount of meeting and group demand into the market. The preceding table includes our assumptions; however, no market study or economic impact study has been completed at this time for the convention center. Moreover, the renovation and expansion of the meeting spaces at the subject property should also induce a small amount meeting and group demand into the market as well.

### Accommodated Demand and Market-wide Occupancy

Based upon a review of the market dynamics in the subject property's competitive environment, we have forecast growth rates for each market segment. Using the calculated potential demand for the market, we have determined market-wide accommodated demand based on the inherent limitations of demand fluctuations and other factors in the market area.



The following table details our projection of lodging demand growth for the subject market, including the total number of occupied room nights and any residual unaccommodated demand in the market.

**Figure 4-11 Accommodated Demand**

	2012	2013	2014	2015	2016
<b>Commercial</b>					
Base Demand	123,832	125,690	126,318	126,950	127,585
Unaccommodated Demand	561	570	573	575	578
Total Demand	124,394	126,260	126,891	127,525	128,163
Growth Rate	2.0 %	1.5 %	0.5 %	0.5 %	0.5 %
<b>Meeting and Group</b>					
Base Demand	97,131	98,588	99,081	99,576	100,074
Unaccommodated Demand	358	363	365	367	368
Induced Demand	375	14,250	21,000	27,000	27,000
Total Demand	97,863	113,201	120,445	126,943	127,442
Growth Rate	1.9 %	15.7 %	6.4 %	5.4 %	0.4 %
<b>Leisure</b>					
Base Demand	59,410	60,301	60,603	60,906	61,211
Unaccommodated Demand	111	113	113	114	114
Total Demand	59,521	60,414	60,716	61,020	61,325
Growth Rate	1.5 %	1.5 %	0.5 %	0.5 %	0.5 %
<b>Totals</b>					
Base Demand	280,374	284,579	286,002	287,432	288,869
Unaccommodated Demand	1,030	1,045	1,050	1,056	1,061
Induced Demand	375	14,250	21,000	27,000	27,000
Total Demand	281,778	299,874	308,053	315,488	316,930
less: Residual Demand	58,616	349	1,167	2,789	3,145
Total Accommodated Demand	223,162	299,526	306,886	312,698	313,786
<b>Overall Demand Growth</b>	(11.0) %	34.2 %	2.5 %	1.9 %	0.3 %
<b>Existing Hotel Supply</b>	1,255	1,254	1,254	1,254	1,254
<b>Proposed Hotels</b>					
Crowne Plaza Cedar Rapids Five Seasons <sup>1</sup>	79	238	238	238	238
Hotel at Kirkwood Center <sup>2</sup>	21	21	21	21	21
Homewood Suites <sup>3</sup>	19	19	19	19	19
<b>Expansion to Existing Hotels</b>					
Crowne Plaza Cedar Rapids <sup>A</sup>	-275	-275	-275	-275	-275
Available Rooms per Night	401,044	458,878	458,878	458,878	458,878
Nights per Year	365	365	365	365	365
<b>Total Supply</b>	1,099	1,257	1,257	1,257	1,257
Rooms Supply Growth	-6.8 %	14.4 %	0.0 %	0.0 %	0.0 %
<b>Marketwide Occupancy</b>	<b>55.6 %</b>	<b>65.3 %</b>	<b>66.9 %</b>	<b>68.1 %</b>	<b>68.4 %</b>

<sup>1</sup> Opening in September 2012 of the 100% competitive, 238-room Crowne Plaza Cedar Rapids Five Seasons

<sup>2</sup> Opening in July 2010 of the 30% competitive, 71-room Hotel at Kirkwood Center

<sup>3</sup> Opening in August 2010 of the 20% competitive, 95-room Homewood Suites

<sup>A</sup> Change of room count in August 2011 of the 100% competitive, Crowne Plaza Cedar Rapids

These room night projections for the market area will be used in forecasting the subject property's occupancy and average rate in the following chapter.



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## 5. Projection of Occupancy and Average Rate

Along with average rate results, the occupancy levels achieved by a hotel are the foundation of the property's financial performance and market value. Most of a lodging facility's other revenue sources (such as food, beverages, and telephone income) are driven by the number of guests, and many expense levels also vary with occupancy. To a certain degree, occupancy attainment can be manipulated by management. For example, hotel operators may choose to lower rates in an effort to maximize occupancy. Our forecasts reflect an operating strategy that we believe would be implemented by a typical, professional hotel management team to achieve an optimal mix of occupancy and average rate.

### **Forecast of Subject Property's Occupancy**

As the subject property recovers from a period of inattentive management and disruptions to marketing and sales efforts, occupancies have been increasing, despite the current status of the property. If the proposed renovation and grand opening occurs, occupancies are expected to increase further, reflecting significant improvements in the subject's penetration of the commercial and group segments.


**Figure 5-1 Forecast of Subject Property's Occupancy**

Market Segment	2012	2013	2014	2015	2016
<b>Commercial</b>					
Demand	93,390	126,113	126,411	126,400	126,894
Market Share	4.3 %	13.5 %	14.9 %	15.6 %	15.6 %
Capture	4,016	16,979	18,875	19,778	19,856
Penetration	60 %	71 %	79 %	83 %	83 %
<b>Meeting and Group</b>					
Demand	77,520	113,069	119,988	125,818	126,176
Market Share	6.5 %	19.5 %	22.3 %	22.3 %	22.3 %
Capture	5,020	22,080	26,801	28,103	28,183
Penetration	90 %	103 %	118 %	118 %	118 %
<b>Leisure</b>					
Demand	52,252	60,344	60,486	60,480	60,716
Market Share	7.0 %	18.5 %	18.5 %	18.5 %	18.5 %
Capture	3,661	11,183	11,210	11,208	11,252
Penetration	98 %	98 %	98 %	98 %	98 %
<b>Total Room Nights Captured</b>	<b>12,697</b>	<b>50,242</b>	<b>56,886</b>	<b>59,090</b>	<b>59,291</b>
Available Room Nights	28,798	86,870	86,870	86,870	86,870
<b>Subject Occupancy</b>	<b>44 %</b>	<b>58 %</b>	<b>65 %</b>	<b>68 %</b>	<b>68 %</b>
Marketwide Available Room Nights	401,044	458,878	458,878	458,878	458,878
<b>Fair Share</b>	<b>7 %</b>	<b>19 %</b>	<b>19 %</b>	<b>19 %</b>	<b>19 %</b>
Marketwide Occupied Room Nights	223,162	299,526	306,886	312,698	313,786
<b>Market Share</b>	<b>6 %</b>	<b>17 %</b>	<b>19 %</b>	<b>19 %</b>	<b>19 %</b>
<b>Marketwide Occupancy</b>	<b>56 %</b>	<b>65 %</b>	<b>67 %</b>	<b>68 %</b>	<b>68 %</b>
<b>Total Penetration</b>	<b>79 %</b>	<b>89 %</b>	<b>98 %</b>	<b>100 %</b>	<b>100 %</b>

Based on our analysis of the subject property and market area, we have selected a stabilized occupancy level of 68%. The stabilized occupancy is intended to reflect the anticipated results of the property over its remaining economic life, given any and all changes in the life cycle of the hotel. Thus, the stabilized occupancy excludes from consideration any abnormal relationship between supply and demand, as well as any nonrecurring conditions that may result in unusually high or low occupancies. Although the subject property may operate at occupancies above this stabilized level, we believe it equally possible for new competition and temporary economic downturns to force the occupancy below this selected point of stability.



These projections reflect years beginning September 1, 2012, corresponding to the first projection year for the subject property's forecast of income and expense.

**Figure 5-2 Forecast of Occupancy**

Year	Subject Property's Occupancy
2012/13	53 %
2013/14	63
2014/15	67
2015/16	68

### Average Rate Analysis

The following table illustrates the projected average rate and the growth rates assumed. As a context for the average rate growth factors, note that we have applied a base underlying inflation rate of 3.0% annually throughout our projection period.

**Figure 5-3 Market and Subject Property Average Rate Forecast**

Year	Area-wide Market (Calendar Year)			Subject Property (Calendar Year)			
	Occupancy	Average Rate Growth	Average Rate	Occupancy	Average Rate Growth	Average Rate	Average Rate Penetration
Base Year	58.7 %	—	\$97.00	—	—	\$75.00	77.3 %
2010	59.7	0.0 %	97.00	—	2.0 %	76.50	78.9
2011	58.2	1.0	97.97	—	10.0	84.15	85.9
2012	55.6	2.0	99.92	44.0 %	25.0	105.19	105.3
2013	65.3	6.0	105.92	58.0	6.0	111.50	105.3
2014	66.9	3.0	109.10	65.0	3.0	114.84	105.3
2015	68.1	3.0	112.37	68.0	3.0	118.29	105.3

As illustrated above, a 2.0% rate of change is expected for the subject property's room rate in 2010. This is followed by rates of 10.0% and 25.0% in 2011 and 2012, respectively. The subject property's room rate is expected to increase substantially when the renovation is completed and the convention center opens. In the stable-year forecast, we have positioned the subject



property with an ADR roughly \$10.00 below the Marriott Cedar Rapids, which is expected to remain the rate leader in this market. Moreover, if the subject property did not have any significant rate growth after the proposed renovation and followed the same growth rate as the market, the subject property's base year rate assumption would have been \$102.10, instead of \$75.

The following average rates will be used to project the subject property's rooms revenue; this forecast reflects years which begin September 1, 2012 and correspond with our financial projections.

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**Figure 5-4 Forecast of Average Rate**

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<u>Year</u>	<u>Average Rate</u>
2012/13	109.39
2013/14	113.73
2014/15	117.14
2015/16	120.65

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## 6. Income Capitalization Approach

### **Review of Operating History**

Because the Crowne Plaza Five Seasons is an existing hotel with an established operating performance, its historical income and expense experience can serve as a basis for projections. The following income and expense statements were provided by current ownership. Where applicable, we have reorganized the statements in accordance with the *Uniform System of Accounts for the Lodging Industry*.


**Figure 6-1 Historical Operating Performance**

	2009 Calendar Year			
Number of Rooms:	275			
Occupied Rooms:	39,749			
Days Open:	365			
Occupancy:	39.6%		Amount per	Amount per
Average Rate:	\$74.69	Percentage	Available	Occupied
RevPAR:	\$29.58	of Revenue	Room	Room
<b>REVENUE</b>				
Rooms	\$2,969	70.8 %	\$10,796	\$74.69
Food	928	22.1	3,375	23.35
Beverage	139	3.3	505	3.49
Telephone	4	0.1	16	0.11
Other Income	152	3.6	552	3.82
Total	4,192	100.0	15,243	105.46
<b>DEPARTMENTAL EXPENSES*</b>				
Rooms	1,394	46.9	5,068	35.07
Food & Beverage	1,218	114.1	4,427	30.63
Telephone	19	431.1	68	0.47
Other Expenses	86	56.6	312	2.16
Total	2,716	64.8	9,876	68.33
<b>DEPARTMENTAL INCOME</b>				
	1,476	35.2	5,367	37.13
<b>UNDISTRIBUTED OPERATING EXPENSES</b>				
Administrative & General	596	14.2	2,168	15.00
Marketing	769	18.3	2,795	19.33
Prop. Operations & Maint.	484	11.6	1,761	12.19
Utilities	534	12.7	1,942	13.44
Total	2,383	56.9	8,666	59.96
<b>HOUSE PROFIT</b>				
	(907)	(21.7)	(3,299)	(22.83)
Management Fee	105	2.5	381	2.64
<b>INCOME BEFORE FIXED CHARGES</b>				
	(1,012)	(24.1)	(3,680)	(25.46)
<b>FIXED EXPENSES</b>				
Property Taxes	215	5.1	781	5.41
Insurance	51	1.2	185	1.28
Lease Expense	128	3.1	465	3.22
Other Income/Expense	257	6.1	933	6.45
Total	650	15.5	2,365	16.36
<b>NET INCOME</b>				
	(\$1,662)	(39.6) %	(\$6,045)	(\$41.82)

\*Departmental expenses are expressed as a percentage of departmental revenues.



Clearly the historical operating performance levels are not sustainable, as the property is losing money on an operational basis. As new management and a major renovation take place, expenses are expected to be cut sharply in the near-term; after the renovation is complete, revenues are expected to increase substantially to allow the property to be operated profitably.

### **Premise of Forecast**

While occupancy gains have been considerable on a nationwide basis, average rates have yet to show a strong movement upward. With stronger demand in place for much of 2010, hotel operators should be able to command increases for 2011. Operators and investors in the market therefore expect an acceleration of revenue growth thereafter as the economy and lodging market gain traction in the present recovery; this outlook is reflected in our forecasts. Operators typically respond with stronger expense controls during periods when revenues decline. Hotel operations, on a national basis, are expected to see modest levels of improving revenues in 2010, but with continued controls on expenses to maximize the recovery in profitability. The expectations are for stronger growth in the following years, with some expense-control strategies having a positive longer-term impact on overall net operating income.

HVS uses a fixed and variable component model to project a lodging facility's revenue and expense levels. This model is based on the premise that hotel revenues and expenses have one component that is fixed and another that varies directly with occupancy and facility usage. A projection can be made by taking a known level of revenue or expense and calculating its fixed and variable components. The fixed component is then increased in tandem with the underlying rate of inflation, while the variable component is adjusted for a specific measure of volume such as total revenue.

### **Comparable Operating Statements**

HVS evaluated the performance of several hotels that are considered comparable to the subject property after its planned renovations and grand opening. All financial data is presented according to the three most common measures of industry performance: ratio to sales (RTS), amounts per available room (PAR), and amounts per occupied room night (POR). These historical income and expense statements will be used as benchmarks in our forthcoming forecast of income and expense.

**Figure 6-2 Comparable Operating Statements: Ratio to Sales**

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6
<b>Year:</b>	<b>2009/10</b>	<b>2007/08</b>	<b>2007/08</b>	<b>2007</b>	<b>2005/06</b>	<b>2005</b>
<b>Number of Rooms:</b>	<b>170 to 220</b>	<b>180 to 230</b>	<b>210 to 260</b>	<b>190 to 240</b>	<b>190 to 250</b>	<b>270 to 330</b>
<b>Occupied Rooms:</b>	<b>51,822</b>	<b>47,872</b>	<b>57,794</b>	<b>50,771</b>	<b>56,534</b>	<b>73,733</b>
<b>Days Open:</b>	<b>365</b>	<b>366</b>	<b>366</b>	<b>365</b>	<b>365</b>	<b>365</b>
<b>Occupancy:</b>	<b>71%</b>	<b>65%</b>	<b>67%</b>	<b>65%</b>	<b>70%</b>	<b>67%</b>
<b>Average Rate:</b>	<b>\$118.23</b>	<b>\$112.88</b>	<b>\$109.15</b>	<b>\$107.90</b>	<b>\$108.61</b>	<b>\$109.92</b>
<b>RevPAR:</b>	<b>\$84.35</b>	<b>\$73.09</b>	<b>\$73.65</b>	<b>\$70.13</b>	<b>\$76.46</b>	<b>\$74.02</b>
<b>REVENUE</b>						
Rooms	51.8 %	54.9 %	73.0 %	71.3 %	57.4 %	55.1 %
Food	30.5	11.8	20.6	26.5	40.9	6.3
Beverage	5.7	0.0	0.0	0.0	0.0	2.9
Telephone	0.1	0.1	0.2	0.3	0.4	0.3
Convention Center	7.1	30.8	0.0	0.0	0.0	34.0
Other Income	4.8	2.4	6.2	1.9	1.3	1.4
Total	100.0	100.0	100.0	100.0	100.0	100.0
<b>DEPARTMENTAL EXPENSES*</b>						
Rooms	25.1	21.9	27.7	24.6	23.7	25.1
Food & Beverage	76.7	78.2	80.3	79.0	59.7	75.0
Telephone	1,018.2	282.6	457.1	144.0	89.7	126.5
Convention Center	63.4	81.2	0.0	0.0	0.0	60.2
Other Expenses	80.0	22.2	21.9	36.1	0.0	0.0
Total	50.0	47.0	39.2	39.7	38.4	41.6
<b>DEPARTMENTAL INCOME</b>	<b>50.0</b>	<b>53.0</b>	<b>60.8</b>	<b>60.3</b>	<b>61.6</b>	<b>58.4</b>
<b>OPERATING EXPENSES</b>						
Administrative & General	12.5	5.2	10.6	10.3	8.0	9.0
Marketing	8.5	2.1	8.1	7.0	10.7	9.8
Franchise Fee	0.0	3.3	4.6	4.8	3.7	2.1
Property Operations & Maintenance	4.5	2.8	6.0	6.0	3.7	3.7
Utilities	6.1	3.7	4.3	5.6	4.5	5.1
Total	31.6	17.0	33.6	33.6	30.6	29.8
<b>HOUSE PROFIT</b>	<b>18.4</b>	<b>36.0</b>	<b>27.2</b>	<b>26.7</b>	<b>31.0</b>	<b>28.6</b>
Management Fee	3.0	3.0	3.0	3.0	3.0	2.6
<b>INCOME BEFORE FIXED CHARGES</b>	<b>15.3</b>	<b>33.0</b>	<b>24.2</b>	<b>23.7</b>	<b>28.0</b>	<b>26.0</b>
<b>FIXED EXPENSES</b>						
Property Taxes	0.0	10.8	0.0	3.1	3.7	2.8
Insurance	1.0	1.0	1.3	1.0	0.9	0.9
Ground Lease	0.0	0.0	3.3	0.0	0.0	0.0
Reserve for Replacement	4.0	4.0	4.0	4.0	4.0	0.0
Total	5.0	15.8	8.6	8.1	8.6	3.7
<b>NET INCOME</b>	<b>10.3 %</b>	<b>17.2 %</b>	<b>15.6 %</b>	<b>15.6 %</b>	<b>19.4 %</b>	<b>22.3 %</b>

\* Departmental expense ratios are expressed as a percentage of departmental revenues

**Figure 6-3 Comparable Operating Statements: Amounts Per Available Room**

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6
Year:	2009/10	2007/08	2007/08	2007	2005/06	2005
Number of Rooms:	170 to 220	180 to 230	210 to 260	190 to 240	190 to 250	270 to 330
Occupied Rooms:	51,822	47,872	57,794	50,771	56,534	73,733
Days Open:	365	366	366	365	365	365
Occupancy:	71%	65%	67%	65%	70%	67%
Average Rate:	\$118.23	\$112.88	\$109.15	\$107.90	\$108.61	\$109.92
RevPAR:	\$84.35	\$73.09	\$73.65	\$70.13	\$76.46	\$74.02
<b>REVENUE</b>						
Rooms	\$30,789	\$26,752	\$26,957	\$25,598	\$27,909	\$27,017
Food	18,121	5,758	7,598	9,537	19,891	3,103
Beverage	3,377	0	0	0	0	1,427
Telephone	55	29	90	117	177	163
Convention Center	4,196	15,020	0	0	0	16,665
Other Income	2,844	1,156	2,286	673	609	680
Total	59,382	48,716	36,932	35,925	48,586	49,055
<b>DEPARTMENTAL EXPENSES</b>						
Rooms	7,719	5,860	7,457	6,299	6,614	6,780
Food & Beverage	16,482	4,504	6,103	7,537	11,882	3,398
Telephone	563	82	410	168	159	207
Convention Center	2,658	12,203	0	0	0	10,039
Other Expenses	2,276	257	500	243	0	0
Total	29,698	22,906	14,470	14,248	18,655	20,423
<b>DEPARTMENTAL INCOME</b>						
	29,683	25,810	22,462	21,678	29,932	28,632
<b>OPERATING EXPENSES</b>						
Administrative & General	7,452	2,530	3,932	3,706	3,905	4,407
Marketing	5,035	1,005	2,974	2,505	5,191	4,830
Franchise Fee	0	1,591	1,688	1,710	1,782	1,047
Property Operations & Maintenance	2,683	1,363	2,226	2,168	1,805	1,817
Utilities	3,623	1,793	1,603	2,000	2,182	2,507
Total	18,794	8,283	12,423	12,089	14,864	14,607
<b>HOUSE PROFIT</b>						
	10,889	17,527	10,039	9,589	15,068	14,025
Management Fee	1,781	1,461	1,108	1,078	1,458	1,267
<b>INCOME BEFORE FIXED CHARGES</b>						
	9,108	16,065	8,931	8,511	13,611	12,759
<b>FIXED EXPENSES</b>						
Property Taxes	0	5,270	0	1,107	1,791	1,377
Insurance	568	501	487	346	414	443
Ground Lease	0	0	1,231	0	(18)	0
Reserve for Replacement	2,375	1,949	1,477	1,437	1,943	0
Total	2,943	7,719	3,195	2,890	4,130	1,820
<b>NET INCOME</b>						
	\$6,165	\$8,346	\$5,736	\$5,621	\$9,481	\$10,939

**Figure 6-4 Comparable Operating Statements: Amounts Per Occupied Room**

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6
Year:	2009/10	2007/08	2007/08	2007	2005/06	2005
Number of Rooms:	170 to 220	180 to 230	210 to 260	190 to 240	190 to 250	270 to 330
Occupied Rooms:	51,822	47,872	57,794	50,771	56,534	73,733
Days Open:	365	366	366	365	365	365
Occupancy:	71%	65%	67%	65%	70%	67%
Average Rate:	\$118.23	\$112.88	\$109.15	\$107.90	\$108.61	\$109.92
RevPAR:	\$84.35	\$73.09	\$73.65	\$70.13	\$76.46	\$74.02
<b>REVENUE</b>						
Rooms	\$118.23	\$112.88	\$109.15	\$107.90	\$108.61	\$109.92
Food	69.58	24.30	30.76	40.20	77.40	12.63
Beverage	12.97	0.00	0.00	0.00	0.00	5.80
Telephone	0.21	0.12	0.36	0.49	0.69	0.66
Convention Center	16.11	63.38	0.00	0.00	0.00	67.81
Other Income	10.92	4.88	9.26	2.84	2.37	2.77
Total	228.03	205.56	149.53	151.43	189.07	199.59
<b>DEPARTMENTAL EXPENSES</b>						
Rooms	29.64	24.73	30.19	26.55	25.74	27.59
Food & Beverage	63.29	19.00	24.71	31.77	46.24	13.82
Telephone	2.16	0.35	1.66	0.71	0.62	0.84
Convention Center	10.21	51.49	0.00	0.00	0.00	40.84
Other Expenses	8.74	1.08	2.02	1.02	0.00	0.00
Total	114.04	96.65	58.59	60.05	72.59	83.10
<b>DEPARTMENTAL INCOME</b>						
	113.99	108.91	90.94	91.37	116.48	116.50
<b>OPERATING EXPENSES</b>						
Administrative & General	28.62	10.68	15.92	15.62	15.19	17.93
Marketing	19.34	4.24	12.04	10.56	20.20	19.65
Franchise Fee	0.00	6.72	6.83	7.21	6.93	4.26
Property Operations & Maintenance	10.30	5.75	9.01	9.14	7.02	7.39
Utilities	13.91	7.57	6.49	8.43	8.49	10.20
Total	72.17	34.95	50.30	50.95	57.84	59.43
<b>HOUSE PROFIT</b>						
	41.82	73.96	40.65	40.42	58.64	57.07
Management Fee	6.84	6.17	4.49	4.54	5.67	5.15
<b>INCOME BEFORE FIXED CHARGES</b>						
	34.98	67.79	36.16	35.87	52.97	51.91
<b>FIXED EXPENSES</b>						
Property Taxes	0.00	22.24	0.00	4.67	6.97	5.60
Insurance	2.18	2.11	1.97	1.46	1.61	1.80
Ground Lease	0.00	0.00	4.98	0.00	(0.07)	0.00
Reserve for Replacement	9.12	8.22	5.98	6.06	7.56	0.00
Total	11.30	32.57	12.94	12.18	16.07	7.41
<b>NET INCOME</b>						
	\$23.68	\$35.22	\$23.22	\$23.69	\$36.90	\$44.50



The following table summarizes a compilation of several historical operating statements taken from these comparable properties.

**Figure 6-5 Composite Financial Operating Statement – Comparable Facilities**

	Number of Rooms:	1,369			
	Occupied Rooms:	338,526			
	Days Open:	365			
	Occupancy:	67.7%			
	Average Rate:	\$110.96	Percentage	Amount per	Amount per
	RevPAR:	\$75.17	of Revenue	Available	Occupied
				Room	Room
<b>REVENUE</b>					
Rooms	\$37,562	59.3 %	\$27,438	\$110.96	
Food	13,895	21.9	10,150	41.05	
Beverage	1,100	1.7	804	3.25	
Telephone	151	0.2	110	0.45	
Convention Center	8,869	14.0	6,478	26.20	
Other Income	1,817	2.9	1,327	5.37	
Total	63,393	100.0	46,306	187.26	
<b>DEPARTMENTAL EXPENSES</b>					
Rooms	9,302	24.8	6,795	27.48	
Food & Beverage	10,864	78.2	7,936	32.09	
Telephone	358	237.0	261	1.06	
Convention Center	6,006	67.7	4,387	17.74	
Other Expenses	674	37.1	492	1.99	
Total	27,203	42.9	19,871	80.36	
<b>DEPARTMENTAL INCOME</b>					
	36,190	57.1	26,436	106.91	
<b>OPERATING EXPENSES</b>					
Administrative & General	5,888	9.3	4,301	17.39	
Marketing	5,028	7.9	3,673	14.85	
Franchise Fee	1,788	2.8	1,306	5.28	
Property Operations & Maintenance	2,736	4.3	1,999	8.08	
Utilities	3,118	4.9	2,278	9.21	
Total	18,559	29.3	13,557	54.82	
<b>HOUSE PROFIT</b>					
	17,631	27.8	12,879	52.08	
Management Fee	1,840	2.9	1,344	5.44	
<b>INCOME BEFORE FIXED CHARGES</b>					
	15,791	24.9	11,535	46.65	

The comparable operations of other similar properties indicate a substantial upside compared to the historical operating performance of the subject property. We considered this composite statement as well as numerous individual operating statements from individual comparable hotel operations in positioning the subject property for its “when stabilized” value.

**Inflation Assumption**

In consideration of the most recent trends, the projections set forth previously, and our assessment of probable property appreciation levels, we have applied an underlying inflation rate of 2.0% in 2012/13, 2.0% in 2013/14, and 3.0% in 2014/15 and thereafter. This stabilized inflation rate takes into account normal, recurring inflation cycles. Inflation is likely to fluctuate above and below this level during the projection period. Any exceptions to the application of the assumed underlying inflation rate are discussed in our write-up of individual income and expense items.

**Summary of Projections**

Based on an analysis that will be detailed throughout this section, we have formulated a forecast of income and expense. The following table presents a detailed forecast through the first several projection years, including amounts per available room and per occupied room. The second table illustrates our ten-year forecast of income and expense, presented with a lesser degree of detail. The forecasts pertain to years beginning September 1, 2012 and are expressed in inflated dollars for each year.

**Figure 6-6 Detailed Forecast of Income and Expense and Trailing-12-Month Operating History**

	Historical Operating Results																							
	2009 Fiscal Year Ending December				2012/13 Begins September				2013/14				2014/15				Stabilized				2016/17			
Number of Rooms:	275				238				238				238				238				238			
Occupancy:	40%				53%				63%				67%				68%				68%			
Average Rate:	\$74.69				\$109.39				\$113.73				\$117.14				\$120.65				\$124.27			
RevPAR:	\$29.58				\$57.98				\$71.65				\$78.48				\$82.04				\$84.50			
Days Open:	365				365				365				365				365				365			
Occupied Rooms:	39,749	%Gross	PAR	POR	46,041	%Gross	PAR	POR	54,728	%Gross	PAR	POR	58,203	%Gross	PAR	POR	59,072	%Gross	PAR	POR	59,072	%Gross	PAR	POR
<b>REVENUE</b>																								
Rooms	\$2,969	70.8 %	\$10,796	\$74.69	\$5,036	46.5 %	\$21,160	\$109.38	\$6,224	47.9 %	\$26,151	\$113.73	\$6,818	48.8 %	\$28,647	\$117.14	\$7,127	49.0 %	\$29,945	\$120.65	\$7,341	49.0 %	\$30,845	\$124.27
Food	928	22.1	3,375	23.35	1,455	13.4	6,112	31.60	1,696	13.1	7,128	31.00	1,829	13.1	7,685	31.42	1,905	13.1	8,003	32.25	1,962	13.1	8,243	33.21
Beverage	139	3.3	505	3.49	431	4.0	1,811	9.36	503	3.9	2,112	9.18	542	3.9	2,277	9.31	564	3.9	2,371	9.55	581	3.9	2,443	9.84
Telephone	4	0.1	16	0.11	16	0.1	65	0.34	19	0.1	78	0.34	20	0.1	85	0.35	21	0.1	89	0.36	22	0.1	92	0.37
Convention Center**	0	0.0	0	0.00	3,592	33.2	15,091	78.01	4,227	32.5	17,761	77.24	4,432	31.7	18,624	76.15	4,586	31.5	19,267	77.63	4,723	31.5	19,845	79.96
Other Income	152	3.6	552	3.82	301	2.8	1,267	6.55	325	2.5	1,366	5.94	341	2.4	1,433	5.86	353	2.4	1,482	5.97	363	2.4	1,527	6.15
<b>Total Revenues</b>	4,192	100.0	15,243	105.46	10,831	100.0	45,506	235.24	12,994	100.0	54,596	237.43	13,982	100.0	58,750	240.24	14,556	100.0	61,159	246.41	14,993	100.0	62,994	253.80
<b>DEPARTMENTAL EXPENSES *</b>																								
Rooms	1,394	46.9	5,068	35.07	1,427	28.3	5,997	31.00	1,565	25.1	6,575	28.59	1,651	24.2	6,937	28.36	1,710	24.0	7,187	28.96	1,762	24.0	7,403	29.83
Food & Beverage	1,218	114.1	4,427	30.63	1,569	83.2	6,591	34.07	1,702	77.4	7,152	31.10	1,789	75.5	7,517	30.74	1,852	75.0	7,781	31.35	1,907	75.0	8,014	32.29
Telephone	19	431.1	68	0.47	18	114.9	75	0.39	19	104.3	82	0.35	20	100.8	86	0.35	21	100.0	89	0.36	22	100.0	92	0.37
Convention Center**	0	0.0	0	0.00	2,807	78.2	11,795	60.97	3,188	75.4	13,396	58.25	3,328	75.1	13,983	57.18	3,439	75.0	14,451	58.22	3,542	75.0	14,884	59.97
Other Expenses	86	56.6	312	2.16	158	52.5	665	3.44	165	50.8	694	3.02	171	50.2	719	2.94	176	50.0	741	2.99	182	50.0	763	3.08
<b>Total</b>	2,716	64.8	9,876	68.33	5,979	55.2	25,122	129.86	6,640	51.1	27,899	121.33	6,959	49.8	29,241	119.57	7,199	49.5	30,249	121.87	7,415	49.5	31,156	125.53
<b>DEPARTMENTAL INCOME</b>	1,476	35.2	5,367	37.13	4,851	44.8	20,384	105.37	6,354	48.9	26,698	116.10	7,023	50.2	29,509	120.67	7,357	50.5	30,910	124.54	7,577	50.5	31,838	128.28
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																								
Administrative & General	596	14.2	2,168	15.00	744	6.9	3,126	16.16	793	6.1	3,332	14.49	826	5.9	3,469	14.19	853	5.9	3,583	14.44	878	5.9	3,690	14.87
Marketing	769	18.3	2,795	19.33	769	7.1	3,230	16.70	820	6.3	3,444	14.98	853	6.1	3,585	14.66	881	6.1	3,702	14.92	908	6.1	3,813	15.36
Franchise Fee	0	0.0	0	0.00	403	3.7	1,693	8.75	498	3.8	2,092	9.10	545	3.9	2,292	9.37	570	3.9	2,396	9.65	587	3.9	2,468	9.94
Prop. Operations & Maint.	484	11.6	1,761	12.19	595	5.5	2,500	12.93	635	4.9	2,666	11.59	661	4.7	2,775	11.35	682	4.7	2,866	11.55	703	4.7	2,952	11.89
Utilities	534	12.7	1,942	13.44	620	5.7	2,605	13.46	661	5.1	2,777	12.08	688	4.9	2,891	11.82	711	4.9	2,986	12.03	732	4.9	3,075	12.39
<b>Total</b>	2,383	56.9	8,666	59.96	3,130	28.9	13,153	67.99	3,406	26.2	14,311	62.24	3,573	25.5	15,013	61.39	3,697	25.5	15,533	62.58	3,808	25.5	15,999	64.46
<b>HOUSE PROFIT</b>	(907)	(21.6)	(3,299)	(22.83)	1,721	15.9	7,231	37.38	2,948	22.7	12,386	53.87	3,450	24.7	14,496	59.28	3,660	25.0	15,377	61.96	3,770	25.0	15,839	63.82
Management Fee	105	2.5	381	2.64	325	3.0	1,365	7.06	390	3.0	1,638	7.12	419	3.0	1,762	7.21	437	3.0	1,835	7.39	450	3.0	1,890	7.61
<b>INCOME BEFORE FIXED CHARGES</b>	(1,012)	(24.1)	(3,680)	(25.46)	1,396	12.9	5,866	30.32	2,558	19.7	10,749	46.74	3,031	21.7	12,734	52.07	3,223	22.0	13,543	54.56	3,320	22.0	13,949	56.20
<b>FIXED EXPENSES</b>																								
Property Taxes	215	5.1	781	5.41	329	3.0	1,381	7.14	334	2.6	1,402	6.10	340	2.4	1,430	5.85	350	2.4	1,472	5.93	361	2.4	1,517	6.11
Insurance	51	1.2	185	1.28	52	0.5	219	1.13	54	0.4	225	0.98	55	0.4	232	0.95	57	0.4	239	0.96	59	0.4	246	0.99
Lease Expense	128	3.1	465	3.22	28	0.3	119	0.61	31	0.2	130	0.56	32	0.2	136	0.56	33	0.2	141	0.57	34	0.2	145	0.58
Reserve for Replacement	0	0.0	0	0.00	217	2.0	910	4.70	390	3.0	1,638	7.12	559	4.0	2,350	9.61	582	4.0	2,446	9.86	600	4.0	2,520	10.15
<b>Total</b>	650	15.5	2,365	16.36	626	5.8	2,629	13.59	808	6.2	3,394	14.76	987	7.0	4,147	16.96	1,023	7.0	4,298	17.32	1,054	7.0	4,427	17.84
<b>NET INCOME</b>	(\$1,662)	(39.7) %	(\$6,045)	(\$41.82)	\$771	7.1 %	\$3,237	\$16.74	\$1,750	13.5 %	\$7,354	\$31.98	\$2,044	14.7 %	\$8,586	\$35.11	\$2,200	15.0 %	\$9,244	\$37.25	\$2,266	15.0 %	\$9,522	\$38.37

\*Departmental expenses are expressed as a percentage of departmental revenues.

\*\*An independent feasibility study for the convention center had not been completed at the time of this report; as such, our revenue and expense projections are subject to change in this department, depending on the results of a detailed study.

**Figure 6-7 Ten-Year Forecast of Income and Expense**

	2012/13		2013/14		2014/15		2015/16		2016/17		2017/18		2018/19		2019/20		2020/21		2021/22	
<b>Number of Rooms:</b>	238		238		238		238		238		238		238		238		238		238	
<b>Occupied Rooms:</b>	46,041		54,728		58,203		59,072		59,072		59,072		59,072		59,072		59,072		59,072	
<b>Occupancy:</b>	53%		63%		67%		68%		68%		68%		68%		68%		68%		68%	
<b>Average Rate:</b>	\$109.39	% of	\$113.73	% of	\$117.14	% of	\$120.65	% of	\$124.27	% of	\$128.00	% of	\$131.84	% of	\$135.79	% of	\$139.87	% of	\$144.06	% of
<b>RevPAR:</b>	\$57.98	Gross	\$71.65	Gross	\$78.48	Gross	\$82.04	Gross	\$84.50	Gross	\$87.04	Gross	\$89.65	Gross	\$92.34	Gross	\$95.11	Gross	\$97.96	Gross
<b>REVENUE</b>																				
Rooms	\$5,036	46.5 %	\$6,224	47.9 %	\$6,818	48.8 %	\$7,127	49.0 %	\$7,341	49.0 %	\$7,561	49.0 %	\$7,788	49.0 %	\$8,022	49.0 %	\$8,262	49.0 %	\$8,510	49.0 %
Food	1,455	13.4	1,696	13.1	1,829	13.1	1,905	13.1	1,962	13.1	2,021	13.1	2,081	13.1	2,144	13.1	2,208	13.1	2,274	13.1
Beverage	431	4.0	503	3.9	542	3.9	564	3.9	581	3.9	599	3.9	617	3.9	635	3.9	654	3.9	674	3.9
Telephone	16	0.1	19	0.1	20	0.1	21	0.1	22	0.1	22	0.1	23	0.1	24	0.1	25	0.1	25	0.1
Convention Center**	3,592	33.2	4,227	32.5	4,432	31.7	4,586	31.5	4,723	31.5	4,865	31.5	5,011	31.5	5,161	31.5	5,316	31.5	5,475	31.5
Other Income	301	2.8	325	2.5	341	2.4	353	2.4	363	2.4	374	2.4	385	2.4	397	2.4	409	2.4	421	2.4
<b>Total</b>	<b>10,831</b>	<b>100.0</b>	<b>12,994</b>	<b>100.0</b>	<b>13,982</b>	<b>100.0</b>	<b>14,556</b>	<b>100.0</b>	<b>14,993</b>	<b>100.0</b>	<b>15,442</b>	<b>100.0</b>	<b>15,906</b>	<b>100.0</b>	<b>16,383</b>	<b>100.0</b>	<b>16,874</b>	<b>100.0</b>	<b>17,380</b>	<b>100.0</b>
<b>DEPARTMENTAL EXPENSES*</b>																				
Rooms	1,427	28.3	1,565	25.1	1,651	24.2	1,710	24.0	1,762	24.0	1,815	24.0	1,869	24.0	1,925	24.0	1,983	24.0	2,042	24.0
Food & Beverage	1,569	83.2	1,702	77.4	1,789	75.5	1,852	75.0	1,907	75.0	1,965	75.0	2,024	75.0	2,084	75.0	2,147	75.0	2,211	75.0
Telephone	18	114.9	19	104.3	20	100.8	21	100.0	22	100.0	22	100.0	23	100.0	24	100.0	25	100.0	25	100.0
Convention Center**	2,807	78.2	3,188	75.4	3,328	75.1	3,439	75.0	3,542	75.0	3,649	75.0	3,758	75.0	3,871	75.0	3,987	75.0	4,107	75.0
Other Expenses	158	52.5	165	50.8	171	50.2	176	50.0	182	50.0	187	50.0	193	50.0	199	50.0	204	50.0	211	50.0
<b>Total</b>	<b>5,979</b>	<b>55.2</b>	<b>6,640</b>	<b>51.1</b>	<b>6,959</b>	<b>49.8</b>	<b>7,199</b>	<b>49.5</b>	<b>7,415</b>	<b>49.5</b>	<b>7,638</b>	<b>49.5</b>	<b>7,867</b>	<b>49.5</b>	<b>8,103</b>	<b>49.5</b>	<b>8,346</b>	<b>49.5</b>	<b>8,596</b>	<b>49.5</b>
<b>DEPARTMENTAL INCOME</b>	<b>4,851</b>	<b>44.8</b>	<b>6,354</b>	<b>48.9</b>	<b>7,023</b>	<b>50.2</b>	<b>7,357</b>	<b>50.5</b>	<b>7,577</b>	<b>50.5</b>	<b>7,805</b>	<b>50.5</b>	<b>8,039</b>	<b>50.5</b>	<b>8,280</b>	<b>50.5</b>	<b>8,528</b>	<b>50.5</b>	<b>8,784</b>	<b>50.5</b>
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																				
Administrative & General	744	6.9	793	6.1	826	5.9	853	5.9	878	5.9	905	5.9	932	5.9	960	5.9	989	5.9	1,018	5.9
Marketing	769	7.1	820	6.3	853	6.1	881	6.1	908	6.1	935	6.1	963	6.1	992	6.1	1,021	6.1	1,052	6.1
Franchise Fee	403	3.7	498	3.8	545	3.9	570	3.9	587	3.9	605	3.9	623	3.9	642	3.9	661	3.9	681	3.9
Prop. Operations & Maint.	595	5.5	635	4.9	661	4.7	682	4.7	703	4.7	724	4.7	745	4.7	768	4.7	791	4.7	815	4.7
Utilities	620	5.7	661	5.1	688	4.9	711	4.9	732	4.9	754	4.9	776	4.9	800	4.9	824	4.9	848	4.9
<b>Total</b>	<b>3,130</b>	<b>28.9</b>	<b>3,406</b>	<b>26.2</b>	<b>3,573</b>	<b>25.5</b>	<b>3,697</b>	<b>25.5</b>	<b>3,808</b>	<b>25.5</b>	<b>3,922</b>	<b>25.5</b>	<b>4,040</b>	<b>25.5</b>	<b>4,161</b>	<b>25.5</b>	<b>4,286</b>	<b>25.5</b>	<b>4,414</b>	<b>25.5</b>
<b>HOUSE PROFIT</b>	<b>1,721</b>	<b>15.9</b>	<b>2,948</b>	<b>22.7</b>	<b>3,450</b>	<b>24.7</b>	<b>3,660</b>	<b>25.0</b>	<b>3,770</b>	<b>25.0</b>	<b>3,883</b>	<b>25.0</b>	<b>3,999</b>	<b>25.0</b>	<b>4,120</b>	<b>25.0</b>	<b>4,243</b>	<b>25.0</b>	<b>4,370</b>	<b>25.0</b>
Management Fee	325	3.0	390	3.0	419	3.0	437	3.0	450	3.0	463	3.0	477	3.0	491	3.0	506	3.0	521	3.0
<b>INCOME BEFORE FIXED CHARGES</b>	<b>1,396</b>	<b>12.9</b>	<b>2,558</b>	<b>19.7</b>	<b>3,031</b>	<b>21.7</b>	<b>3,223</b>	<b>22.0</b>	<b>3,320</b>	<b>22.0</b>	<b>3,419</b>	<b>22.0</b>	<b>3,522</b>	<b>22.0</b>	<b>3,628</b>	<b>22.0</b>	<b>3,736</b>	<b>22.0</b>	<b>3,849</b>	<b>22.0</b>
<b>FIXED EXPENSES</b>																				
Property Taxes	329	3.0	334	2.6	340	2.4	350	2.4	361	2.4	372	2.4	383	2.4	394	2.4	406	2.4	418	2.4
Insurance	52	0.5	54	0.4	55	0.4	57	0.4	59	0.4	60	0.4	62	0.4	64	0.4	66	0.4	68	0.4
Lease Expense	28	0.3	31	0.2	32	0.2	33	0.2	34	0.2	35	0.2	37	0.2	38	0.2	39	0.2	40	0.2
Reserve for Replacement	217	2.0	390	3.0	559	4.0	582	4.0	600	4.0	618	4.0	636	4.0	655	4.0	675	4.0	695	4.0
<b>Total</b>	<b>626</b>	<b>5.8</b>	<b>808</b>	<b>6.2</b>	<b>987</b>	<b>7.0</b>	<b>1,023</b>	<b>7.0</b>	<b>1,054</b>	<b>7.0</b>	<b>1,085</b>	<b>7.0</b>	<b>1,118</b>	<b>7.0</b>	<b>1,151</b>	<b>7.0</b>	<b>1,186</b>	<b>7.0</b>	<b>1,221</b>	<b>7.0</b>
<b>NET INCOME</b>	<b>\$771</b>	<b>7.1 %</b>	<b>\$1,750</b>	<b>13.5 %</b>	<b>\$2,044</b>	<b>14.7 %</b>	<b>\$2,200</b>	<b>15.0 %</b>	<b>\$2,266</b>	<b>15.0 %</b>	<b>\$2,334</b>	<b>15.0 %</b>	<b>\$2,404</b>	<b>15.0 %</b>	<b>\$2,477</b>	<b>15.0 %</b>	<b>\$2,550</b>	<b>15.0 %</b>	<b>\$2,627</b>	<b>15.0 %</b>

\*Departmental expenses are expressed as a percentage of departmental revenues.

\*\*An independent feasibility study for the convention center had not been completed at the time of this report; as such, our revenue and expense projections are subject to change in this department, depending on the results of a detailed study.



## **Forecast of Income and Expense**

The following description sets forth the basis for the forecast of income and expense. We anticipate that it will take four years for the subject property to reach a stabilized level of operation. Each revenue and expense item has been forecast based upon our review of the subject property's operating history, operating budget, and comparable income and expense statements. Our forecast is based upon fiscal years beginning September 1, 2012 and is expressed in inflated dollars for each year.

- The subject property is expected to stabilize at 68% with an average rate of \$120.65 in 2015/16. Following the stabilized year, the subject property's average rate is projected to increase along with the underlying rate of inflation.
- We project food and beverage revenue to be \$31.60 and \$9.36 per occupied room, respectively, in the first projection year, or 28.9% and 8.6% of rooms revenue. These per-occupied-room amounts change to \$32.25 and \$9.55 for respective food and beverage revenue categories by the stabilized year, or respectively 26.7% and 7.9% of rooms revenue. On a percentage of food revenue, beverage revenue is forecast at 29.6% in the first projection year as well as the stabilized year.
- We forecast the subject property's telephone revenue to stabilize at 0.3% of rooms revenue or \$0.36 per occupied room by the stabilized year, 2015/16. Our forecast is highly tied to the subject property's operating history, which is directly reflective of the telephone use trends of guests in this Cedar Rapids market.
- We forecast the subject property's convention center income to stabilize at \$77.63 per occupied room by the stabilized year, 2015/16.
- We forecast the subject property's other income to stabilize at \$5.97 per occupied room by the stabilized year, 2015/16.
- We have projected rooms expense for the subject at 28.3% in the first year (or \$31.00 per occupied room), stabilizing at 24.0% in 2015/16.
- In the first projection year, we have projected administrative and general expense for the subject property to be \$3,126 per available room, or 6.9% of total revenue. By the 2015/16 stabilized year, these amounts change to \$3,583 per available room and 5.9% of total revenue.



- In the first projection year, we have projected marketing expense for the subject property to be \$3,230 per available room, or 7.1% of total revenue. By the 2015/16 stabilized year, these amounts change to \$3,702 per available room and 6.1% of total revenue.
- The hotel is expected to undergo a major renovation and we assume that the subject property will keep its flag as a Crowne Plaza after the renovation. We note that the current franchise agreement would automatically be terminated upon sale of the property. We have assumed that a buyer would secure a new license agreement that would reflect the terms as published in the hotel company's Uniform Franchise Offering Circular (UFOC). Such a new license would likely require substantial upgrades, repairs, and renovations to the property in order to comply with prevailing brand standards, which would necessitate additional investment.
- In the first projection year, we have projected property operations and maintenance expense for the subject property to be \$2,500 per available room, or 5.5% of total revenue. By the 2015/16 stabilized year, these amounts change to \$2,866 per available room and 4.7% of total revenue.
- We have projected utilities expense for the subject property to be 5.7% of total revenue or \$2,605 per available room in year one, stabilizing at 4.9% of total revenue or \$2,986 per available room.
- Management fees for the subject property have been forecast at 3.0% of total revenue.
- Based on our review of historical levels and comparable data, we project the subject property's insurance expense at \$239 per available room by the stabilized year. This stabilized level equates to 0.4% of total revenue.

**INCOME  
CAPITALIZATION –  
DISCOUNTED CASH  
FLOW TECHNIQUE**

The subject property has been valued via the income approach through the application of a ten-year, discounted cash-flow analysis.

For the purpose of the prospective, "when stabilized" value, we conducted the following discounted cash flow analysis.

**Overall Discount Rate  
and Discounted Cash  
Flow Analysis**

The income approach can also be applied through the application of an overall discount rate. A 12.3% discount rate was derived, in part, from the mortgage-equity analysis. This discount rate was then applied to the hotel's



net income before debt service (free-and-clear cash flow) to the derived value, calculated as follows:

**Figure 6-8 Value Derived by Application of Overall Discount Rate**

Stabilized Year	4		
Discount Rate	12.3 %		
Terminal Cap	9.5		
Transaction Costs	2.5		
		<b>Discount Factor</b>	<b>Discounted</b>
<b>Year</b>	<b>Net Income</b>	<b>@ 12.3%</b>	<b>Cash Flow</b>
2015/16	\$2,200,000	0.89011	\$1,958,000
2016/17	2,266,000	0.79229	1,795,000
2017/18	2,334,000	0.70522	1,646,000
2018/19	2,404,000	0.62772	1,509,000
2019/20	2,477,000	0.55874	1,384,000
2020/21	2,550,000	0.49733	1,268,000
2021/22	2,627,000	0.44268	1,163,000
2022/23	2,706,000	0.39403	1,066,000
2023/24	2,787,000	0.35073	977,000
2024/25	33,219,000 *	0.31219	10,371,000
		<b>Estimated Value</b>	<b>\$23,137,000</b>
		(SAY)	<b>\$23,100,000</b>
<b>Reversion Analysis</b>		Per Room	\$97,000
11th Year's Net Income			\$2,957,000
Capitalization Rate			9.5%
Total Sales Proceeds			\$31,126,000
Less: Transaction Costs @ 2.5%			778,000
Net Sales Proceeds (Say)			<u>30,348,000</u>
*10th year net income of \$2,871,000 plus sales proceeds of \$30,348,000			

The discount rate selected is considered appropriate for the subject property given the anticipated benefits of the proposed renovation and grand re-opening.

## Conclusion

Using the income capitalization approach, the subject property was valued by a mortgage-equity valuation analysis, a straightforward discounted cash flow analysis, as well as a direct capitalization. Based on our review of each method and their inherent strengths and weaknesses, as well as investor attitudes and methodologies, we have reconciled the stabilized value indication via the income capitalization approach to \$23,100,000, or \$97,000 per room.



## 7. Sales Comparison Approach

The following transactions involved hotels that have some degree of similitude with the subject property.

**Figure 7-1 Summary of Selected Comparable Sales**

Property	Location	Sale Date	Price	Rooms	Price/Rm
Marriott West Des Moines	West Des Moines, Iowa	Jun-10	\$29,297,601	219	\$133,779
Holiday Inn Columbus	Columbus, Ohio	Apr-09	20,000,000	243	82,305
DoubleTree Guest Suites Lexington	Lexington, Kentucky	Jun-07	12,587,395	155	81,209
DoubleTree at Warren Place Tulsa	Tulsa, Oklahoma	Apr-07	31,000,000	370	83,784



## Review of Comparable Sales

The following table sets forth the adjustment grid used to account for differences between the transacted properties and the subject property.

**Figure 7-2 Comparable Sales Adjustment Grid**

Elements of Comparison	Subject Property	Sale #1	Sale #2	Sale #3	Sale #4
		Marriott West Des Moines, West Des Moines, Iowa	Holiday Inn Columbus, Columbus, Ohio	DoubleTree Guest Suites Lexington, Lexington, Kentucky	DoubleTree at Warren Place Tulsa, Tulsa, Oklahoma
Sale Price		\$29,297,601	\$20,000,000	\$12,587,395	\$31,000,000
Number of Rooms	238	219	243	155	370
Price per Room		\$133,779	\$82,305	\$81,209	\$83,784
Date of Sale		June-10	April-09	June-07	April-07
<b>Adjustments for Transaction Characteristics (Per Room)</b>					
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment		0.0 %	0.0 %	0.0 %	0.0 %
Adjusted Sales Price		133,779	82,305	81,209	83,784
Financing Terms		Cash Equivalent	Cash Equivalent	Cash Equivalent	Cash Equivalent
Adjustment		0.0 %	0.0 %	0.0 %	0.0 %
Adjusted Sales Price		133,779	82,305	81,209	83,784
Conditions of Sale		Normal	Normal	Normal	Normal
Adjustment		0.0 %	0.0 %	0.0 %	0.0 %
Adjusted Sales Price		133,779	82,305	81,209	83,784
Market Conditions		Inferior	Inferior	Similar	Similar
Adjustment		10.0 %	25.0 %	0.0 %	0.0 %
Adjusted Sales Price		147,157	102,881	81,209	83,784
Adjusted Price		\$147,157	\$102,881	\$81,209	\$83,784
<b>Adjustments for Property Characteristics</b>					
Location/Market		Superior	Superior	Superior	Superior
Adjustment		(20.0) %	(20.0) %	(5.0) %	(5.0) %
Physical Condition/Facilities		Superior	Inferior	Similar	Similar
Adjustment		(20.0) %	5.0 %	0.0 %	0.0 %
Other Revenue Sources		Similar	Similar	Similar	Similar
Adjustment		0.0 %	0.0 %	0.0 %	0.0 %
Cumulative Percentage Adjustment		(40.0) %	(15.0) %	(5.0) %	(5.0) %
Net Adjust. for Property Characteristics		(58,863)	(15,432)	(4,060)	(4,189)
<b>Final Adjusted Unit Price</b>		<b>\$88,000</b>	<b>\$87,000</b>	<b>\$77,000</b>	<b>\$80,000</b>



Adjustments for market conditions were applied to all sales to reflect the prospective nature of the “when stabilized” effective value date for the subject property. Additional adjustments were considered for the location, physical condition, facility attributes, and revenue sources of each comparable sale relative to the prospective position of the subject property upon stabilization.

**Conclusion**

Prior to adjustments, the comparable sales transacted for amounts ranging from \$81,000 to \$134,000 per room. Following quantitative and qualitative adjustments, we have positioned an appropriate value at \$77,000 to \$88,000 per room, or \$18,300,000 to \$20,900,000, for the 238-room subject property.



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## 8. Reconciliation of Value Indications

The reconciliation, which is the last step in the appraisal process, involves summarizing and correlating the data and procedures employed throughout the analysis. The final value conclusion is arrived at after reviewing the estimates indicated by the income capitalization and sales comparison approaches. The relative significance, applicability, and defensibility of each indicated value are considered, and the greatest weight is given to that approach deemed most appropriate for the property being appraised.

The purpose of this report is to estimate the market value of the fee simple interest in the subject property; our appraisal involves a careful analysis of the property itself and the economic, demographic, political, physical, and environmental factors that influence real estate values.

### **Income Capitalization Approach**

To estimate the subject property's value via the income capitalization approach, we have analyzed the local market for transient accommodations, examined the competitive environment, projected occupancy and average rate levels, and developed a forecast of income and expense that reflects anticipated income trends and cost components through a stabilized year of operation. The subject property's projected net income before debt service was allocated to the mortgage and equity components based on market rates of return and loan-to-value ratios. Through a discounted cash flow and income capitalization procedure, the value of each component was calculated; the total of the mortgage and equity components equates to the value of the property.



Our nationwide experience indicates that the procedures used in estimating market value by the income capitalization approach are comparable to those employed by the hotel investors who constitute the marketplace. For this reason, we believe that the income capitalization approach produces the most supportable value estimate, and it is given the greatest weight in our final estimate of the subject property's market value.

### **Sales Comparison Approach**

The sales comparison approach uses actual sales of similar properties to provide an indication of the subject property's value. Although we have investigated a number of sales in an attempt to develop a range of value indications, several adjustments are necessary to render these sales prices applicable to the subject property. The adjustments, which tend to be subjective, diminish the reliability of the sales comparison approach; furthermore, typical hotel investors employ a sales comparison procedure only to establish broad value parameters.

The hotel sales outlined earlier in this report indicate an adjusted value range of \$77,000 to \$88,000 per available room. The income capitalization approach indicates a per room value of \$80,000 (rounded). This information supports the "when complete" value indicated by the income capitalization approach.

### **Cost Approach**

Due to the practices of typical hotel buyers and sellers in today's market, the cost approach was not employed in arriving at a "when stabilized" market value estimate. However, we considered the renovation budget and cost requirements in determining our forecasts for the subject property's future performance levels.

### **Value Conclusion**

Careful consideration has been given to the strengths and weaknesses of the three approaches to value discussed above. In recognition of the purpose of this appraisal, we have given primary weight to the value indicated by the income capitalization approach.



Based on our analysis, it is our opinion that the “when complete” prospective market value of the fee simple interest in the Crowne Plaza Five Seasons, as of September 1, 2012, is:

\$19,100,000

NINETEEN MILLION ONE HUNDRED THOUSAND DOLLARS

This value estimate equates to \$80,000 per room, based on an assumed reduction in guestroom inventory to 238 units. The estimates of market value include the land (if applicable), the improvements, and the furniture, fixtures, and equipment. The appraisal assumes that the hotel is open and operational.

Based on our analysis, it is our opinion that the “when stabilized” prospective market value of the fee simple interest in the Crowne Plaza Five Seasons, as of September 1, 2015, is:

\$23,100,000

TWENTY-THREE MILLION ONE HUNDRED THOUSAND DOLLARS

This value estimate equates to \$97,000 per room, based on an assumed reduction in guestroom inventory to 238 units. The estimates of market value include the land (if applicable), the improvements, and the furniture, fixtures, and equipment. The appraisal assumes that the hotel is open and operational.

We have made several extraordinary assumptions specific to the subject property. (1) We assume all necessary capital improvements will be made to allow the property to maintain its brand and re-open as a Crowne Plaza in 2012. (2) We assume the adjacent U.S. Cellular Arena will complete a major refurbishment that will make the venue more attractive and enhance all common areas that are used by hotel guests. (3) We assume the new convention center will be adjacent to the subject property, with adequate connectivity to allow the subject property to serve as the convention center's headquarters hotel. (4) We assume the new convention center will perform as projected, as no detailed market study has been completed as of our report date. (5) We assume the proposed convention center will be developed at a cost of approximately \$67 million and offer 60,000 square feet of rentable function space while the subject property's complete renovation and redevelopment will cost approximately \$21 million. (6) We assume that all of these projects except the convention center (1/1/2013 open) will be completed



as of September 1, 2012, which is the effective value date for this appraisal. Additionally, several important general assumptions have been made that apply to this appraisal and our valuations of hotels in general. These aspects are set forth in the Assumptions and Limiting Conditions chapter of this report. We have made no assumptions of hypothetical conditions in our report.



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## 9. Statement of Assumptions and Limiting Conditions

1. This report is to be used in whole and not in part.
2. No responsibility is assumed for matters of a legal nature, nor do we render any opinion as to title, which is assumed to be marketable and free of any deed restrictions and easements. The property is valued as though free and clear unless otherwise stated.
3. We assume that there are no hidden or unapparent conditions of the sub-soil or structures, such as underground storage tanks, that would render the property more or less valuable. No responsibility is assumed for these conditions or for any engineering that may be required to discover them.
4. We have not considered the presence of potentially hazardous materials such as asbestos, urea formaldehyde foam insulation, any form of toxic waste, polychlorinated biphenyls (PCB), pesticides, mold, or lead-based paints. The appraisers are not qualified to detect hazardous substances, and we urge the client to retain an expert in this field if desired.
5. The Americans with Disabilities Act (ADA) became effective on January 26, 1992. We have conducted no specific compliance survey to determine whether the subject property has been designed in accordance with the various detailed requirements of the ADA. It is possible that the design does not conform to the requirements of the act, and this could have an unfavorable effect on value. Because we have no direct evidence regarding this issue, our estimate of value does not consider possible non-compliance with the ADA.
6. We have made no survey of the property, and we assume no responsibility in connection with such matters. Sketches, photographs, maps, and other exhibits are included to assist the reader in visualizing the property. It is assumed that the use of the described real estate is within the boundaries of the property described, and that there is no encroachment or trespass unless noted.



7. All information, financial operating statements, estimates, and opinions obtained from parties not employed by CCG Holdings, LLC are assumed to be true and correct. We can assume no liability resulting from misinformation.
8. Unless noted, we assume that there are no encroachments, zoning violations, or building violations encumbering the subject property.
9. The property is assumed to be in full compliance with all applicable federal, state, local, and private codes, laws, consents, licenses, and regulations (including a liquor license where appropriate), and that all licenses, permits, certificates, franchises, and so forth can be freely renewed or transferred to a purchaser.
10. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless specified otherwise.
11. None of this material may be reproduced in any form without our written permission, and the report cannot be disseminated to the public through advertising, public relations, news, sales, or other media.
12. We are not required to give testimony or attendance in court by reason of this analysis without previous arrangements, and only when our standard per-diem fees and travel costs are paid prior to the appearance.
13. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material presented in this report, it is recommended that the reader contact us.
14. We take no responsibility for any events or circumstances that take place subsequent to either the date of value or the date of our field inspection, whichever occurs first.
15. The quality of a lodging facility's on-site management has a direct effect on a property's economic viability and value. The financial forecasts presented in this analysis assume responsible ownership and competent management. Any departure from this assumption may have a significant impact on the projected operating results and the value estimate.
16. The financial analysis presented in this report is based upon assumptions, estimates, and evaluations of the market conditions in the local and national economy, which may be subject to sharp rises and declines. Over the projection period considered in our analysis, wages and other operating expenses may increase or decrease due to market volatility and economic forces outside the control of the hotel's management. We



assume that the price of hotel rooms, food, beverages, and other sources of revenue to the hotel will be adjusted to offset any increases or decreases in related costs. We do not warrant that our estimates will be attained, but they have been developed on the basis of information obtained during the course of our market research and are intended to reflect the expectations of a typical hotel buyer as of the stated date(s) of valuation.

17. This analysis assumes continuation of all Internal Revenue Service tax code provisions as stated or interpreted on either the date of value or the date of our field inspection, whichever occurs first.
18. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity, most numbers have been rounded to the nearest tenth of a percent. Thus, these figures may be subject to small rounding errors.
19. It is agreed that our liability to the client is limited to the amount of the fee paid as liquidated damages. Our responsibility is limited to the client, and use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in our engagement letter with the client.
20. Although this analysis employs various mathematical calculations to provide value indications, the final estimate is subjective and may be influenced by our experience and other factors not specifically set forth in this report.
21. Any distribution of the total value between the land and improvements or between partial ownership interests applies only under the stated use. Moreover, separate allocations between components are not valid if this report is used in conjunction with any other analysis.
22. Our report was prepared in accordance with, and is subject to, the requirements of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) and the Uniform Standards of Professional Practice (USPAP), as provided by the Appraisal Foundation.
23. This study was prepared by CCG Holdings, LLC. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of CCG Holdings, LLC as employees, rather than as individuals.



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## 10. Certification

The undersigned hereby certify that, to the best of our knowledge and belief:

1. the statements of fact presented in this report are true and correct;
2. the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
3. we have no (or the specified) present or prospective interest in the property that is the subject of this report and no (or the specified) personal interest with respect to the parties involved;
4. we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
5. our engagement in this assignment was not contingent upon developing or reporting predetermined results;
6. our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal;
7. our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice;
8. Hans Detlefsen, MPP personally inspected the property described in this report; Jimmy Bae participated in the analysis, but did not personally inspect the property;
9. no one other than those listed above and the undersigned prepared the analyses, conclusions, and opinions concerning the real estate that are set forth in this appraisal report;
10. the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the



Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute;

11. the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives; and
12. as of the date of this report, Hans Detlefsen, MPP, MAI, has completed the requirements of the continuing education program of the Appraisal Institute.

A handwritten signature in black ink that reads 'Jimmy Bae'.

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Jimmy Bae  
Senior Associate  
CCG Holdings, LLC  
A licensee of the HVS service mark

A handwritten signature in black ink that reads 'Hans Detlefsen'.

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Hans Detlefsen, MPP, MAI  
Managing Director  
CCG Holdings, LLC  
A licensee of the HVS service mark  
State Appraiser License 553.001838 (IL)



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## Addendum A – Stress Test Scenario

### Overview

Considering the financial, political, and other potential risks associated with a project of this nature, representatives of the City of Cedar Rapids asked HVS to develop a second scenario as a “stress test” to determine the impact on projected income and expense if lodging demand does not materialize as expected. Specifically, this scenario assumes:

- Subject stabilized occupancy of 60%
- Subject stabilized ADR of less than \$100 (in base year dollars)

In order to reach occupancies of only 60% at the subject property, this scenario implies the following assumptions about market demand:

- 0% growth in base lodging demand in Cedar Rapids
- 67% reduction in induced demand from new convention center and subject property’s additional meeting spaces

This scenario still assumes a 238-room Crowne Plaza hotel will re-open on September 1<sup>st</sup>, 2012, following a one-year complete renovation that would cost approximately \$21 million.

The projections in this scenario are not intended to reflect the expectations of typical market participants. Rather, these projections are intended to be used for internal planning purposes by the City of Cedar Rapids.

The following table provides a ten-year, detailed forecast of income and expense line items subject to the preceding assumptions.

**Ten-Year Forecast of Income and Expense**

	2012/13		2013/14		2014/15		2015/16		2016/17		2017/18		2018/19		2019/20		2020/21		2021/22		
<b>Number of Rooms:</b>	<b>238</b>		<b>238</b>		<b>238</b>		<b>238</b>		<b>238</b>		<b>238</b>		<b>238</b>		<b>238</b>		<b>238</b>		<b>238</b>		
<b>Occupied Rooms:</b>	<b>42,566</b>		<b>48,647</b>		<b>51,253</b>		<b>52,122</b>		<b>52,122</b>		<b>52,122</b>		<b>52,122</b>		<b>52,122</b>		<b>52,122</b>		<b>52,122</b>		
<b>Occupancy:</b>	<b>49%</b>		<b>56%</b>		<b>59%</b>		<b>60%</b>		<b>60%</b>		<b>60%</b>		<b>60%</b>		<b>60%</b>		<b>60%</b>		<b>60%</b>		
<b>Average Rate:</b>	<b>\$103.92</b>	% of	<b>\$108.04</b>	% of	<b>\$111.28</b>	% of	<b>\$114.62</b>	% of	<b>\$118.06</b>	% of	<b>\$121.60</b>	% of	<b>\$125.25</b>	% of	<b>\$129.01</b>	% of	<b>\$132.88</b>	% of	<b>\$136.86</b>	% of	
<b>RevPAR:</b>	<b>\$50.92</b>	Gross	<b>\$60.50</b>	Gross	<b>\$65.66</b>	Gross	<b>\$68.77</b>	Gross	<b>\$70.84</b>	Gross	<b>\$72.96</b>	Gross	<b>\$75.15</b>	Gross	<b>\$77.40</b>	Gross	<b>\$79.73</b>	Gross	<b>\$82.12</b>	Gross	
<b>REVENUE</b>																					
Rooms	\$4,424	46.0 %	\$5,256	46.7 %	\$5,704	47.5 %	\$5,974	47.7 %	\$6,153	47.7 %	\$6,338	47.7 %	\$6,528	47.7 %	\$6,724	47.7 %	\$6,926	47.7 %	\$7,134	47.7 %	
Food	1,327	13.8	1,505	13.4	1,611	13.4	1,681	13.4	1,731	13.4	1,783	13.4	1,837	13.4	1,892	13.4	1,948	13.4	2,007	13.4	
Beverage	393	4.1	446	4.0	477	4.0	498	4.0	513	4.0	528	4.0	544	4.0	560	4.0	577	4.0	595	4.0	
Telephone	14	0.1	17	0.1	18	0.1	19	0.1	19	0.1	20	0.1	20	0.1	21	0.1	22	0.1	22	0.1	
Convention Center**	3,197	33.2	3,738	33.2	3,909	32.5	4,046	32.3	4,168	32.3	4,293	32.3	4,421	32.3	4,554	32.3	4,691	32.3	4,831	32.3	
Other Income	269	2.8	288	2.6	301	2.5	311	2.5	321	2.5	330	2.5	340	2.5	350	2.5	361	2.5	372	2.5	
Total	9,624	100.0	11,249	100.0	12,020	100.0	12,529	100.0	12,904	100.0	13,292	100.0	13,691	100.0	14,101	100.0	14,525	100.0	14,961	100.0	
<b>DEPARTMENTAL EXPENSES*</b>																					
Rooms	1,216	27.5	1,315	25.0	1,383	24.2	1,434	24.0	1,477	24.0	1,521	24.0	1,567	24.0	1,614	24.0	1,662	24.0	1,712	24.0	
Food & Beverage	1,403	81.6	1,506	77.2	1,578	75.5	1,634	75.0	1,683	75.0	1,734	75.0	1,786	75.0	1,839	75.0	1,894	75.0	1,951	75.0	
Telephone	16	111.9	17	103.8	18	100.9	19	100.0	19	100.0	20	100.0	20	100.0	21	100.0	22	100.0	22	100.0	
Convention Center**	2,492	78.0	2,818	75.4	2,935	75.1	3,035	75.0	3,126	75.0	3,219	75.0	3,316	75.0	3,415	75.0	3,518	75.0	3,623	75.0	
Other Expenses	140	52.0	146	50.7	151	50.2	156	50.0	160	50.0	165	50.0	170	50.0	175	50.0	180	50.0	186	50.0	
Total	5,267	54.7	5,802	51.6	6,064	50.5	6,277	50.1	6,465	50.1	6,659	50.1	6,859	50.1	7,065	50.1	7,276	50.1	7,495	50.1	
<b>DEPARTMENTAL INCOME</b>	<b>4,357</b>	<b>45.3</b>	<b>5,447</b>	<b>48.4</b>	<b>5,956</b>	<b>49.5</b>	<b>6,252</b>	<b>49.9</b>	<b>6,439</b>	<b>49.9</b>	<b>6,633</b>	<b>49.9</b>	<b>6,832</b>	<b>49.9</b>	<b>7,037</b>	<b>49.9</b>	<b>7,248</b>	<b>49.9</b>	<b>7,466</b>	<b>49.9</b>	
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																					
Administrative & General	749	7.8	794	7.1	825	6.9	853	6.8	878	6.8	905	6.8	932	6.8	960	6.8	989	6.8	1,018	6.8	
Marketing	774	8.0	821	7.3	853	7.1	881	7.0	908	7.0	935	7.0	963	7.0	992	7.0	1,021	7.0	1,052	7.0	
Franchise Fee	354	3.7	420	3.7	456	3.8	478	3.8	492	3.8	507	3.8	522	3.8	538	3.8	554	3.8	571	3.8	
Prop. Operations & Maint.	599	6.2	635	5.6	660	5.5	682	5.4	703	5.4	724	5.4	745	5.4	768	5.4	791	5.4	815	5.4	
Utilities	624	6.5	662	5.9	688	5.7	711	5.7	732	5.7	754	5.7	776	5.7	800	5.7	824	5.7	848	5.7	
Total	3,100	32.2	3,333	29.6	3,483	29.0	3,605	28.7	3,713	28.7	3,824	28.7	3,939	28.7	4,057	28.7	4,179	28.7	4,304	28.7	
<b>HOUSE PROFIT</b>	<b>1,256</b>	<b>13.1</b>	<b>2,114</b>	<b>18.8</b>	<b>2,473</b>	<b>20.5</b>	<b>2,647</b>	<b>21.2</b>	<b>2,727</b>	<b>21.2</b>	<b>2,809</b>	<b>21.2</b>	<b>2,893</b>	<b>21.2</b>	<b>2,980</b>	<b>21.2</b>	<b>3,070</b>	<b>21.2</b>	<b>3,162</b>	<b>21.2</b>	
Management Fee	289	3.0	337	3.0	361	3.0	376	3.0	387	3.0	399	3.0	411	3.0	423	3.0	436	3.0	449	3.0	
<b>INCOME BEFORE FIXED CHARGES</b>	<b>968</b>	<b>10.1</b>	<b>1,777</b>	<b>15.8</b>	<b>2,112</b>	<b>17.5</b>	<b>2,272</b>	<b>18.2</b>	<b>2,340</b>	<b>18.2</b>	<b>2,410</b>	<b>18.2</b>	<b>2,482</b>	<b>18.2</b>	<b>2,557</b>	<b>18.2</b>	<b>2,634</b>	<b>18.2</b>	<b>2,713</b>	<b>18.2</b>	
<b>FIXED EXPENSES</b>																					
Property Taxes	329	3.4	334	3.0	340	2.8	350	2.8	361	2.8	372	2.8	383	2.8	394	2.8	406	2.8	418	2.8	
Insurance	52	0.5	54	0.5	55	0.5	57	0.5	59	0.5	60	0.5	62	0.5	64	0.5	66	0.5	68	0.5	
Lease Expense	29	0.3	31	0.3	32	0.3	33	0.3	34	0.3	35	0.3	37	0.3	38	0.3	39	0.3	40	0.3	
Reserve for Replacement	192	2.0	337	3.0	481	4.0	501	4.0	516	4.0	532	4.0	548	4.0	564	4.0	581	4.0	598	4.0	
Total	602	6.2	756	6.8	909	7.6	942	7.6	970	7.6	999	7.6	1,029	7.6	1,060	7.6	1,092	7.6	1,125	7.6	
<b>NET INCOME</b>	<b>\$366</b>	<b>3.9 %</b>	<b>\$1,021</b>	<b>9.0 %</b>	<b>\$1,204</b>	<b>9.9 %</b>	<b>\$1,330</b>	<b>10.6 %</b>	<b>\$1,369</b>	<b>10.6 %</b>	<b>\$1,411</b>	<b>10.6 %</b>	<b>\$1,453</b>	<b>10.6 %</b>	<b>\$1,497</b>	<b>10.6 %</b>	<b>\$1,542</b>	<b>10.6 %</b>	<b>\$1,588</b>	<b>10.6 %</b>	

\*Departmental expenses are expressed as a percentage of departmental revenues.

\*\*An independent feasibility study for the convention center had not been completed at the time of this report; as such, our revenue and expense projections are subject to change in this department, depending on the results of a detailed study.