MEMORANDUM

Date: May 17, 2006

To: Molly Henderson

From: PKF Consulting

Re: Proposed Hotel/Convention Center

PKF CONSULTING

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Per your request, we have prepared a summary of the projected overall financial performance of the proposed project in a representative year (in 2006 value dollars) based on the following information:

- Our projections of net operating income after reserves for the combined Hotel/Convention Center facility as detailed in our draft report dated May 12, 2006.
- Annual debt obligation[1] estimates as provided by you which are as follows:
  - $14,000,000 20-year partially City guaranteed RACL loan (tax-free[2]) with annual debt service payments of $1,000,000.
  - $24,000,000 20-year City guaranteed RACL loan (tax-free[2]) with annual debt service payments of $1,700,000[3].
  - $42,695,000 40-year County guaranteed LCCA loan (tax-free[2]) with annual debt service payments of $2,650,000.
- Funds available for annual debt obligations
  - Annual revenue available for the project as provided by you which are as follows:
    - $1,000,000 state Act 23 TIF grant
    - Hotel tax revenues[4] as follows:
      - $3,199,863 in 2006 value dollars, excluding the proposed Marriott
      - $190,133 (in 2006 value dollars) incremental revenue attributed to the proposed Marriott, assuming that it achieves the occupancy and rate projections detailed in our draft report dated May 12, 2006.

We understand that a parking garage has also been proposed (and will be necessary), and we have not been informed how this will be funded.

The following table presents our conclusion of the projected overall financial performance of the proposed project in a representative year of operation (in 2006 value dollars) given the aforementioned assumptions.

Net operating income after reserves (combined Hotel/Convention Center)[5,6]	**$ (1,281,000)**
Annual debt obligations:	
Partially City guaranteed RACL loan	$ (1,000,000)
City guaranteed RACL loan	$ (1,700,000)
County guaranteed LCCA loan	$ (2,650,000)
Total annual debt obligations	**$ (5,350,000)**
NOI less annual debt obligations	**$ (6,631,000)**
Funds available for annual debt obligations:	
State Act 23 TIF grant	$ 1,000,000
Hotel tax revenues	$ 3,389,996
Total funds available for annual debt obligations	**$ 4,389,996**
Annual Net Gain/(Loss)	**$ (2,241,000)**

Footnotes:

[1] : The estimates of debt obligations account for $80,700,000 of the total development cost. It is our understanding that the total construction cost in 2006 value dollars is estimated to be $140,000,000. We have assumed that the difference between the total debt service ($80,700,000) and the estimated total construction cost ($140,000,000) is secured for the project through grants and equity and is not subject to financing.

[2] : We have assumed that the loans are tax-free; however, if for some reason the bonds are subject to taxation, the annual debt service obligations would be higher. Based on information provided by financial institutions dealing in the bond market, the interest rates on the bonds could be up to 200 basis points higher if they were subject to taxation. At a 150 basis point level, total annual debt obligations would then be understated by 15.9 percent, or approximately $850,000.

[3] : We have calculated the annual debt service payment for this loan at the same ratio as the $14,000,000 20-year partially City guaranteed RACL loan.

[4] : This assumes no overlap (cannibalization) of existing hotel revenues in the market. It should be anticipated that while the proposed Hotel would absorb some of the existing demand in the market, the demand taken from existing hotels by the proposed Hotel would be replaced by demand that the proposed Hotel/Convention Center would be likely to generate (induced into the market) for the other hotels during peak event periods.

[5] : We have assumed that a portion of the proposed Convention Center's marketing efforts would be funded and executed by the PDCCVB, partially through their portion of the hotel tax revenues. The funds available to the PDCCVB from the hotel tax are earmarked for County-wide marketing. Therefore, an expansion of PDCCVB resources will likely be necessary to augment the marketing effort by the proposed Hotel/Convention Center beyond the amount estimated in our projection. We estimate this to be in the range of $400,000. However, if this funding were not available, additional monies equal to the anticipated PDCCVB contribution into the marketing expense line item would be required for the proposed Convention Center, which would adversely affect the net operating income after reserves. This would, in turn, have a negative impact on the annual net gain/(loss).

[6] : We have assumed that both entities (Hotel and Convention Center components of the proposed project) would be exempt from real estate taxes. However, it is our understanding that the proposed Hotel may be subject to real estate taxes to include County, City, and School District taxes, which currently have a combined millage rate of 30.582. This tax rate would be assessed on the estimated hard development cost of the proposed Hotel, or $43,200,000. This would reduce the net operating income after reserves by approximately $1,321,000.

We have adjusted the projections detailed in the previous table to account for the contingencies identified in Footnotes 2 (annual debt obligations increase due to the taxable nature of the bonds), 6 (marketing efforts for the proposed Convention Center would not be funded and executed by the PDCCVB), and 7 (proposed Hotel is subject to real estate taxes). The results of this analysis are presented in the following table. As mentioned previously, the projected overall financial performance of the proposed project is presented for a representative year of operation (in 2006 value dollars)

Net operating income after reserves (combined Hotel/Convention Center) – per PKF's draft report dated May 12, 2006	**$ (1,281,000)**
Additional marketing attributed to the proposed Convention Center	$ (400,000)
Real estate taxes for the proposed Hotel	$ (1,321,000)
Adjusted net operating income after reserves	**$ (3,002,000)**
Annual debt obligations:	
Partially City guaranteed RACL loan (taxable)	$ (1,100,000)
City guaranteed RACL loan (taxable)	$ (1,900,000)
County guaranteed LCCA loan (taxable)	$ (3,200,000)
Total annual debt obligations	**$ (6,200,000)**
NOI less annual debt obligations	**$ (9,202,000)**
Funds available for annual debt obligations:	
State Act 23 TIF grant	$ 1,000,000
Hotel tax revenues	$ 3,389,996
Total funds available for annual debt obligations	**$ 4,389,996**
Annual Net Gain/(Loss)	**$ (4,812,000)**

Since these estimates are based upon assumptions regarding circumstances and events that have not yet occurred, they are subject to potential variation. Accordingly, we cannot provide any assurances that the estimates will be representative of the results that will actually be achieved during the projection period. Further, we have assumed that management understands the importance of effective marketing and would therefore commit the necessary funds and personnel to successfully penetrate the market, inclusive of human and capital resources of the PDCCVB.