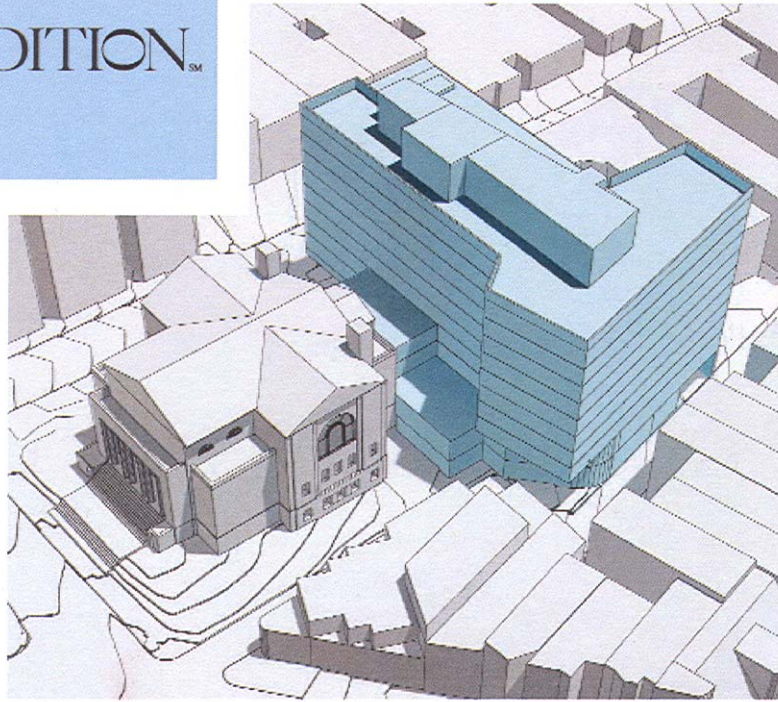


EDITION<sup>SM</sup>



## The Edition DC Hotel Evaluation of Request for Tax Increment Financing

Prepared for:  
OFFICE OF THE CHIEF FINANCIAL OFFICER  
DISTRICT OF COLUMBIA

Prepared by:  
CB RICHARD ELLIS

JULY 2010

July 16, 2010

Ms. Elizabeth Pollitt Paisner  
Office of Chief Financial Officer  
District of Columbia Government  
1101 4th Street, SW, Suite W772  
Washington, DC 20024

**Re: Evaluation of Edition DC Tax Increment Financing Request**

Dear Ms. Pollitt Paisner:

CB Richard Ellis (CBRE) is pleased to submit this report presenting the findings of its evaluation of several aspects of the tax increment financing (TIF) request submitted on behalf of the proposed Edition DC Hotel.

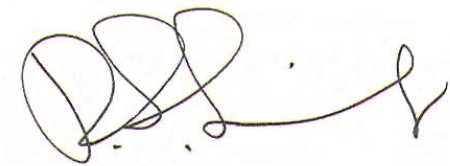
Our key findings and conclusions can be summarized as follows:

1. The projected development costs of the project contained in the TIF request are within the range of the costs that could be expected for the development of a five-star hotel in the Washing DC area.
2. The projected food and beverage (F&B) revenues appear to be consistent with the level of revenues that could be generated by successful restaurants and event facilities of the type and size proposed.
3. The projected average daily room rate (ADR) in the request is within a range that may be achieved by a five-star hotel in Washington DC when the Edition DC is scheduled to open. However, Edition is a luxury brand that has not yet opened a hotel and thus has not yet established an operating track record. Furthermore, the proposed site is not in an established area for hotels. Consequently, it may be prudent to base any TIF decision on an ADR that is as much as 20% lower than shown in the request.
4. The TIF request projected approximately \$66.3 million in TI over the first ten years. This would have paid off the TIF bonds in six years. With a 20% reduction in the ADR, adjusting the property tax computation, and incorporating allocations for the Convention Center and general obligation bonds, CBRE estimated that approximately \$48.0 million in TI would be available over the first ten years. This would pay off the TIF bonds in nine years. A 25% reduction in the ADR would also result in the bonds being paid off in nine years.

In summary and based on our analysis, the projected development costs and F&B revenues in the TIF request appear to be reasonable. For the purpose of evaluating the TIF request, CBRE recommends using an ADR that is in the range of 20% lower than assumed by the developer in the TIF request. The impact of using a lower ADR, higher property tax projections and appropriate allocations in the financial projections would result in lower annual TI and the TIF bonds being paid off in nine years instead of the six years in the Developer's TIF request.

This methodology utilized to reach these findings and conclusions is presented in this report along with supporting tables. It has been a privilege to assist the District of Columbia Government on this important assignment. Please do not hesitate to contact us with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ross S. Selvidge', with a stylized flourish at the end.

Ross S. Selvidge, Ph.D.  
Managing Director  
CB Richard Ellis

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## I. EXECUTIVE SUMMARY

### ASSIGNMENT AND APPROACH

The Office of the Chief Financial Officer of the District of Columbia Government engaged CB Richard Ellis (CBRE) to evaluate several aspects of a Tax Increment Financing (TIF) request submitted by Betzak Properties and Friedman Capital (Developer) for the development of the Edition DC Hotel and associated restaurants (Project).

The three specific areas on investigation are the following:

- A. The total projected development costs
- B. Operating revenue projections
- C. Tax increment projections

The proposed Project consists of a 174-room 10-story five-star hotel, 32,310 square foot health club/spa, 160-space underground garage, and 32,000 square feet of restaurant, bar and event space in the adjacent renovated former First Church of Christ, Scientist building.

The Developer submitted financial pro formas and a substantial amount of backup material. Marriott Hotels played a substantial part in creating those pro formas. CBRE utilized that material as a point of departure for the analysis. For ease of comparison, the revised pro formas based on CBRE's findings are presented in a format similar to the Developer's. CBRE also conducted its review and analysis based on publicly available information and its own proprietary resources.

### FINDINGS

#### Development Costs

The developer's total estimated development cost is \$127.1 million for the entire Project. With the non-hotel components excluded (approximately 20% of the total cost), this is equivalent to \$590,000 per room.

CBRE compared the unit costs and total costs with a variety hotel development cost reference materials. CBRE also consulted with experts in the hospitality industry to determine the reasonableness of the unit costs, individual cost categories, and total cost projections.

Based on this investigation, the total cost projection for the hotel and non-hotel components appear to fall within a reasonable range for a 174-room five-star hotel and restaurants/bars/event space of the sizes proposed.

#### Operating Revenues

Approximately 96% of the hotel operating revenue will be generated by the room revenue and the food and beverage (F&B) revenue. The developer projected a starting ADR of \$411 rising to a

stabilized rate within five years. The occupancy rate was projected to rise from 68% to 72% in three years. The total room revenue in the first year of operations was projected to be \$19.0 million. The F&B from the restaurants and bars as well as the event venue were projected at \$12.7 million in the initial year. Approximately 30% of the F&B revenue was projected to come from the event venue (banquets, etc.) component.

Given the type and size of the proposed restaurants, bars and event venue, the projections of gross revenues appear to be within a range that is achievable. The area immediately to the west of the Project, primarily 18<sup>th</sup> Street, is an established and well know restaurant and club district.

The rate of increase in occupancy, reaching stabilization in only three years, may be somewhat aggressive. The initial ADR of \$411 that forms the basis for the Developers request is in the range of what a five-star hotel in Washington DC may achieve when the Project is completed in 2013. However, inasmuch as Edition is an unproven brand and the Project is located some distance from where virtually all the other hotels in the District are located, CBRE recommends that the TIF request be evaluated based on approximately a 20% lower ADR. That lower rate would be more likely to be achievable and still falls within a range for high end hotels in the District.

### **Tax Increment**

The District will receive tax increment principally from tax on the room revenues, tax on the F&B revenue, and property tax revenues. In the first year, the Developer projected \$2.8 million tax on room revenues, \$1.3 million tax on F&B revenues, and \$1.3 million property tax.

Over ten years, the developer projected a cumulative total TI of \$66.3 million. The annual amounts would be sufficient to entirely pay off the \$27.0 million TIF bonds during the sixth year of operation (see Appendix A-4). It is important to note that these figures do not incorporate a deduction for Convention Center or general obligation bond allocations.

CBRE recommends that the TIF request be evaluated based on a 20% lower initial ADR and that deductions be incorporated for allocations to the Convention Center and general obligation bonds. That would lower the total room tax revenue available for TIF repayments from \$34.8 million to \$19.3 million (see Appendix D-5). In addition, CBRE recommends that the Developer's property tax revenue projections be revised to more accurately reflect the project's property tax liability. Incorporating the ADR reduction and allocations, this would result in an increase in the property tax available for TIF repayments over the first ten years to decline from \$15.2 million to \$13.9 million.

The ten-year total TI from room revenues, F&B revenue and property tax available after allocations to the Convention Center and general obligation bonds with CBRE's changes would equal \$48.0 million or \$15.3 million less than the developer's projection. With that reduction in the total TI available for TIF repayment, the TIF bonds would be paid off in ninth year compared with the sixth year in the Developer's projections.

## II. PROJECT DESCRIPTION AND TIF REQUEST

The Developer submitted a very substantial amount of material in connection with the TIF request. Those materials included but were not limited to qualifications of the development team, conceptual drawings and renderings, an analysis of the Washington DC hotel market by Smith Travel Research, an analysis of the Project market feasibility by PKF/FirstService Real Estate Advisors, draft operating agreements and leases, pro forma projections, and projections of the TIF. That material along with other information obtained in telephone conversations with the Developer formed the basis for the following information. The Developer pro formas on which the TIF request is based are presented in the Appendix.

### OVERALL DESCRIPTION AND LOCATION

The Edition DC will consist of a 174-room 10-story five star hotel with adjacent restaurant, bar, and event spaces in a renovated former First Church Christ, Scientist building. In addition to the 174 rooms, the hotel building will include separate rooftop, pool and lobby bars as well as a 32,310 square foot health club/spa, a three level 9,000 square foot kitchen complex, and 160 underground parking spaces. There is an existing office building on a portion of the site on which the hotel would be constructed. It will be demolished.

The adjacent existing 32,000 square foot First Church Christ, Scientist building will be entirely renovated. The lower level below the existing sanctuary will be built-out to accommodate a 2,500 square foot Café, a 3,000 square foot Café Bar, and a 6,500 square foot restaurant.

The existing 12,000 square foot sanctuary on the main level of the church will be reconfigured and built-out to serve as an events venue for functions such as banquets and other such meetings or functions. The 5,000 square foot third level will be built-out as an additional bar. The historic and architecturally significant exterior of the church will be preserved.

The project will be located at the corner of Columbia Road and Euclid Street NW in the Adams Morgan district. Immediately west of the Project is the north end of 18<sup>th</sup> Street, a well established area with restaurants, bars/nightclubs, and evening activity. In addition, the Adams Morgan district currently has some higher end retail establishments and high-end homes and condominiums. Between the site and Du Pont Circle, there are a number of embassies and research institutions. There are several successful full-service hotels less than a mile from the site to the south and southwest. The Metro stations at Woodley Park Zoo and Columbia Heights are approximately a ten-minute walk from the site.

### PROJECT FINANCIAL PROJECTIONS

The Project pro forma presented by the Developer was prepared with substantial input and review by Marriott Hotels. Marriott in association with Ian Schrager created the Edition brand of boutique hotels. The first Edition hotels are scheduled to open in the third quarter of 2010 in Honolulu, Hawaii and Istanbul, Turkey. Consequently there is not a track record for that specific brand in a major metropolitan area in the continental United States.



## Development Costs

The Developer has divided the development costs into land, hard and soft cost categories. A line item breakdown of these cost estimates is presented in the Appendix A-1 and B-2.

The land cost specified for the two parcels that will be acquired is \$8.5 million for the hotel site (with the existing office building that will be demolished) and \$8.5 million for the church. In the two purchase contracts provided by the Developer, the original price of each is shown as \$7.5 million with various amendments. The developer has indicated that the additional costs reflect various assignment and broker fees due. CBRE has conducted this analysis based on the presumption that an arms length cost of the parcels is \$8.5 million each.

The hard costs were divided into five major categories. The construction of the 157,291 square feet of new hotel tower was estimated at \$325 per square foot for a total of \$51.1 million. The renovation of the 32,000 square foot church was estimated at \$250 per square foot for a total of \$8.0 million. The cost of the underground parking garage was estimated at \$35,000 per space or a total of \$5.6 million. The cost fitting out the 9,000 square foot kitchen was estimated at \$3.0 million. Adding a 5% contingency factor produces a total hard cost estimate of \$71.1 million.

The soft costs consist of various professional service costs and fees including financing interest and fees. Both Marriott and Ian Schrager would receive fees for their concept and design participation. There would also be costs for furniture, fixtures and equipment (FF&E). With a development fee and contingency allowance, the soft costs were estimated at \$39.0 million.

These individual estimates bring the total cost of the entire Project to \$127.1 million. When the cost of the restaurant and bar components are deducted (approximately 20%), the total cost is equivalent to \$590,000 per room. Deducting the land and parking components, the per room cost is approximately \$470,000.

## Operating Revenues and Expenses

The developer has projected annual operating revenues and expenses for the first ten years of operation. These revenues and expenses are presented in the Developer pro forma in the Appendix.

Based on their experience, the Developer has estimated that the initial ADR that the Project will be able to achieve is \$411. This figure is increased by 6.9% and 5.2% for the second and third years to reflect a build-up to stabilized occupancy and full market acceptance. Thereafter, the ADR is increased at a 3.1% annual rate. The occupancy rate is initially projected to be 68% and increases to a stabilized rate of 72% by the third year.

These ADR and occupancy figures are based on the Developer's vision that the primary competitors for the Project will be the Georgetown Ritz Carlton and Four Seasons hotels. If the Project is accepted by the market as equivalent to those hotels, the rates used by the Developer are comparable to those two hotels. The PKF market feasibility analysis selected a broader range of luxury hotels for the competitive set that also included the Hay Adams, Washington DC Ritz Carlton, St. Regis, W, and Willard hotels. The Smith Travel Research (STR) analysis included in the Developers request package based its analysis on a five hotel competitive set consisting of the Four



Seasons, Washington DC Ritz Carlton, Willard, Mandarin Oriental, and Fairmont. The average ADR for those other two competitive sets would be lower than the two-hotel competitive set.

It is the Developers plan that the parking garage be operated under contract with a parking contractor. This would produce a relatively small net revenue stream to the hotel. The spa service through the hotel which would be rendered in the health club is projected to produce \$726,000 in revenues. There will be other minor miscellaneous revenues from telephones, etc. The specifics of the derivation of the property tax expense figure have not been explained by the Developer.

After deducting for departmental expenses, non-departmental expenses, fixed costs, and fees, the net house profit is initially \$7.5 million or 22.6% of gross revenues. This rises to \$11.8 million in year ten after accounting on an increase in occupancy, growth in ADR, and general inflation. This represents a 24.7% margin on gross revenues. All of these figures are presented in Appendix A-2

### **Cash Flow and Return**

The health club will be leased from the hotel by a health club operator. The operator will pay rent to the hotel. The developer estimated that a health club operator would initially pay \$33 per square foot rent with an annual 3% increase. Adding this rental income to the net house profit produces an initial annual net operating income (NOI) of \$8.4 million. By year ten, this is projected to grow to \$13.0 million.

Deducting annual debt service for the \$50.8 million in permanent financing produces an initial annual net cash flow of \$4.4 million, rising to \$8.3 million by year ten. The return on cost (NOI divided by total cost) is estimated at 6.6% in the initial year and rising to 10.3% by the tenth year. The cash on cash return (net cash flow divided by equity) is estimated at 8.3% in the initial year, rising to 15.9% by year ten. All of these figures are presented in Appendix A-3

### **TAX INCREMENT FINANCING REQUEST**

The \$22.1 million in TIF requested equals approximately 20% of the total project cost. The other components of the Project capitalization are \$1.5 million from the sale of historic tax credits, \$50.8 million in long term financing, and \$52.6 million in equity.

The Developer estimates that the \$22.1 million net revenue from the TIF bond will require a bond with a par amount of approximately \$27.0 million.

A primary concern of the District is how long it will take for the incremental tax revenues from the Project to retire the TIF bond with interest. This was computed by first levying interest on the outstanding balance of the bond at the beginning of each year and then reducing the combined principal and interest by the amount of property and sales tax generated by the Project each year.

The Developer's initial estimate of annual property tax was \$1.3 million, rising to \$2.2 million in year ten. As indicated earlier, the derivation of these figures has not been explained. At a 14% rate, the annual sales tax from the room revenues is estimated to begin at \$2.8 million and increase to \$3.9 million by year ten. At a 10% rate, the annual tax revenue on F&B sales is estimated to begin at \$1.7 million and increase to \$1.9 million by year ten. Based on those projections of tax revenues from the Project, the \$27.0 million TIF bond can be entirely paid off, with interest, during 2018, the sixth year of operation.

### III. CBRE FINDINGS

CBRE thoroughly investigated each of the three primary areas of concern. The findings of those investigations for each area of concern are presented below. Appendices B-1 through B-6 present the findings in numerical form utilizing the developer's ADR but with changes to the property tax computation and allocations of a portion of the TI to the Convention Center and general obligation bonds. For ease of comparison, Appendices B-2 through B-5 are in approximately the same format as the Developer's pro forma. Appendices C-3 through E-6 present the results obtained when the ADR is reduced from 15% to 25% from the Developer's projections.

#### DEVELOPMENT COSTS

The Developer presented a detailed line item cost estimate for the project. It was divided into categories of land cost, hard costs, and soft costs. The unit prices, lump sums and relevant ratios were presented by which the total cost for individual line items were calculated.

CBRE analyzed these estimated costs by category and line item. The factors that produced the total cost for each line item were compared with industry standards from recognized publications, reliable information on costs for comparable hotel developments, and CBRE's own reference sources.

#### Land Costs

The land costs consist principally of the cost to acquire the Church and adjacent parcel with a small existing office building. Purchase contract documents provided by the Developer indicate a purchase price from third-parties of \$7.5 million for each parcel. The Developer has stated that the total acquisition cost including assignment costs and fees of \$8.5 million each. For this analysis, the total land acquisition cost is presumed to be a total of \$17.0 million.

#### Hard Costs

The per square foot hard cost for the hotel building exclusive of the underground parking garage is estimated at \$350 per square foot. That unit cost is higher than what cost estimating references indicate that a "higher end" hotel would cost. However, when dealing with a very high end five-star hotel, particularly in a high cost location, it is difficult to obtain broadly applicable industry standard unit costs. Furthermore, five-star hotels are a category of development for which each project tends to have unique elements and features that make standard unit pricing a somewhat unreliable approach to evaluating total costs.

The estimated cost for renovating and converting the Church building into the restaurant and banquet/event space is \$250 per square foot. The cost of such a complete conversion of an older building with historic elements into the contemporary uses indicated can easily cost as much as new construction for the same type and amount of space. CBRE considers the \$250 per square foot to be a reasonable estimate for that work.

A separate \$3.0 million cost estimate for building-out and outfitting the several integrated kitchens serving all of the dining and bar spaces is reasonable given the size and nature of the food service

required. The \$35,000 per space estimate for the cost of the underground parking garage is within an industry standard range for that type of facility. The 5% contingency factor for the hard costs is not as high as might be incorporated for a project that involves a large renovation component. Being approximately 56% of total costs, the hard costs are consistent with the share that hard costs customarily constitute.

### **Soft Costs**

The soft costs include the usual cost categories for architecture, engineering, permits, fees, development period overhead, marketing, financing, and insurance. The combined total of those costs as a percent of the total cost falls within the normal range for that component of development costs for a property of this type.

The \$45,000 per room for furnishings, fixtures and equipment plus back of house equipment is also a reasonable cost factor for a five-star hotel. The \$1.5 million TSA fee for technical service from Marriott during the development phase for a project of this scale is reasonable. The concept development fee for the Edition concept is also reasonable.

Taken together, all of these soft cost categories constitute approximately 31% of the total cost of the Project. That is within the range that can be expected for a project of this type.

### **Total Cost**

The total cost of the Project is estimated at approximately \$127 million. To test the reasonableness of that figure, CBRE estimated the approximate separate cost of the hotel and renovated Church components. By examining the line items, it is estimated that approximately \$102 million (approximately 80%) of the total costs are allocable to the hotel and the parking garage. The remainder would be allocable to the renovated Church space and facilities.

Deleting the parking garage and land acquisition costs from the hotel component produces an \$82 million cost (hard and soft) for the hotel structure alone. This is equivalent to approximately \$470,000 per hotel room.

Consultations with persons familiar with the development costs for five-star hotels elsewhere indicate that their development cost (exclusive of land and parking) can range up to \$600,000 per room or more. A recently completed high-rise five star hotel in Los Angeles cost in excess of \$600,000 per room excluding land and parking components.

CBRE's overall conclusion is that the Developer's estimated development cost for the hotel, parking and renovated Church components are reasonable and at this stage of the Project fall within what could be characterized as an industry normal range for this type of development.

### **OPERATING REVENUES**

Room revenues, restaurant sales (food and beverage), and property tax are the principal operating characteristics that will have an impact on the ability of the Project's net TI to repay the amount of TIF financing requested. CBRE examined the developer's projections for each one of these factors.

## Room Revenues

Room revenues are most easily expressed in terms of the average daily rate charged for an occupied room (ADR) and the annual occupancy level. The level of ADR that is achievable by the different classes of hotels in different market areas varies significantly. The Washington DC market area is one that supports higher ADRs than most markets.

According to an analysis of the DC hotel market undertaken by Strategic Advisory Group for the Developer and provided in the TIF request package, the "luxury" hotel segment constitutes approximately 20% of the room supply. The five-star top of the market is a smaller component of that segment.

CBRE Econometric Advisors has published a forecast for the DC hotel market. The area has experienced less job loss than most of the rest of the country during the recession. Forecasts are for employment and income growth in the next five years in excess of the rest of the country. For full service hotels, ADRs are projected to be below the 2009 level for the next two years and then rise and recover to the 2009 level in 2013. In the past few years, occupancy rates fell from a point a little above 70% to the mid to lower 60% range. Occupancy rates are forecast to gradually rise and approach the 70% range over the next several years.

The projections made of room revenues during the planning stage of a development will be a function of the Developer's assessment of the segment of the market in which the new hotel will compete. Upon completion, the rates and revenues that are actually achieved will be a function of the market's assessment of where the project fits.

The Developer anticipates that the Edition DC's principal competition will be the Georgetown Ritz Carlton and the Four Seasons. An analysis prepared for the Developer by PKF and supplied in the TIF application package suggests that the Edition DC will also be in direct competition with the DC Ritz Carlton, St Regis, Hay Adams, Willard, and W hotels. A competitive set analysis was also conducted for the Developer by Smith Travel Research (STR) and provided in the TIF request materials. STR's competitive set included the Four Seasons, DC Ritz Carlton, Willard, Mandarin Oriental, and Fairmont.

Key factors the market's determination of the hotels with which Edition DC will actually compete are how it assesses the quality of the hotel's facilities, the amenity and service package, and the location. As a new "brand" in the industry and without a track record, it is significantly more difficult to judge and anticipate both the segment within which the hotel will fit and how long it will take to become stabilized in its market position.

Based on the proposed design, features, and projected cost, the hotel appears to be on par with the best hotels in the District. The location, while in a good section of the District, is separate from where other luxury hotels are located. The restaurant and nightclub activity nearby on 18<sup>th</sup> Street is a very positive factor and helps establish the validity of the proposed restaurants and to some extent the event space.

CBRE evaluated the suggested competing DC hotels and discussed the DC hotel market with operators, investors and other real estate professionals familiar with the area. Based on that information, CBRE evaluated the proposed Edition DC hotel on the basis that it would be in competition with the broader range of hotels such as those suggested in the PKF analysis.

The Developer has projected an initial ADR of \$441 rising to \$511 in four years based on the small competitive set. In order to avoid overestimating the capacity of the hotel to generate TI to repay TIF financing, CBRE would scale down the Developer's projected ADR by up to 20% on account of the unproven nature of the brand and the location which is untried for the proposed quality of hotel.

This is not to say that the Edition DC will be unable achieve a place in the top tier on hotels in the District and the ADR that implies. Rather, it is CBRE's opinion that given the factors mentioned above, the Developer's projection of ADR can fairly be characterized as aggressive.

The occupancy rate will also play a part in the amount of TI generated. By the time the Edition DC enters the market, the occupancy rate in the District is projected to have recovered to the 70% range. That is a level of expected occupancy which is essentially a requirement for undertaking hotel development. The Developer projects a 72% occupancy level after four years of operations. Expecting to achieve a 72% occupancy level after four or five years by a well received luxury hotel is not an unreasonable assumption.

In the alternative scenarios examined, CBRE utilized ADRs that are 15%, 20% and 25% lower than Developer's estimate. The results produced by these reductions should give a useful indication of the range of the potential impact on TI if the Developer's projections of ADR and occupancy levels turn out to be overly optimistic.

### **Food and Beverage**

Sales from the restaurant, bar and event (e.g., banquet) components of the Project will produce sales tax revenue that counts as TI. The two restaurants currently designated the Café and Locita, will be located on the lower level in the renovated Church building. They total approximately 9,000 square feet. The new event space totaling 12,000 square feet will be located on the second level of the Church building. There will also be a Café bar, Locita bar, lobby bar, poolside bar, and lobby bar.

The Developer has presented elaborate and detailed projections of the potential sales at the restaurants and bars that were prepared by experienced restaurant operators known as Wolfpack. However, the estimated food and beverage sales included in the projections of TI were prepared primarily by Marriott.

The Wolfpack projections for annual restaurant sales are approximately \$1,150 per square foot. Their sales projections for the bars are approximately \$420 per square foot. Those restaurant and bar sales totaled approximately \$13.6 million. Wolfpack also projected \$9.5 million in event annual revenue and an additional \$1.6 million from room service sales. This produces a total of \$24.7 million for annual food and beverage sales.

The Marriott annual restaurant sales projections are equivalent to approximately \$600 per square foot. Marriott projected annual bar sales of approximately \$450 per square foot. Marriott estimated \$3.6 million in annual sales for the event space. Room service revenue was included in the restaurant in the Marriott figures. This produces a total of \$12.7 million in annual food and beverage sales or only about 50% of what Wolfpack estimated.

The developer stated that the lower Marriott annual sales figures were used in the TIF request in order to be conservative and because a contract with Wolfpack had not been executed. The \$1,150 per square foot Wolfpack annual restaurant sales is in the high range even for a successful higher end restaurant. Given the established nature of the restaurant and club venues on 18<sup>th</sup> Street, the \$600 per square foot restaurant sales projected by Marriott should be achievable, particularly given the association with the hotel and the appeal of the historic church building in which they will be located. In a similar vein, annual sales of \$450 per square foot for a successful bar is also reasonable. If the hotel and restaurants are moderately successful, this level of revenue should be achievable.

Given the location of the Project and the size of the facility, the \$3.6 million annual revenue for the event space projected by Marriott seems to be far more reasonable, and achievable, than the \$9.5 million Wolfpack projection.

The level of food and beverage sales achieved will be largely dependent on patronage other than by hotel guests. Consequently, the \$12.7 million in annual sales was not varied when the impact of different ADR levels was analyzed.

### **Property Tax**

The amount of TI generated by the property tax will be a function of the property tax rate and the value of the Project. The property tax applicable to the Project is approximately 1.85% of the Project value. The TIF request materials included a pro forma that projects a significantly lower figure. CBRE projected property tax revenues based on the net operating revenue (NOI) in each year and a capitalization rate. To be conservative an 8.00% capitalization rate was used to produce the Project value.

Using the Developer's ADR projections, CBRE estimates that the property tax would total \$1.8 million in the first year and increase to \$2.6 million by the fifth year. With the lower ADR in the CBRE alternative scenarios, the property tax would be proportionately lower.

### **Cash Flow and Return**

CBRE examined the various miscellaneous revenue categories and the full range of expense categories presented. The dollar amounts and proportional relationships between the different categories fall within industry norms.

As indicated in Appendix A-3, the Developer projects a 17.2% internal rate of return (IRR) over a five year holding period. That is based on a 10% capitalization rate for determining the value upon sale after five years. CBRE considers that rate to be inappropriately high. The use of a lower rate capitalization would produce a higher sale value and in turn a higher IRR.

CBRE presents its estimate of the IRR in Appendices B-4, C-4, D-4, and E-4. A conservative 8.00% capitalization rate was used. In those scenarios the IRR ranged from 19.4% to 3.9% as the assumed initial ADR was reduced. A developer of a project with the characteristics of the Edition DC would likely have a minimum target threshold IRR in the 20% to 25% range.

**TAX INCREMENT FINANCING**

The Developer has requested \$22.1 million in net TIF assistance. That is equal to approximately 20% of the total Project cost. It is understood to be the policy of the District that the maximum amount of assistance that should be provided is 20% of the total cost of any project. The other 80% of the Project will be funded from conventional debt, the sale of historic tax credits, and Developer equity.

Using conservative assumptions, a bond issue in the range of \$27 million should be able to yield the requested \$22.1 million in net proceeds. Those assumptions consist of a 7.00% interest rate, two years of capitalized interest, and a 3.00% cost of issuance. These figures are presented in Appendices A-4, B-5, C-5, D-5, and E-5. A lower interest rate would result in a lower total bond amount and a smaller burden for the District to fund through TI.

TI is generated from property tax, a 14.50% sales tax on hotel room revenues, and a 10.00% sales tax on food and beverage sales associated with a project. Not all of the tax revenue generated is available for TIF financing programs.

The property tax rate is approximately 1.85% of property value. There is an allocation of property tax to District general obligation bonds which reduces the net TI available for TIF to 1.33% of property value. The allocation to the Convention Center from the sales tax on room revenues reduces the net TI available for TIF to 10.05% of room revenues. The allocation to the Convention Center from the sales tax on food and beverage sales reduces the net TI available for TIF to 9.00% of food and beverage sales.

The developer's projection of TI and the TIF repayments in Appendix A-4 utilizes gross TI revenues to make the TIF repayments. Without the appropriate reductions for allocations to general obligation bonds and the Convention Center, the amount of the TIF repayments are overstated and full repayment is shown occurring earlier than would actually be possible.

In Appendices B-5, C-5, D-5, and E-5, CBRE has made the appropriate reductions in the gross TI to account for the required allocations to general obligation bonds and the Convention Center. A full 100% of the net TI is allocated each year to TIF bond repayment until the TIF bonds are fully paid off. Net TI amounts in excess of that needed to fully payoff the TIF bonds constitute surpluses that can be used for other purposes after the TIF bonds are retired.

**SUMMARY COMPARISON**

CBRE has determined the extent to which the requested amount of TIF is able to be repaid from TI for five different scenarios. The first scenario is the request submitted by the developer. The second scenario utilizes the Developers assumptions with the exception of a) the property tax computation and b) the share of the TI available to repay TIF bonds. The third, fourth and fifth scenarios consist of the second scenario with 15%, 20% and 25% reductions respectively in the Developer's ADR projection. A summary of the time and amounts of TI required to pay off the TIF bonds for each scenario are presented in Appendix B-6.

In Appendix A-4, the Developer projects full TIF repayment in operating year six. Total TI over ten years is estimated at \$66.4 million. Of that amount, \$34.5 million is required to pay off the TIF bonds. That leaves a surplus TI of \$31.9 million over ten years. As indicated earlier, because the



Developer assumed repayment of the TIF bonds from the gross TI, the year in which the TIF bonds would be fully repaid is earlier than would actually be the case and the “surplus” available for purposes other than the Convention Center and general obligation bonds is also overstated.

Appendix B-5 presents the results when the Developer’s property tax computation is corrected and only net TI revenues are used to pay off the TIF bonds. With those changes, the TIF bonds are paid off in year seven. A total of \$57.0 million in net TI is generated over ten years. A total of \$35.8 million is required to pay off the TIF bonds by year seven. The ten year net TI surplus is \$21.3 million.

When the Developer’s estimate of ADR is reduced by 15%, 20% and then 25%, the repayment of the TIF bonds takes longer and less total TI is generated. With a 15% reduction in estimated ADR, the TIF bonds are repaid in year eight. With 20% and 25% reductions in the developer’s estimated ADR, the TIF bonds are repaid in year nine. With 15%, 20% and 25% reductions in ADR, the ten year net TI surplus available for other purposes falls to \$13.2 million, \$10.4 million and \$7.5 million respectively.

#### IV. ASSUMPTIONS AND GENERAL LIMITING CONDITIONS

CBRE has made extensive efforts to confirm the accuracy and timeliness of the information contained in this analysis. Such information was compiled from a variety of sources, including interviews with government officials, review of District documents, and other third parties deemed to be reliable. Although CBRE believes all information in this analysis is correct, it does not warrant the accuracy of such information and assumes no responsibility for inaccuracies in the information by third parties. CBRE has no responsibility to update this analysis for events and circumstances occurring after the date of this report. Further, no guarantee is made as to the possible effect on development of present or future federal, state or local legislation, including any regarding environmental or ecological matters.

The accompanying projections and analyses are based on estimates and assumptions developed in connection with the analysis. In turn, these assumptions, and their relation to the projections, were developed using currently available economic data and other relevant information. It is the nature of forecasting, however, that some assumptions may not materialize, and unanticipated events and circumstances may occur. Therefore, actual results achieved during the projection period will likely vary from the projections, and some of the variations may be material to the conclusions of the analysis.

Contractual obligations do not include access to or ownership transfer of any electronic data processing files, programs or models completed directly for or as by-products of this research effort, unless explicitly so agreed as part of the contract.

## **V. APPENDIX**

Appendix A-1: Developer Development Cost

Appendix A-2: Developer Operating Revenues and Expenses

Appendix A-3: Developer Cash Flow and Return

Appendix A-4: Developer TIF Schedule

Appendix B-1: CBRE Project Specifications

Appendix B-2: CBRE Development Cost

Appendix B-3: CBRE Operating Revenues and Expenses

Appendix B-4: CBRE Cash Flow and Return

Appendix B-5: CBRE TIF Schedule

Appendix B-6: CBRE Summary Comparison

Appendix C-3: CBRE Operating Revenues and Expenses: 15% ADR Reduction

Appendix C-4: CBRE Cash Flow and Return: 15% ADR Reduction

Appendix C-5: CBRE TIF Schedule: 15% ADR Reduction

Appendix D-3: CBRE Operating Revenues and Expenses: 20% ADR Reduction

Appendix D-4: CBRE Cash Flow and Return: 20% ADR Reduction

Appendix D-5: CBRE TIF Schedule: 20% ADR Reduction

Appendix E-3: CBRE Operating Revenues and Expenses: 25% ADR Reduction

Appendix E-4: CBRE Cash Flow and Return: 25% ADR Reduction

Appendix E-5: CBRE TIF Schedule: 25% ADR Reduction

**APPENDIX A-1  
Developer Development Cost**

**EDITION WASHINGTON DC  
Projected Cost**

|                           |         |     |
|---------------------------|---------|-----|
| Number of Rooms           | 174     |     |
| Area Per Room             | 432     |     |
| Total Hotel Area (Usable) | 81,503  |     |
| Total Hotel Area (Gross)  | 229,000 | 30% |
| Total meeting area        | 8,465   |     |

|                          |   | <u>Unit Driver</u> |   | <u>Per Room</u>     | <u>PSF Usable</u> | <u>PSF Gross</u>         |                |                  |                |  |  |  |
|--------------------------|---|--------------------|---|---------------------|-------------------|--------------------------|----------------|------------------|----------------|--|--|--|
| <b>LAND COSTS</b>        | Land Cost - Church                            |                    | 8,500,000   | 48,851              | 104               | 44                       |                |                  |                |  |  |  |
|                          | Land Cost - City Paper Bldg                   |                    | 8,500,000   | 48,851              | 104               | 44                       |                |                  |                |  |  |  |
|                          | Land for possible assemblage (1,500,000)      |                    | -   | -                   | -                 | -                        |                |                  |                |  |  |  |
|                          | <b>Total Land Cost</b>                        |                    | <b>17,000,000</b>   | <b>97,701</b>       | <b>209</b>        | <b>88</b>                |                |                  |                |  |  |  |
| <b>HARD COSTS</b>        | New Construction w/ out Garage                | 325                | 51,120,000  | 293,793             | 627               | 325                      |                |                  |                |  |  |  |
|                          | Renovation Costs of church w/ out Garage      | 250                | 8,000,000   | 45,977              | 98                | 250                      |                |                  |                |  |  |  |
|                          | Kitchen construction for all f&b              |                    | 3,000,000   |                     |                   |                          |                |                  |                |  |  |  |
|                          | Parking Construction                          | 35,000             | 5,600,000   | 32,184              | 69                | 29                       |                |                  |                |  |  |  |
|                          | Contingency with Bond Insurance               | 5%                 | 3,390,000   | 19,483              | 42                | 18                       |                |                  |                |  |  |  |
|                          | <b>Total Hard Costs</b>                       |                    | <b>71,110,000</b>   | <b>391,437</b>      | <b>872</b>        | <b>367</b>               |                |                  |                |  |  |  |
| <b>SOFT COSTS</b>        | Architectural, MEP, Interiors, and Structural |                    | 3,000,000   | 18,987              | 37                | 15                       |                |                  |                |  |  |  |
|                          | Construction Document & Administration        |                    | 6,000,000   | 37,975              | 74                | 31                       |                |                  |                |  |  |  |
|                          | TSA FEE                                       |                    | 1,500,000   |                     |                   |                          |                |                  |                |  |  |  |
|                          | Pre-Development Construction Services         |                    | 150,000   | 949                 | 2                 | 1                        |                |                  |                |  |  |  |
|                          | Owners Rep                                    | 18,000             | 432,000   | 2,734               | 5                 | 2                        |                |                  |                |  |  |  |
|                          | Legal Fees                                    |                    | 500,000   | 3,165               | 6                 | 3                        |                |                  |                |  |  |  |
|                          | Utility Connection Fees                       |                    | 500,000   | 3,165               | 6                 | 3                        |                |                  |                |  |  |  |
|                          | Miscellaneous Fees & Permits                  |                    | 400,000   | 2,532               | 5                 | 2                        |                |                  |                |  |  |  |
|                          | Misc. Inspection Fees consultants (hvs)       |                    | 350,000   | 2,215               | 4                 | 2                        |                |                  |                |  |  |  |
|                          | Site Maintenance                              |                    | 250,000   | 1,582               | 3                 | 1                        |                |                  |                |  |  |  |
|                          | Trailer/Utilities/Fences                      |                    | 45,000  | 285                 | 1                 | 0                        |                |                  |                |  |  |  |
|                          | Insurance, RE Tax + Misc                      |                    | 400,000   | 2,532               | 5                 | 2                        |                |                  |                |  |  |  |
|                          | Office Support/Expenses                       | 2,500              | 60,000  | 380                 | 1                 | 0                        |                |                  |                |  |  |  |
|                          | Equity fee                                    | 3%                 | 1,580,000   |                     |                   |                          |                |                  |                |  |  |  |
|                          | Loan Broker Fee                               | 1.00%              | 510,000   | 3,228               | 6                 | 3                        |                |                  |                |  |  |  |
|                          | Loan Closing Costs                            | 1.00%              | 510,000   | 3,228               | 6                 | 3                        |                |                  |                |  |  |  |
|                          | Lender Fee                                    | 0.50%              | 250,000   | 1,582               | 3                 | 1                        |                |                  |                |  |  |  |
|                          | Marketing                                     |                    | 2,000,000   | 12,658              | 25                | 10                       |                |                  |                |  |  |  |
|                          | FF&E/Add for BOH Equipment                    | 45,000             | 7,830,000   | 49,557              | 96                | 40                       |                |                  |                |  |  |  |
|                          | Construction Period Interest                  | 6.30%              | 3,200,000   | 20,253              | 39                | 17                       |                |                  |                |  |  |  |
|                          | Concept Development Fee shrager 2% of c       | 2%                 | 2,350,000   | 14,873              | 29                |                          |                |                  |                |  |  |  |
|                          | Development Fee                               | 5.00%              | 5,150,000   | 32,595              | 63                | 27                       |                |                  |                |  |  |  |
|                          | Contingency                                   | 5.00%              | 1,850,000   | 11,709              | 23                | 10                       |                |                  |                |  |  |  |
|                          | <b>Total Soft Costs</b>                       |                    | <b>38,817,000</b>   | <b>226,184</b>      | <b>438</b>        | <b>172</b>               |                |                  |                |  |  |  |
| <b>TOTAL COST</b>        |   |                    | <b>126,927,000</b>  | <b>715,321</b>      | <b>1,520</b>      | <b>627</b>               |                |                  |                |  |  |  |
|                          | <b>Debt</b>                                   | <b>40%</b>         | 50,770,800  |                     |                   |                          |                |                  |                |  |  |  |
|                          | <b>Historic Tax Credits</b>                   | <b>75%</b>         | 1,500,000   | 2,000,000           |                   |                          |                |                  |                |  |  |  |
|                          | <b>TIF Financing</b>                          |                    | 22,140,000  |                     |                   |                          |                |                  |                |  |  |  |
|                          | <b>Equity</b>                                 |                    | <u>52,516,200</u>   |                     |                   |                          |                |                  |                |  |  |  |
|                          |   |                    | 126,927,000   |                     |                   |                          |                |                  |                |  |  |  |
|                          | <b>Construction Period</b>                    |                    | 24 mos  |                     |                   |                          |                |                  |                |  |  |  |
|                          | <b>Libor</b>                                  |                    | 2.30%   |                     |                   |                          |                |                  |                |  |  |  |
|                          | <b>Spread</b>                                 |                    | 4.00%   |                     |                   |                          |                |                  |                |  |  |  |
|                          |   |                    | 6.30%   |                     |                   |                          |                |                  |                |  |  |  |
|                          | <b>Cost per room key</b>                      |                    | 729,465.52  |                     |                   |                          |                |                  |                |  |  |  |
|                          |   |                    | <table border="1"> <tr> <td><i>total equity</i></td> <td align="right">\$76,156,200.0</td> </tr> <tr> <td><i>eb5 equity invest</i></td> <td align="right">\$38,078,100.0</td> </tr> <tr> <td><i>developer</i></td> <td align="right">\$14,438,100.0</td> </tr> </table> | <i>total equity</i> | \$76,156,200.0    | <i>eb5 equity invest</i> | \$38,078,100.0 | <i>developer</i> | \$14,438,100.0 |  |  |  |
| <i>total equity</i>      | \$76,156,200.0                                |                    |   |                     |                   |                          |                |                  |                |  |  |  |
| <i>eb5 equity invest</i> | \$38,078,100.0                                |                    |   |                     |                   |                          |                |                  |                |  |  |  |
| <i>developer</i>         | \$14,438,100.0                                |                    |   |                     |                   |                          |                |                  |                |  |  |  |

**APPENDIX A-2  
Developer Operating Revenues and Expenses**

**EDITION WASHINGTON DC  
HOTEL OPERATING PROFORMA**

|                               | Calendar         | 2013         | Calendar         | 2014         | Calendar          | 2015         | Calendar          | 2016         | Calendar          | 2017         | Calendar          | 2018         | Calendar          | 2019         | Calendar          | 2020         | Calendar          | 2021         | Calendar          | 2022         |
|-------------------------------|------------------|--------------|------------------|--------------|-------------------|--------------|-------------------|--------------|-------------------|--------------|-------------------|--------------|-------------------|--------------|-------------------|--------------|-------------------|--------------|-------------------|--------------|
| Number of Rooms               | 174              |              | 174              |              | 174               |              | 174               |              | 174               |              | 174               |              | 174               |              | 174               |              | 174               |              | 174               |              |
| Number of Occupied Rooms      | 43,187           |              | 44,457           |              | 45,727            |              | 45,727            |              | 45,727            |              | 45,727            |              | 45,727            |              | 45,727            |              | 45,727            |              | 45,727            |              |
| Average Occupancy             | 68%              |              | 70%              |              | 72%               |              | 72%               |              | 72%               |              | 72%               |              | 72%               |              | 72%               |              | 72%               |              | 72%               |              |
| Average Daily Rate            | 441.00           |              | 471.43           |              | 495.94            |              | 511.32            |              | 527.17            |              | 543.51            |              | 554.92            |              | 566.58            |              | 578.48            |              | 590.62            |              |
| ADR pct change vs. LY         |                  |              | 6.90%            |              | 5.20%             |              | 3.10%             |              | 3.10%             |              | 2.10%             |              | 2.10%             |              | 2.10%             |              | 2.10%             |              | 2.10%             |              |
| RevPAR                        | 299.88           |              | 330.00           |              | 357.08            |              | 368.15            |              | 379.56            |              | 391.33            |              | 399.55            |              | 407.94            |              | 416.50            |              | 425.25            |              |
|                               |                  |              | 10.0%            |              | 8.2%              |              | 3.1%              |              | 3.1%              |              |                   |              |                   |              |                   |              |                   |              |                   |              |
| <b>Revenue</b>                |                  |              |                  |              |                   |              |                   |              |                   |              |                   |              |                   |              |                   |              |                   |              |                   |              |
| Room                          | 19,045,379       | 57.6%        | 20,958,319       | 57.5%        | 22,678,099        | 57%          | 23,381,120        | 57%          | 24,105,935        | 57.0%        | 24,853,219        | 57.1%        | 25,375,136        | 57%          | 25,908,014        | 57%          | 26,452,082        | 57%          | 27,007,576        | 56%          |
| Telephone                     | 114,840          | 0.3%         | 117,711          | 0.3%         | 120,654           | 0%           | 123,670           | 0%           | 126,762           | 0%           | 129,931           | 0.3%         | 133,179           | 0%           | 136,509           | 0%           | 139,921           | 0%           | 143,419           | 0%           |
| Garage                        | 241,280          | 0.7%         | 247,312          | 0.7%         | 253,495           | 1%           | 259,832           | 1%           | 266,328           | 1%           | 272,986           | 0.6%         | 279,811           | 1%           | 286,806           | 1%           | 293,976           | 1%           | 301,326           | 1%           |
| Restaurant                    | 5,438,080        | 16.5%        | 6,009,078        | 17.7%        | 6,910,440         | 17%          | 7,083,201         | 17%          | 7,260,281         | 17%          | 7,441,788         | 17.1%        | 7,627,833         | 17%          | 7,818,529         | 17%          | 8,013,992         | 17%          | 8,214,342         | 17%          |
| Lounge                        | 3,608,760        | 10.9%        | 3,987,680        | 10.9%        | 4,187,064         | 11%          | 4,291,740         | 10%          | 4,399,034         | 10%          | 4,509,010         | 10.4%        | 4,621,735         | 10%          | 4,737,278         | 10%          | 4,855,710         | 10%          | 4,977,103         | 10%          |
| Banq Sales                    | 3,623,840        | 11.0%        | 4,004,343        | 11.0%        | 4,444,821         | 11%          | 4,633,726         | 11%          | 4,795,906         | 11%          | 4,963,763         | 11.4%        | 5,137,495         | 12%          | 5,317,307         | 12%          | 5,503,413         | 12%          | 5,696,032         | 12%          |
| Total Food & Beverage         | 12,670,680       | 38.3%        | 14,001,101       | 38.4%        | 15,542,325        | 39%          | 16,008,667        | 39%          | 16,455,221        | 39%          | 16,914,561        | 38.9%        | 17,387,063        | 39%          | 17,873,114        | 39%          | 18,373,115        | 39%          | 18,887,477        | 39%          |
| Spa                           | 726,160          | 2.2%         | 871,392          | 2.4%         | 1,002,101         | 3%           | 1,027,153         | 3%           | 1,052,832         | 2%           | 1,079,153         | 2.5%         | 1,106,132         | 2%           | 1,133,785         | 2%           | 1,162,130         | 2%           | 1,191,183         | 2%           |
| Total Other Rents, Income     | 241,280          | 0.7%         | 253,344          | 0.7%         | 266,011           | 1%           | 272,661           | 1%           | 279,478           | 1%           | 286,465           | 0.7%         | 293,627           | 1%           | 300,967           | 9%           | 308,491           | 1%           | 316,204           | 1%           |
| Total Revenue                 | 33,039,619       | 100.0%       | 36,449,179       | 100.0%       | 39,862,684        | 100%         | 41,073,104        | 100%         | 42,286,556        | 100%         | 43,536,315        | 100.0%       | 44,574,947        | 100%         | 45,639,195        | 100%         | 46,729,716        | 100%         | 47,847,185        | 100%         |
| <b>Departmental Profits</b>   |                  |              |                  |              |                   |              |                   |              |                   |              |                   |              |                   |              |                   |              |                   |              |                   |              |
| Room                          | 13,998,353       | 73.5%        | 15,718,739       | 75%          | 17,235,355        | 76%          | 17,816,413        | 76.2%        | 18,416,934        | 76.4%        | 19,062,419        | 76.7%        | 19,462,729        | 76.7%        | 19,871,447        | 76.7%        | 20,288,747        | 76.7%        | 20,714,811        | 76.7%        |
| Telephone                     | (40,194)         | -35.0%       | (41,199)         | -35.0%       | (42,229)          | -35.0%       | (43,285)          | -35.0%       | (44,367)          | -35.0%       | (45,476)          | -35.0%       | (46,613)          | -35.0%       | (47,778)          | -35.0%       | (48,972)          | -35.0%       | (50,197)          | -35.0%       |
| Garage                        | 96,512           | 40.0%        | 98,925           | 40.0%        | 101,398           | 40.0%        | 103,933           | 40.0%        | 106,531           | 40.0%        | 109,194           | 40.0%        | 111,924           | 40.0%        | 114,722           | 40.0%        | 117,591           | 40.0%        | 120,530           | 40.0%        |
| Total Food & Beverage         | 2,952,268        | 23.3%        | 3,542,279        | 25.3%        | 4,180,885         | 26.9%        | 4,306,332         | 26.9%        | 4,426,455         | 26.9%        | 4,550,017         | 26.9%        | 4,677,120         | 26.9%        | 4,807,868         | 26.9%        | 4,942,368         | 26.9%        | 5,080,731         | 26.9%        |
| Spa                           | 2,905            | 0.4%         | 38,341           | 4.4%         | 70,147            | 7.0%         | 71,901            | 7.0%         | 73,698            | 7.0%         | 75,541            | 7.0%         | 77,429            | 7.0%         | 79,365            | 7.0%         | 81,349            | 7.0%         | 83,383            | 7.0%         |
| Total Other Rents, Income     | 241,280          | 100.0%       | 253,344          | 100.0%       | 266,011           | 100.0%       | 272,661           | 100.0%       | 279,478           | 100.0%       | 286,465           | 100.0%       | 293,627           | 100.0%       | 300,967           | 100.0%       | 308,491           | 100.0%       | 316,204           | 100.0%       |
| Total Dept Profits            | 17,251,124       | 52.2%        | 19,610,429       | 54%          | 21,811,568        | 55%          | 22,527,955        | 55%          | 23,258,729        | 55%          | 24,038,160        | 55.2%        | 24,576,217        | 55.1%        | 25,126,591        | 55.1%        | 25,689,574        | 55.0%        | 26,265,462        | 54.9%        |
| <b>Deductions From Income</b> |                  |              |                  |              |                   |              |                   |              |                   |              |                   |              |                   |              |                   |              |                   |              |                   |              |
| Administrative & General      | 2,524,160        | 7.6%         | 2,587,264        | 7.1%         | 2,651,946         | 6.7%         | 2,718,244         | 6.6%         | 2,786,200         | 6.6%         | 2,855,855         | 6.6%         | 2,927,252         | 6.6%         | 3,000,433         | 6.6%         | 3,075,444         | 6.6%         | 3,152,330         | 6.6%         |
| Utilities                     | 996,440          | 3.0%         | 1,021,351        | 2.8%         | 1,046,885         | 2.9%         | 1,073,057         | 2.9%         | 1,099,883         | 2.6%         | 1,127,380         | 2.6%         | 1,155,565         | 2.6%         | 1,184,454         | 2.6%         | 1,214,065         | 2.6%         | 1,244,417         | 2.6%         |
| Repairs & Maintenance         | 1,208,720        | 3.7%         | 1,238,938        | 3.4%         | 1,269,911         | 3.5%         | 1,301,659         | 3.6%         | 1,334,201         | 3.2%         | 1,367,556         | 3.1%         | 1,401,745         | 3.1%         | 1,436,788         | 3.1%         | 1,472,708         | 3.2%         | 1,509,526         | 3.2%         |
| Sales & Marketing             | 1,859,480        | 5.6%         | 1,858,908        | 5.1%         | 1,905,381         | 5.2%         | 1,953,015         | 5.4%         | 2,001,841         | 4.7%         | 2,051,887         | 4.7%         | 2,103,184         | 4.7%         | 2,155,764         | 4.7%         | 2,209,658         | 4.7%         | 2,264,899         | 4.7%         |
| Total deducts From Income     | 6,588,800        | 19.9%        | 6,706,461        | 18.4%        | 6,874,123         | 18.2%        | 7,045,976         | 18.5%        | 7,222,125         | 17.1%        | 7,402,678         | 17.0%        | 7,587,745         | 17.0%        | 7,777,439         | 17.0%        | 7,971,875         | 17.1%        | 8,171,172         | 17.1%        |
| House Profit                  | 10,662,324       | 32.3%        | 12,903,968       | 35.4%        | 14,937,445        | 36.5%        | 15,481,980        | 36.4%        | 16,036,604        | 37.9%        | 16,635,482        | 38.2%        | 16,988,471        | 38.1%        | 17,349,152        | 38.0%        | 17,717,699        | 37.9%        | 18,094,290        | 37.8%        |
| FF&E Escrow                   | 330,396          | 1.0%         | 728,984          | 2%           | 1,195,881         | 3%           | 1,232,193         | 3%           | 1,268,597         | 3%           | 1,741,453         | 4%           | 1,782,998         | 4%           | 1,825,568         | 4%           | 1,869,189         | 4%           | 1,913,887         | 4%           |
| Management Fee                | 1,321,585        | 4.0%         | 1,457,967        | 4%           | 1,594,507         | 4%           | 1,642,924         | 4%           | 1,691,462         | 4%           | 1,741,453         | 4%           | 1,782,998         | 4%           | 1,825,568         | 4%           | 1,869,189         | 4%           | 1,913,887         | 4%           |
| Building/Liability Insurance  | 175,160          | 0.5%         | 179,539          | 0.5%         | 184,027           | 0.5%         | 188,628           | 0.5%         | 193,344           | 0.5%         | 198,177           | 0.5%         | 203,132           | 0.5%         | 208,210           | 0.5%         | 213,415           | 0.5%         | 218,751           | 0.5%         |
| Equipment Rental              | 66,079           | 0.2%         | 72,898           | 0.2%         | 79,725            | 0.2%         | 82,146            | 0.2%         | 84,573            | 0.2%         | 87,073            | 0.2%         | 89,150            | 0.2%         | 91,278            | 0.2%         | 93,459            | 0.2%         | 95,694            | 0.2%         |
| Property Taxes                | 1,308,480        | 4.0%         | 1,341,192        | 3.7%         | 1,374,722         | 3.4%         | 1,409,090         | 3.4%         | 1,444,317         | 3.4%         | 1,480,425         | 3.4%         | 1,517,436         | 3.4%         | 1,555,372         | 3.4%         | 1,594,286         | 3.4%         | 1,634,245         | 3.4%         |
| Total Other Deductions        | 3,201,700        | 9.7%         | 3,780,580        | 10.4%        | 4,428,863         | 11.1%        | 4,554,982         | 11.1%        | 4,682,293         | 11.1%        | 5,248,580         | 12.1%        | 5,375,713         | 12.1%        | 5,505,996         | 12.1%        | 5,639,508         | 12.1%        | 6,294,465         | 13.2%        |
| <b>Net House Profit</b>       | <b>7,460,624</b> | <b>22.6%</b> | <b>9,123,388</b> | <b>25.0%</b> | <b>10,508,583</b> | <b>25.4%</b> | <b>10,926,998</b> | <b>25.3%</b> | <b>11,354,311</b> | <b>26.9%</b> | <b>11,386,901</b> | <b>26.2%</b> | <b>11,612,758</b> | <b>26.1%</b> | <b>11,843,156</b> | <b>25.9%</b> | <b>12,078,191</b> | <b>25.8%</b> | <b>11,799,825</b> | <b>24.7%</b> |

**APPENDIX A-3  
Developer Cash Flow and Return**

**EDITION WASHINGTON DC  
PROJECTED CASH FLOW**

|                                | <b>1<br/>2013</b> | <b>2<br/>2014</b> | <b>3<br/>2015</b> | <b>4<br/>2016</b> | <b>5<br/>2017</b> | <b>6<br/>2018</b> | <b>7<br/>2019</b> | <b>8<br/>2020</b> | <b>9<br/>2021</b> | <b>10<br/>2022</b> |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| Net House Profit               | 7,460,624         | 9,123,388         | 10,508,583        | 10,926,998        | 11,354,311        | 11,386,901        | 11,612,758        | 11,843,156        | 12,078,191        | 11,799,825         |
| Retail Lease Gym/Spa 33 29,000 | 957,000           | 985,710           | 1,015,281         | 1,045,740         | 1,077,112         | 1,109,425         | 1,142,708         | 1,176,989         | 1,212,299         | 1,248,668          |
| Total Net Operating Income     | 8,417,624         | 10,109,098        | 11,523,864        | 11,972,738        | 12,431,423        | 12,496,327        | 12,755,466        | 13,020,146        | 13,290,490        | 13,048,493         |
| Debt Service                   | 4,061,664         | 4,061,664         | 4,702,287         | 4,702,287         | 4,702,287         | 4,702,287         | 4,702,287         | 4,702,287         | 4,702,287         | 4,702,287          |
| Net Cash Flow                  | 4,355,960         | 6,047,434         | 6,821,577         | 7,270,451         | 7,729,136         | 7,794,039         | 8,053,179         | 8,317,859         | 8,588,203         | 8,346,206          |
| Cash on Cash Return            | 8.29%             | 11.52%            | 12.99%            | 13.84%            | 14.72%            | 14.84%            | 15.33%            | 15.84%            | 16.35%            | 15.89%             |
| Return on Cost                 | 6.63%             | 7.96%             | 9.08%             | 9.43%             | 9.79%             | 9.85%             | 10.05%            | 10.26%            | 10.47%            | 10.28%             |

**Permanent Mortgage**

|               |            |
|---------------|------------|
| Amount        | 50,770,800 |
| Rate          | 8%         |
| Amortization  | 25 years   |
| Interest Only | 2 years    |
| Payments      | 391,857    |

**Sale**

|                    |              |
|--------------------|--------------|
| NOI Year 6         | 12,496,327   |
| Cap Rate           | 10.00%       |
| Sale Price         | 124,963,266  |
| Cost of Sale 3.0%  | (3,748,898)  |
| Mortgage Balance   | (48,606,798) |
| Net Cash From Sale | 72,607,570   |
| Equity IRR         | 17.21%       |

**APPENDIX A-4  
Developer TIF Schedule**

**EDITION WASHINGTON DC  
TIF Calculations**

Bond Rate 7.5%

Total TIF Bonds Issued 27,000,000

Less:

Interest Reserve - 2 years 4,050,000  
Cost of Issuance 3% 810,000

Net Proceeds 22,140,000

|                           | 2013              | 2014              | 2015              | 2016             | 2017             | 2018               | 2019               | 2020                | 2021                |
|---------------------------|-------------------|-------------------|-------------------|------------------|------------------|--------------------|--------------------|---------------------|---------------------|
| Balance Beginning of Year | 27,000,000        | 23,687,872        | 19,684,204        | 14,943,241       | 9,663,765        | 3,803,347          | (2,686,999)        | (9,824,061)         | (17,660,210)        |
| Interest                  | 2,025,000         | 1,776,590         | 1,476,315         | 1,120,743        | 724,782          | 285,251            | (201,525)          | (736,805)           | (1,324,516)         |
| Property Tax              | (1,308,480)       | (1,341,192)       | (1,374,722)       | (1,409,090)      | (1,444,317)      | (1,480,425)        | (1,517,436)        | (1,555,372)         | (1,594,256)         |
| Sales Tax - Rooms 14.5%   | (2,761,580)       | (3,038,956)       | (3,288,324)       | (3,390,262)      | (3,495,361)      | (3,603,717)        | (3,679,395)        | (3,756,662)         | (3,835,552)         |
| Sales Tax - F & B 10.00%  | (1,267,068)       | (1,400,110)       | (1,554,232)       | (1,600,867)      | (1,645,522)      | (1,691,456)        | (1,738,706)        | (1,787,311)         | (1,837,312)         |
| <b>sales tax other</b>    |                   |                   |                   |                  |                  |                    |                    |                     |                     |
| Balance End of Year       | <u>23,687,872</u> | <u>19,684,204</u> | <u>14,943,241</u> | <u>9,663,765</u> | <u>3,803,347</u> | <u>(2,686,999)</u> | <u>(9,824,061)</u> | <u>(17,660,210)</u> | <u>(26,251,845)</u> |



## APPENDIX B-1 CBRE Project Specifications

|                      | Church<br>Level | Hotel Rooms<br>Number | SF/Room | HOTEL<br>Sq Ft | CHURCH<br>Sq Ft | TOTAL<br>Sq Ft |
|----------------------|-----------------|-----------------------|---------|----------------|-----------------|----------------|
| Rooms                |                 | 174                   | 432     | 75,168         | 0               | 75,168         |
| Meeting Space        |                 |                       |         | 12,460         | 0               | 12,460         |
| Health Club/Spa      |                 |                       |         | 32,310         | 0               | 32,310         |
| Rooftop Bar          |                 |                       |         | 0              | 0               | 0              |
| Pool Bar             |                 |                       |         | 0              | 0               | 0              |
| Lobby Bar            |                 |                       |         | 5,000          | 0               | 5,000          |
| Café                 | 1               |                       |         | 0              | 2,500           | 2,500          |
| Café Bar             | 1               |                       |         | 0              | 3,000           | 3,000          |
| Locita Rest          | 1               |                       |         | 0              | 6,500           | 6,500          |
| Locita<br>Restaurant | 2               |                       |         | 0              | 12,000          | 12,000         |
| Banquet/Event        |                 |                       |         |                |                 |                |
| Locita Bar           | 3               |                       |         | 0              | 5,000           | 5,000          |
| Back of House        |                 |                       |         | 18,000         | 3,000           | 21,000         |
| Kitchens             | 1,2,3           |                       |         | 9,000          | 0               | 9,000          |
| <b>Total</b>         |                 |                       |         | <b>151,938</b> | <b>32,000</b>   | <b>183,938</b> |

**APPENDIX B-2  
CBRE Development Cost**

**EDITION WASHINGTON DC  
Projected Cost**

|                           |         |
|---------------------------|---------|
| Number of Rooms           | 174     |
| Area Per Room             | 432     |
| Total Hotel Area (Usable) | 81,503  |
| Total Hotel Area (Gross)  | 229,000 |
| Total meeting area        | 8,465   |

|   | <u>Unit Driver</u> | <u>Units</u> |                    | <u>Per Room</u> | <u>PSF Usable</u> | <u>PSF Gross</u> |              |
|---|--------------------|--------------|--------------------|-----------------|-------------------|------------------|--------------|
| <b>LAND COSTS</b>                             |                    |              |                    |                 |                   |                  |              |
| Land Cost - Church                            |                    |              | 8,500,000          | 48,851          | 104               | 44               | 6.7%         |
| Land Cost - City Paper Bldg                   |                    |              | 8,500,000          | 48,851          | 104               | 44               | 6.7%         |
| Land for possible assemblage (1,500,000)      |                    |              | -                  | -               | -                 | -                | 0.0%         |
| <b>Total Land Cost</b>                        |                    |              | <b>17,000,000</b>  | <b>97,701</b>   | <b>209</b>        | <b>88</b>        | <b>13.4%</b> |
| <b>HARD COSTS</b>                             |                    |              |                    |                 |                   |                  |              |
| New Construction w/ out Garage                | 325                | 157,291      | 51,120,000         | 293,793         | 627               | 325              | 40.2%        |
| Renovation Costs of church w/ out Garage      | 250                | 32,000       | 8,000,000          | 45,977          | 98                | 250              | 6.3%         |
| Kitchen construction for all f&b              |                    |              | 3,000,000          | 17,241          |                   |                  | 2.4%         |
| Parking Construction                          | 35,000             | 160          | 5,600,000          | 32,184          | 69                | 24               | 4.4%         |
| Contingency with Bond Insurance               | 5%                 |              | 3,390,000          | 19,483          | 42                | 15               | 2.7%         |
| <b>Total Hard Costs</b>                       |                    |              | <b>71,110,000</b>  | <b>408,678</b>  | <b>872</b>        | <b>311</b>       | <b>55.9%</b> |
| <b>SOFT COSTS</b>                             |                    |              |                    |                 |                   |                  |              |
| Architectural, MEP, Interiors, and Structural |                    |              | 3,000,000          | 17,241          | 37                | 13               | 2.4%         |
| Construction Document & Administration        |                    |              | 6,000,000          | 34,483          | 74                | 26               | 4.7%         |
| TSA FEE                                       |                    |              | 1,500,000          | 8,621           | 18                | 7                | 1.2%         |
| Pre-Development Construction Services         |                    |              | 150,000            | 862             | 2                 | 1                | 0.1%         |
| Owners Rep                                    | 18,000             | 24           | 432,000            | 2,483           | 5                 | 2                | 0.3%         |
| Legal Fees                                    |                    |              | 500,000            | 2,874           | 6                 | 2                | 0.4%         |
| Utility Connection Fees                       |                    |              | 500,000            | 2,874           | 6                 | 2                | 0.4%         |
| Miscellaneous Fees & Permits                  |                    |              | 400,000            | 2,299           | 5                 | 2                | 0.3%         |
| Misc. Inspection Fees consultants (hvs)       |                    |              | 350,000            | 2,011           | 4                 | 2                | 0.3%         |
| Site Maintenance                              |                    |              | 250,000            | 1,437           | 3                 | 1                | 0.2%         |
| Trailer/Utilities/Fences                      |                    |              | 45,000             | 259             | 1                 | 0                | 0.0%         |
| Insurance, RE Tax + Misc                      |                    |              | 400,000            | 2,299           | 5                 | 2                | 0.3%         |
| Office Support/Expenses                       | 2,500              | 24           | 60,000             | 345             | 1                 | 0                | 0.0%         |
| Equity fee                                    | 3.00%              |              | 1,579,406          | 9,077           | 19                | 7                | 1.2%         |
| Loan Broker Fee                               | 1.00%              |              | 508,579            | 2,923           | 6                 | 2                | 0.4%         |
| Loan Closing Costs                            | 1.00%              |              | 508,579            | 2,923           | 6                 | 2                | 0.4%         |
| Lender Fee                                    | 0.50%              |              | 254,290            | 1,461           | 3                 | 1                | 0.2%         |
| Marketing                                     |                    |              | 2,000,000          | 11,494          | 25                | 9                | 1.6%         |
| FF&E/Add for BOH Equipment                    | 45,000             |              | 7,830,000          | 45,000          | 96                | 34               | 6.2%         |
| Construction Period Interest                  | 6.30%              |              | 3,204,049          | 18,414          | 39                | 14               | 2.5%         |
| Concept Development Fee shrager 2% of cos     | 2.00%              |              | 2,542,896          | 14,614          | 31                | 11               | 2.0%         |
| Development Fee                               | 5.00%              |              | 5,160,000          | 29,655          | 63                | 23               | 4.1%         |
| Contingency                                   | 5.00%              |              | 1,860,000          | 10,690          | 23                | 8                | 1.5%         |
| <b>Total Soft Costs</b>                       |                    |              | <b>39,034,799</b>  | <b>224,338</b>  | <b>479</b>        | <b>170</b>       | <b>30.7%</b> |
| <b>TOTAL COST</b>                             |                    |              | <b>127,144,799</b> | <b>730,717</b>  | <b>1,560</b>      | <b>569</b>       |              |
| <b>Debt</b>                                   |                    | 40%          | 50,857,920         |                 |                   |                  |              |
| <b>Historic Tax Credits</b>                   | 2,000,000          | 75%          | 1,500,000          |                 |                   |                  |              |
| <b>TIF Financing</b>                          |                    |              | 22,140,000         |                 |                   |                  |              |
| <b>Equity</b>                                 |                    |              | 52,646,880         |                 |                   |                  |              |
|   |                    |              | <b>127,144,799</b> |                 |                   |                  |              |
| <b>Construction Financing</b>                 |                    |              |                    |                 |                   |                  |              |
| Construction Period                           |                    | 24 Months    |                    |                 |                   |                  |              |
| Interest Rate                                 |                    |              |                    |                 |                   |                  |              |
| Libor   | 2.30%              |              |                    |                 |                   |                  |              |
| Spread  | 4.00%              |              |                    |                 |                   |                  |              |
| Total   | 6.30%              |              |                    |                 |                   |                  |              |

**APPENDIX B-3  
CBRE Operating Revenues and Expenses**

**EDITION WASHINGTON DC**

**HOTEL OPERATING PROFORMA**

|                                  | Discount  | 2013              | 2014              | 2015              | 2016              | 2017              | 2018              | 2019              | 2020              | 2021              | 2022              |
|----------------------------------|-----------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Number of Rooms                  |           | 174               | 174               | 174               | 174               | 174               | 174               | 174               | 174               | 174               | 174               |
| Number of Occupied Rooms         |           | 43,187            | 44,457            | 45,727            | 45,727            | 45,727            | 45,727            | 45,727            | 45,727            | 45,727            | 45,727            |
| Average Occupancy                |           | 68%               | 70%               | 72%               | 72%               | 72%               | 72%               | 72%               | 72%               | 72%               | 72%               |
| Average Daily Rate               | 0%        | 441.00            | 471.43            | 495.94            | 511.32            | 527.17            | 543.51            | 554.92            | 566.58            | 578.48            | 590.62            |
| ADR Change from Prior Year       |           | 6.90%             | 6.90%             | 5.20%             | 3.10%             | 3.10%             | 3.10%             | 2.10%             | 2.10%             | 2.10%             | 2.10%             |
| RevPAR                           |           | 299.88            | 330.00            | 357.08            | 368.15            | 379.56            | 391.33            | 399.55            | 407.94            | 416.50            | 425.25            |
| Inflation Rate                   |           | 2.50%             |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| <b>Revenue</b>                   |           |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Room                             |           | 19,045,379        | 20,958,319        | 22,678,099        | 23,381,120        | 24,105,935        | 24,853,219        | 25,375,136        | 25,908,014        | 26,452,082        | 27,007,576        |
| Telephone                        |           | 114,840           | 117,711           | 120,654           | 123,670           | 126,762           | 129,931           | 133,179           | 136,509           | 139,921           | 143,419           |
| Garage                           |           | 241,280           | 247,312           | 253,495           | 259,832           | 266,328           | 272,986           | 279,811           | 286,806           | 293,976           | 301,326           |
| Food & beverage                  |           |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Restaurant                       |           | 5,438,080         | 6,009,078         | 6,910,440         | 7,083,201         | 7,260,281         | 7,441,788         | 7,627,833         | 7,818,529         | 8,013,992         | 8,214,342         |
| Banqt Sales                      |           | 3,623,840         | 4,004,343         | 4,444,821         | 4,633,726         | 4,795,906         | 4,963,763         | 5,137,498         | 5,317,307         | 5,503,413         | 5,696,032         |
| Total Food & Beverage            |           | 12,670,680        | 14,001,101        | 15,542,325        | 16,008,667        | 16,455,221        | 16,914,561        | 17,387,063        | 17,873,114        | 18,373,115        | 18,887,477        |
| Spa                              |           | 726,160           | 871,392           | 1,021,101         | 1,027,153         | 1,052,832         | 1,079,153         | 1,106,132         | 1,133,785         | 1,162,130         | 1,191,183         |
| Total Other Rents, Income        |           | 241,280           | 253,344           | 266,011           | 272,661           | 279,478           | 286,465           | 293,627           | 300,967           | 308,491           | 316,204           |
| <b>Total Revenue</b>             |           | <b>33,039,619</b> | <b>36,449,179</b> | <b>39,862,684</b> | <b>41,073,104</b> | <b>42,286,556</b> | <b>43,536,315</b> | <b>44,574,947</b> | <b>45,639,195</b> | <b>46,729,716</b> | <b>47,847,185</b> |
| <b>Department Expenses</b>       |           |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Room                             |           | 5,047,025         | 5,239,580         | 5,442,744         | 5,564,707         | 5,689,001         | 5,790,800         | 5,912,407         | 6,036,567         | 6,163,335         | 6,292,765         |
| Telephone                        |           | 155,034           | 158,910           | 162,883           | 166,955           | 171,129           | 175,407           | 179,792           | 184,287           | 188,894           | 193,616           |
| Garage                           |           | 144,768           | 148,387           | 152,097           | 155,899           | 159,797           | 163,792           | 167,886           | 172,084           | 176,386           | 180,795           |
| Total Food & Beverage            |           | 9,718,412         | 10,458,823        | 11,361,440        | 11,702,336        | 12,028,767        | 12,364,544        | 12,709,943        | 13,065,246        | 13,430,747        | 13,806,746        |
| Spa                              |           | 723,255           | 833,051           | 931,954           | 955,253           | 979,134           | 1,003,612         | 1,028,703         | 1,054,420         | 1,080,781         | 1,107,800         |
| Total Other Rents, Income        |           | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 |
| <b>Total Dept Profits</b>        |           | <b>15,788,494</b> | <b>16,838,750</b> | <b>18,051,116</b> | <b>18,545,149</b> | <b>19,027,827</b> | <b>19,498,155</b> | <b>19,998,730</b> | <b>20,512,604</b> | <b>21,040,143</b> | <b>21,581,723</b> |
| <b>Departmental Profits</b>      |           |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Room                             |           | 13,998,353        | 15,718,739        | 17,235,355        | 17,816,413        | 18,416,934        | 19,062,419        | 19,462,729        | 19,871,447        | 20,288,747        | 20,714,811        |
| Telephone                        | (40,194)  | -35.0%            | (41,199)          | -35.0%            | (42,229)          | -35.0%            | (44,367)          | -35.0%            | (46,613)          | -35.0%            | (50,197)          |
| Garage                           | 36,512    | 40.0%             | 38,925            | 40.0%             | 40,198            | 40.0%             | 41,531            | 40.0%             | 42,924            | 40.0%             | 44,372            |
| Total Food & Beverage            | 2,952,268 | 23.3%             | 3,542,279         | 25.3%             | 4,180,885         | 26.9%             | 4,428,455         | 26.9%             | 4,677,120         | 26.9%             | 4,942,368         |
| Spa                              | 2,905     | 0.4%              | 38,341            | 4.4%              | 70,147            | 7.0%              | 73,698            | 7.0%              | 77,429            | 7.0%              | 81,349            |
| Total Other Rents, Income        | 241,280   | 100.0%            | 253,344           | 100.0%            | 266,011           | 100.0%            | 279,478           | 100.0%            | 300,967           | 100.0%            | 316,204           |
| <b>Total Dept Profits</b>        |           | <b>17,251,124</b> | <b>19,610,429</b> | <b>21,811,568</b> | <b>22,527,955</b> | <b>23,258,729</b> | <b>24,038,160</b> | <b>24,576,217</b> | <b>25,126,591</b> | <b>25,689,574</b> | <b>26,265,462</b> |
| <b>Deductions From Income</b>    |           |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Administrative & General         |           | 2,524,160         | 2,587,264         | 2,651,946         | 2,718,244         | 2,786,200         | 2,855,855         | 2,927,252         | 3,000,433         | 3,075,444         | 3,152,330         |
| Utilities                        |           | 996,440           | 1,021,351         | 1,046,885         | 1,073,057         | 1,099,883         | 1,127,380         | 1,155,565         | 1,184,454         | 1,214,065         | 1,244,417         |
| Repairs & Maintenance            |           | 1,208,720         | 1,238,938         | 1,269,911         | 1,301,659         | 1,334,201         | 1,367,556         | 1,401,745         | 1,436,788         | 1,472,708         | 1,509,526         |
| Sales & Marketing                |           | 1,859,480         | 1,858,908         | 1,905,381         | 1,953,015         | 2,001,841         | 2,051,887         | 2,103,184         | 2,155,764         | 2,209,658         | 2,264,899         |
| <b>Total deducts From Income</b> |           | <b>6,588,800</b>  | <b>6,706,461</b>  | <b>6,874,123</b>  | <b>7,045,976</b>  | <b>7,222,125</b>  | <b>7,402,678</b>  | <b>7,587,745</b>  | <b>7,777,439</b>  | <b>7,971,875</b>  | <b>8,171,172</b>  |
| House Profit                     |           | 10,662,324        | 12,903,968        | 14,937,445        | 15,481,980        | 16,036,604        | 16,635,482        | 16,988,471        | 17,349,152        | 17,717,699        | 18,094,290        |
| FF&E Escrow                      |           | 330,396           | 728,984           | 1,195,881         | 1,232,193         | 1,268,597         | 1,741,453         | 1,782,998         | 1,825,568         | 1,869,189         | 1,913,887         |
| Management Fee                   |           | 1,321,585         | 1,457,967         | 1,594,507         | 1,642,924         | 1,691,462         | 1,741,453         | 1,782,998         | 1,825,568         | 1,869,189         | 1,913,887         |
| Building/Liability Insurance     |           | 175,160           | 179,539           | 184,027           | 188,628           | 193,344           | 198,177           | 203,132           | 208,210           | 213,415           | 218,751           |
| Equipment Rental                 |           | 66,079            | 72,898            | 79,725            | 82,146            | 84,573            | 87,073            | 89,150            | 91,278            | 93,459            | 95,694            |
| Property Taxes                   |           | 1,826,730         | 2,150,562         | 2,422,577         | 2,513,338         | 2,626,104         | 2,625,075         | 2,680,697         | 2,737,534         | 2,795,612         | 2,854,961         |
| <b>Total Other Deductions</b>    |           | <b>3,719,950</b>  | <b>4,589,950</b>  | <b>5,476,718</b>  | <b>5,659,230</b>  | <b>5,844,079</b>  | <b>6,393,230</b>  | <b>6,538,975</b>  | <b>6,688,158</b>  | <b>6,840,864</b>  | <b>6,997,181</b>  |
| <b>Net House Profit</b>          |           | <b>6,942,374</b>  | <b>8,314,018</b>  | <b>9,460,727</b>  | <b>9,822,750</b>  | <b>10,192,525</b> | <b>10,242,251</b> | <b>10,449,497</b> | <b>10,660,994</b> | <b>10,876,835</b> | <b>11,097,109</b> |

**APPENDIX B-4  
CBRE Cash Flow and Return**

**EDITION WASHINGTON DC  
PROJECTED CASH FLOW**

| ADR Discount              | 0%        |              | <b>2013</b>  | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>2021</b> | <b>2022</b> |
|---------------------------|-----------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net House Profit          |           |              | 6,942,374    | 8,314,018   | 9,460,727   | 9,822,750   | 10,192,525  | 10,242,251  | 10,449,497  | 10,660,994  | 10,876,835  | 11,097,109  |
| Retail Lease Gym/Spa      | PSF<br>33 | SF<br>29,000 | 957,000      | 985,710     | 1,015,281   | 1,045,740   | 1,077,112   | 1,109,425   | 1,142,708   | 1,176,989   | 1,212,299   | 1,248,668   |
| Net Operating Income      |           |              | 7,899,374    | 9,299,728   | 10,476,009  | 10,868,490  | 11,269,637  | 11,351,676  | 11,592,205  | 11,837,984  | 12,089,133  | 12,345,777  |
| Debt Service              |           |              | 4,068,634    | 4,068,634   | 4,710,356   | 4,710,356   | 4,710,356   | 4,710,356   | 4,710,356   | 4,710,356   | 4,710,356   | 4,710,356   |
| Net Cash Flow             |           |              | 3,830,740    | 5,231,094   | 5,765,653   | 6,158,133   | 6,559,281   | 6,641,320   | 6,881,849   | 7,127,628   | 7,378,777   | 7,635,421   |
| Cash on Cash Return       |           |              | 7.28%        | 9.94%       | 10.95%      | 11.70%      | 12.46%      | 12.61%      | 13.07%      | 13.54%      | 14.02%      | 14.50%      |
| Return on Cost            |           |              | 6.21%        | 7.31%       | 8.24%       | 8.55%       | 8.86%       | 8.93%       | 9.12%       | 9.31%       | 9.51%       | 9.71%       |
| Gym/Spa Annual Increase   |           |              | 3.00%        |             |             |             |             |             |             |             |             |             |
| <b>Permanent Mortgage</b> |           |              |              |             |             |             |             |             |             |             |             |             |
| Amount                    |           |              | 50,857,920   |             |             |             |             |             |             |             |             |             |
| Rate                      |           |              | 8.00%        |             |             |             |             |             |             |             |             |             |
| Amortization              |           |              | 25 years     |             |             |             |             |             |             |             |             |             |
| Interest Only             |           |              | 2 years      |             |             |             |             |             |             |             |             |             |
| Payments                  |           |              | 392,530      |             |             |             |             |             |             |             |             |             |
| <b>Sale</b>               |           |              |              |             |             |             |             |             |             |             |             |             |
| NOI Year 6                |           |              | 11,351,676   |             |             |             |             |             |             |             |             |             |
| Cap Rate                  |           |              | 8.00%        |             |             |             |             |             |             |             |             |             |
| Sale Price                |           |              | 141,895,956  |             |             |             |             |             |             |             |             |             |
| Cost of Sale              |           | 3.0%         | (4,256,879)  |             |             |             |             |             |             |             |             |             |
| Mortgage Balance          |           |              | (48,690,205) |             |             |             |             |             |             |             |             |             |
| Net Cash From Sale        |           |              | 88,948,872   |             |             |             |             |             |             |             |             |             |
| Equity IRR                |           |              | 19.40%       |             |             |             |             |             |             |             |             |             |

**APPENDIX B-5  
CBRE TIF Schedule**

**EDITION WASHINGTON DC  
TIF Calculations**

|                            |                 |               |               |                 |             |             |             |             |             |             |              |             |
|----------------------------|-----------------|---------------|---------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|-------------|
| <b>TIF Bond</b>            |                 |               |               |                 |             |             |             |             |             |             |              |             |
| Interest Rate              | 7.50%           |               |               |                 |             |             |             |             |             |             |              |             |
| Total TIF Bonds Issued     | 27,000,000      |               |               |                 |             |             |             |             |             |             |              |             |
| Less:                      |                 |               |               |                 |             |             |             |             |             |             |              |             |
| Interest Reserve - 2 years | 4,050,000       |               |               |                 |             |             |             |             |             |             |              |             |
| Cost of Issuance           | 3.00%           | 810,000       |               |                 |             |             |             |             |             |             |              |             |
| Net Proceeds               | 22,140,000      |               |               |                 |             |             |             |             |             |             |              |             |
| <b>Tax Rates</b>           |                 |               |               |                 |             |             |             |             |             |             |              |             |
|                            | <b>Total</b>    | <b>Shares</b> | <b>Amount</b> | <b>Conv Ctr</b> |             |             |             |             |             |             |              |             |
| Prop Tax Rate              | 1.85%           | 72.00%        | 1.33%         | 0.52%           |             |             |             |             |             |             |              |             |
| Sales Tax - Rooms          | 14.50%          | 69.31%        | 10.05%        | 4.45%           |             |             |             |             |             |             |              |             |
| Sales Tax - F & B          | 10.00%          | 90.00%        | 9.00%         | 1.00%           |             |             |             |             |             |             |              |             |
|                            | <b>1</b>        | <b>2</b>      | <b>3</b>      | <b>4</b>        | <b>5</b>    | <b>6</b>    | <b>7</b>    | <b>8</b>    | <b>9</b>    | <b>10</b>   | <b>Total</b> |             |
|                            | <b>2013</b>     | <b>2014</b>   | <b>2015</b>   | <b>2016</b>     | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>2021</b> | <b>2022</b> |              |             |
| <b>Property Value</b>      |                 |               |               |                 |             |             |             |             |             |             |              |             |
| Capitalization Rate        | 8.00%           | 8.00%         | 8.00%         | 8.00%           | 8.00%       | 8.00%       | 8.00%       | 8.00%       | 8.00%       | 8.00%       |              |             |
| NOI                        | 7,899,374       | 9,299,728     | 10,476,009    | 10,868,490      | 11,269,637  | 11,351,676  | 11,592,205  | 11,837,984  | 12,089,133  | 12,345,777  |              |             |
| Value                      | 98,742,176      | 116,246,598   | 130,950,109   | 135,856,119     | 140,870,460 | 141,895,956 | 144,902,558 | 147,974,795 | 151,114,168 | 154,322,217 |              |             |
| <b>Taxable Revenues</b>    |                 |               |               |                 |             |             |             |             |             |             |              |             |
|                            | <b>Discount</b> |               |               |                 |             |             |             |             |             |             |              |             |
| Room Revenues              | 0%              | 19,045,379    | 20,958,319    | 22,678,099      | 23,381,120  | 24,105,935  | 24,853,219  | 25,375,136  | 25,908,014  | 26,452,082  | 27,007,576   | 239,764,878 |
| Food & Beverage            |                 | 12,670,680    | 14,001,101    | 15,542,325      | 16,008,667  | 16,455,221  | 16,914,561  | 17,387,063  | 17,873,114  | 18,373,115  | 18,887,477   | 164,113,325 |
| <b>Bond Payoff</b>         |                 |               |               |                 |             |             |             |             |             |             |              |             |
| Paid Off                   |                 |               |               |                 |             |             |             |             |             |             |              |             |
| Number of Years            | 7               |               |               |                 |             |             |             |             |             |             |              |             |
| Year                       | 2019            |               |               |                 |             |             |             |             |             |             |              |             |
| Balance Beginning of Year  |                 | 27,000,000    | 24,655,332    | 21,589,668      | 17,786,679  | 13,520,494  | 8,754,520   | 3,500,996   | 0           | 0           | 0            |             |
| Interest Accrued           |                 | 2,025,000     | 1,849,150     | 1,619,225       | 1,334,001   | 1,014,037   | 656,589     | 262,575     | 0           | 0           | 0            |             |
| Intermediate Balance       |                 | 29,025,000    | 26,504,482    | 23,208,893      | 19,120,680  | 14,534,531  | 9,411,109   | 3,763,571   | 0           | 0           | 0            |             |
| TI Available               |                 |               |               |                 |             |             |             |             |             |             |              |             |
| Property Tax               | 1.33%           | 1,315,246     | 1,548,405     | 1,744,255       | 1,809,604   | 1,876,395   | 1,890,054   | 1,930,102   | 1,971,024   | 2,012,841   | 2,055,572    | 18,153,497  |
| Sales Tax - Rooms          | 10.05%          | 1,914,061     | 2,106,311     | 2,279,149       | 2,349,803   | 2,422,646   | 2,497,748   | 2,550,201   | 2,603,755   | 2,658,434   | 2,714,261    | 24,096,370  |
| Sales Tax - F & B          | 9.00%           | 1,140,361     | 1,260,099     | 1,398,809       | 1,440,780   | 1,480,970   | 1,522,310   | 1,564,836   | 1,608,580   | 1,653,580   | 1,699,873    | 14,770,199  |
| Total                      |                 | 4,369,668     | 4,914,815     | 5,422,214       | 5,600,186   | 5,780,011   | 5,910,113   | 6,045,139   | 6,183,360   | 6,324,855   | 6,469,706    | 57,020,067  |
| Payoff                     |                 | 4,369,668     | 4,914,815     | 5,422,214       | 5,600,186   | 5,780,011   | 5,910,113   | 3,763,571   | 0           | 0           | 0            | 35,760,577  |
| Balance End of Year        |                 | 24,655,332    | 21,589,668    | 17,786,679      | 13,520,494  | 8,754,520   | 3,500,996   | 0           | 0           | 0           | 0            |             |
| <b>TIF Payments</b>        |                 |               |               |                 |             |             |             |             |             |             |              |             |
| Annual                     |                 | 4,369,668     | 4,914,815     | 5,422,214       | 5,600,186   | 5,780,011   | 5,910,113   | 3,763,571   | 0           | 0           | 0            | 35,760,577  |
| Cumulative                 |                 | 4,369,668     | 9,284,482     | 14,706,696      | 20,306,882  | 26,086,893  | 31,997,006  | 35,760,577  | 35,760,577  | 35,760,577  | 35,760,577   |             |
| <b>Surplus TI</b>          |                 |               |               |                 |             |             |             |             |             |             |              |             |
| Annual                     |                 | 0             | 0             | 0               | 0           | 0           | 0           | 2,281,568   | 6,183,360   | 6,324,855   | 6,469,706    | 21,259,490  |
| Cumulative                 |                 | 0             | 0             | 0               | 0           | 0           | 0           | 2,281,568   | 8,464,928   | 14,789,784  | 21,259,490   |             |

## APPENDIX B-6 CBRE Summary Comparison

|                                | Developer ADR  |               | CBRE Discount on ADR |            |            |
|--------------------------------|----------------|---------------|----------------------|------------|------------|
|                                | In TIF Request | CBRE Modified | 15%                  | 20%        | 25%        |
| <b>Revenues</b>                |                |               |                      |            |            |
| Initial ADR                    | 441            | 441           | 375                  | 353        | 331        |
| <b>Tax Increment Financing</b> |                |               |                      |            |            |
| Years to Pay Off               | 6              | 7             | 8                    | 9          | 9          |
| Year Paid Off                  | 2018           | 2019          | 2020                 | 2021       | 2021       |
| 10-Year Total TIF Shares       | 66,355,000     | 57,020,000    | 50,282,000           | 48,036,000 | 45,790,000 |
| Pay Off Bonds                  | 34,409,000     | 35,761,000    | 37,095,000           | 37,624,000 | 38,294,000 |
| Surplus TIF                    | 31,946,000     | 21,259,000    | 13,187,000           | 10,412,000 | 7,496,000  |

**APPENDIX C-3  
CBRE Operating Revenues and Expenses: 15% ADR Reduction**

**EDITION WASHINGTON DC**

**HOTEL OPERATING PROFORMA**

|                                  | Discount | 2013              | 2014              | 2015              | 2016              | 2017              | 2018              | 2019              | 2020              | 2021              | 2022              |
|----------------------------------|----------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Number of Rooms                  |          | 174               | 174               | 174               | 174               | 174               | 174               | 174               | 174               | 174               | 174               |
| Number of Occupied Rooms         |          | 43,187            | 44,457            | 45,727            | 45,727            | 45,727            | 45,727            | 45,727            | 45,727            | 45,727            | 45,727            |
| Average Occupancy                |          | 68%               | 70%               | 72%               | 72%               | 72%               | 72%               | 72%               | 72%               | 72%               | 72%               |
| Average Daily Rate               | 15%      | 374.85            | 400.71            | 421.55            | 434.62            | 448.09            | 461.98            | 471.69            | 481.59            | 491.70            | 502.03            |
| ADR Change from Prior Year       |          | 6.90%             | 5.20%             | 3.10%             | 3.10%             | 3.10%             | 3.10%             | 2.10%             | 2.10%             | 2.10%             | 2.10%             |
| RevPAR                           |          | 254.90            | 280.50            | 303.52            | 312.93            | 322.63            | 332.63            | 339.61            | 346.75            | 354.03            | 361.46            |
| Inflation Rate                   |          | 2.50%             |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| <b>Revenue</b>                   |          |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Room                             |          | 16,188,572        | 17,814,571        | 19,276,384        | 19,873,952        | 20,490,044        | 21,125,236        | 21,568,866        | 22,021,812        | 22,484,270        | 22,956,440        |
| Telephone                        |          | 114,840           | 117,711           | 120,654           | 123,670           | 126,762           | 129,931           | 133,179           | 136,509           | 139,921           | 143,419           |
| Garage                           |          | 241,280           | 247,312           | 253,495           | 259,832           | 266,328           | 272,986           | 279,811           | 286,806           | 293,976           | 301,326           |
| Food & beverage                  |          |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Restaurant                       |          | 5,438,080         | 6,009,078         | 6,910,440         | 7,083,201         | 7,260,281         | 7,441,788         | 7,627,833         | 7,818,529         | 8,013,992         | 8,214,342         |
| Banqt Sales                      |          | 3,623,840         | 4,004,343         | 4,444,821         | 4,633,726         | 4,795,906         | 4,963,763         | 5,137,498         | 5,317,307         | 5,503,413         | 5,696,032         |
| Total Food & Beverage            |          | 12,670,680        | 14,001,101        | 15,542,325        | 16,008,667        | 16,455,221        | 16,914,561        | 17,387,063        | 17,873,114        | 18,373,115        | 18,887,477        |
| Spa                              |          | 726,160           | 871,392           | 1,002,101         | 1,027,153         | 1,052,832         | 1,079,153         | 1,106,132         | 1,133,785         | 1,162,130         | 1,191,183         |
| Total Other Rents, Income        |          | 241,280           | 253,344           | 266,011           | 272,661           | 279,478           | 286,465           | 293,627           | 300,967           | 308,491           | 316,204           |
| <b>Total Revenue</b>             |          | <b>30,182,812</b> | <b>33,305,432</b> | <b>36,460,969</b> | <b>37,565,936</b> | <b>38,670,666</b> | <b>39,808,332</b> | <b>40,768,677</b> | <b>41,752,993</b> | <b>42,781,904</b> | <b>43,796,048</b> |
| <b>Department Expenses</b>       |          |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Room                             |          | 4,289,972         | 4,453,643         | 4,626,332         | 4,730,001         | 4,835,650         | 4,922,180         | 5,025,546         | 5,131,082         | 5,238,835         | 5,348,850         |
| Lounge                           |          | 3,808,760         | 3,987,680         | 4,187,064         | 4,291,740         | 4,399,034         | 4,509,010         | 4,621,735         | 4,737,278         | 4,855,710         | 4,977,103         |
| Garage                           |          | 144,768           | 148,387           | 152,097           | 155,899           | 159,797           | 163,792           | 167,886           | 172,084           | 176,386           | 180,795           |
| Total Food & Beverage            |          | 9,718,412         | 10,458,823        | 11,361,440        | 11,702,336        | 12,028,767        | 12,364,544        | 12,709,943        | 13,065,246        | 13,430,747        | 13,806,746        |
| Spa                              |          | 723,255           | 833,051           | 931,954           | 955,253           | 979,134           | 1,003,612         | 1,028,703         | 1,054,420         | 1,080,781         | 1,107,800         |
| Total Other Rents, Income        |          | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 |
| <b>Total Dept Profits</b>        |          | <b>15,031,440</b> | <b>16,052,813</b> | <b>17,234,705</b> | <b>17,710,443</b> | <b>18,174,476</b> | <b>18,629,535</b> | <b>19,111,869</b> | <b>19,607,119</b> | <b>20,115,642</b> | <b>20,637,808</b> |
| <b>Departmental Profits</b>      |          |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Room                             |          | 11,898,600        | 13,360,928        | 14,650,052        | 15,143,951        | 15,654,394        | 16,203,056        | 16,543,320        | 16,890,730        | 17,245,435        | 17,607,589        |
| Telephone                        |          | (40,194)          | (41,199)          | (42,229)          | (43,285)          | (44,367)          | (45,478)          | (46,613)          | (47,778)          | (48,972)          | (50,197)          |
| Garage                           |          | 96,512            | 98,925            | 101,988           | 103,933           | 106,531           | 109,194           | 111,924           | 114,722           | 117,591           | 120,530           |
| Total Food & Beverage            |          | 2,952,268         | 3,542,279         | 4,180,885         | 4,306,332         | 4,428,455         | 4,550,017         | 4,677,120         | 4,807,868         | 4,942,368         | 5,080,731         |
| Spa                              |          | 2,905             | 38,341            | 70,147            | 71,901            | 73,698            | 75,451            | 77,429            | 79,365            | 81,349            | 83,383            |
| Total Other Rents, Income        |          | 241,280           | 253,344           | 266,011           | 272,661           | 279,478           | 286,465           | 293,627           | 300,967           | 308,491           | 316,204           |
| <b>Total Dept Profits</b>        |          | <b>15,151,371</b> | <b>17,252,618</b> | <b>19,226,265</b> | <b>19,855,493</b> | <b>20,496,189</b> | <b>21,178,797</b> | <b>21,656,807</b> | <b>22,145,874</b> | <b>22,646,262</b> | <b>23,158,241</b> |
| <b>Deductions From Income</b>    |          |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Administrative & General         |          | 2,524,160         | 2,587,264         | 2,651,946         | 2,718,244         | 2,786,200         | 2,855,855         | 2,927,252         | 3,000,433         | 3,075,444         | 3,152,330         |
| Utilities                        |          | 996,440           | 1,021,351         | 1,046,885         | 1,073,057         | 1,099,883         | 1,127,380         | 1,155,565         | 1,184,454         | 1,214,065         | 1,244,417         |
| Repairs & Maintenance            |          | 1,208,720         | 1,238,938         | 1,269,911         | 1,301,659         | 1,334,201         | 1,367,556         | 1,401,745         | 1,436,788         | 1,472,708         | 1,509,526         |
| Sales & Marketing                |          | 1,859,480         | 1,698,577         | 1,741,041         | 1,784,567         | 1,829,182         | 1,874,911         | 1,921,784         | 1,969,829         | 2,019,074         | 2,069,551         |
| <b>Total deducts From Income</b> |          | <b>6,588,800</b>  | <b>6,546,130</b>  | <b>6,709,783</b>  | <b>6,877,528</b>  | <b>7,049,466</b>  | <b>7,225,703</b>  | <b>7,406,345</b>  | <b>7,591,504</b>  | <b>7,781,291</b>  | <b>7,975,824</b>  |
| <b>House Profit</b>              |          | <b>8,562,571</b>  | <b>10,706,488</b> | <b>12,516,481</b> | <b>12,977,966</b> | <b>13,446,723</b> | <b>13,953,094</b> | <b>14,250,462</b> | <b>14,554,370</b> | <b>14,864,970</b> | <b>15,182,417</b> |
| FF&E Escrow                      |          | 301,828           | 666,109           | 1,093,829         | 1,126,978         | 1,160,120         | 1,592,333         | 1,630,747         | 1,670,120         | 1,710,476         | 1,751,842         |
| Management Fee                   |          | 1,207,312         | 1,332,217         | 1,458,439         | 1,502,637         | 1,546,827         | 1,592,333         | 1,630,747         | 1,670,120         | 1,710,476         | 1,751,842         |
| Building/Liability Insurance     |          | 175,160           | 179,539           | 184,027           | 188,628           | 193,344           | 198,177           | 203,132           | 208,210           | 213,415           | 218,751           |
| Equipment Rental                 |          | 60,366            | 66,611            | 72,922            | 75,132            | 77,341            | 79,617            | 81,537            | 83,506            | 85,524            | 87,592            |
| Property Taxes                   |          | 1,460,261         | 1,774,445         | 2,013,879         | 2,090,468         | 2,168,576         | 2,178,691         | 2,225,072         | 2,272,477         | 2,320,929         | 2,370,452         |
| Total Other Deductions           |          | 3,204,928         | 4,018,921         | 4,823,096         | 4,983,844         | 5,146,208         | 5,641,152         | 5,771,236         | 5,904,432         | 6,040,820         | 6,180,479         |
| <b>Net House Profit</b>          |          | <b>5,357,644</b>  | <b>6,687,567</b>  | <b>7,693,385</b>  | <b>7,994,122</b>  | <b>8,300,515</b>  | <b>8,311,942</b>  | <b>8,479,226</b>  | <b>8,649,938</b>  | <b>8,824,150</b>  | <b>9,001,937</b>  |



**APPENDIX C-4  
CBRE Cash Flow and Return: 15% ADR Reduction**

**EDITION WASHINGTON DC  
PROJECTED CASH FLOW**

| ADR Discount              | 15%       |              | 2013         | 2014      | 2015      | 2016      | 2017      | 2018      | 2019      | 2020      | 2021       | 2022       |
|---------------------------|-----------|--------------|--------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|
| Net House Profit          |           |              | 5,357,644    | 6,687,567 | 7,693,385 | 7,994,122 | 8,300,515 | 8,311,942 | 8,479,226 | 8,649,938 | 8,824,150  | 9,001,937  |
| Retail Lease Gym/Spa      | PSF<br>33 | SF<br>29,000 | 957,000      | 985,710   | 1,015,281 | 1,045,740 | 1,077,112 | 1,109,425 | 1,142,708 | 1,176,989 | 1,212,299  | 1,248,668  |
| Net Operating Income      |           |              | 6,314,644    | 7,673,277 | 8,708,666 | 9,039,862 | 9,377,627 | 9,421,368 | 9,621,934 | 9,826,927 | 10,036,449 | 10,250,605 |
| Debt Service              |           |              | 4,068,634    | 4,068,634 | 4,710,356 | 4,710,356 | 4,710,356 | 4,710,356 | 4,710,356 | 4,710,356 | 4,710,356  | 4,710,356  |
| Net Cash Flow             |           |              | 2,246,010    | 3,604,644 | 3,998,310 | 4,329,506 | 4,667,271 | 4,711,012 | 4,911,578 | 5,116,571 | 5,326,093  | 5,540,249  |
| Cash on Cash Return       |           |              | 4.27%        | 6.85%     | 7.59%     | 8.22%     | 8.87%     | 8.95%     | 9.33%     | 9.72%     | 10.12%     | 10.52%     |
| Return on Cost            |           |              | 4.97%        | 6.04%     | 6.85%     | 7.11%     | 7.38%     | 7.41%     | 7.57%     | 7.73%     | 7.89%      | 8.06%      |
| Gym/Spa Annual Increase   |           |              | 3.00%        |           |           |           |           |           |           |           |            |            |
| <b>Permanent Mortgage</b> |           |              |              |           |           |           |           |           |           |           |            |            |
| Amount                    |           |              | 50,857,920   |           |           |           |           |           |           |           |            |            |
| Rate                      |           |              | 8.00%        |           |           |           |           |           |           |           |            |            |
| Amortization              |           |              | 25           | years     |           |           |           |           |           |           |            |            |
| Interest Only             |           |              | 2            | years     |           |           |           |           |           |           |            |            |
| Payments                  |           |              | 392,530      |           |           |           |           |           |           |           |            |            |
| <b>Sale</b>               |           |              |              |           |           |           |           |           |           |           |            |            |
| NOI Year 6                |           |              | 9,421,368    |           |           |           |           |           |           |           |            |            |
| Cap Rate                  |           |              | 8.00%        |           |           |           |           |           |           |           |            |            |
| Sale Price                |           |              | 117,767,096  |           |           |           |           |           |           |           |            |            |
| Cost of Sale              |           | 3.0%         | (3,533,013)  |           |           |           |           |           |           |           |            |            |
| Mortgage Balance          |           |              | (48,690,205) |           |           |           |           |           |           |           |            |            |
| Net Cash From Sale        |           |              | 65,543,879   |           |           |           |           |           |           |           |            |            |
| Equity IRR                |           |              | 10.88%       |           |           |           |           |           |           |           |            |            |

**APPENDIX C-5  
CBRE TIF Schedule: 15% ADR Reduction**

**EDITION WASHINGTON DC  
TIF Calculations**

|                            |                 |               |               |                 |             |             |             |             |             |             |              |             |
|----------------------------|-----------------|---------------|---------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|-------------|
| <b>TIF Bond</b>            |                 |               |               |                 |             |             |             |             |             |             |              |             |
| Interest Rate              | 7.50%           |               |               |                 |             |             |             |             |             |             |              |             |
| Total TIF Bonds Issued     | 27,000,000      |               |               |                 |             |             |             |             |             |             |              |             |
| Less:                      |                 |               |               |                 |             |             |             |             |             |             |              |             |
| Interest Reserve - 2 years | 4,050,000       |               |               |                 |             |             |             |             |             |             |              |             |
| Cost of Issuance           | 3.00%           | 810,000       |               |                 |             |             |             |             |             |             |              |             |
| Net Proceeds               | 22,140,000      |               |               |                 |             |             |             |             |             |             |              |             |
| <b>Tax Rates</b>           |                 |               |               |                 |             |             |             |             |             |             |              |             |
|                            | <b>Total</b>    | <b>Shares</b> | <b>Amount</b> | <b>Conv Ctr</b> |             |             |             |             |             |             |              |             |
| Prop Tax Rate              | 1.85%           | 72.00%        | 1.33%         | 0.52%           |             |             |             |             |             |             |              |             |
| Sales Tax - Rooms          | 14.50%          | 69.31%        | 10.05%        | 4.45%           |             |             |             |             |             |             |              |             |
| Sales Tax - F & B          | 10.00%          | 90.00%        | 9.00%         | 1.00%           |             |             |             |             |             |             |              |             |
|                            | <b>1</b>        | <b>2</b>      | <b>3</b>      | <b>4</b>        | <b>5</b>    | <b>6</b>    | <b>7</b>    | <b>8</b>    | <b>9</b>    | <b>10</b>   | <b>Total</b> |             |
|                            | <b>2013</b>     | <b>2014</b>   | <b>2015</b>   | <b>2016</b>     | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>2021</b> | <b>2022</b> |              |             |
| <b>Property Value</b>      |                 |               |               |                 |             |             |             |             |             |             |              |             |
| Capitalization Rate        | 8.00%           | 8.00%         | 8.00%         | 8.00%           | 8.00%       | 8.00%       | 8.00%       | 8.00%       | 8.00%       | 8.00%       |              |             |
| NOI                        | 6,314,644       | 7,673,277     | 8,708,666     | 9,039,862       | 9,377,627   | 9,421,368   | 9,621,934   | 9,826,927   | 10,036,449  | 10,250,605  |              |             |
| Value                      | 78,933,048      | 95,915,964    | 108,858,329   | 112,998,271     | 117,220,339 | 117,767,096 | 120,274,180 | 122,836,587 | 125,455,609 | 128,132,567 |              |             |
| <b>Taxable Revenues</b>    |                 |               |               |                 |             |             |             |             |             |             |              |             |
|                            | <b>Discount</b> |               |               |                 |             |             |             |             |             |             |              |             |
| Room Revenues              | 15%             | 16,188,572    | 17,814,571    | 19,276,384      | 19,873,952  | 20,490,044  | 21,125,236  | 21,568,866  | 22,021,812  | 22,484,270  | 22,956,440   | 203,800,147 |
| Food & Beverage            |                 | 12,670,680    | 14,001,101    | 15,542,325      | 16,008,667  | 16,455,221  | 16,914,561  | 17,387,063  | 17,873,114  | 18,373,115  | 18,887,477   | 164,113,325 |
| <b>Bond Payoff</b>         |                 |               |               |                 |             |             |             |             |             |             |              |             |
| Paid Off                   |                 |               |               |                 |             |             |             |             |             |             |              |             |
| Number of Years            | 8               |               |               |                 |             |             |             |             |             |             |              |             |
| Year                       | 2020            |               |               |                 |             |             |             |             |             |             |              |             |
| Balance Beginning of Year  |                 | 27,000,000    | 25,206,299    | 22,768,707      | 19,690,282  | 16,223,804  | 12,338,995  | 8,050,365   | 3,319,583   | 0           | 0            |             |
| Interest Accrued           |                 | 2,025,000     | 1,890,472     | 1,707,653       | 1,476,771   | 1,216,785   | 925,425     | 603,777     | 248,969     | 0           | 0            |             |
| Intermediate Balance       |                 | 29,025,000    | 27,096,772    | 24,476,360      | 21,167,053  | 17,440,589  | 13,264,419  | 8,654,142   | 3,568,552   | 0           | 0            |             |
| TI Available               |                 |               |               |                 |             |             |             |             |             |             |              |             |
| Property Tax               | 1.33%           | 1,051,388     | 1,277,601     | 1,449,993       | 1,505,137   | 1,561,375   | 1,568,658   | 1,602,052   | 1,636,183   | 1,671,069   | 1,706,726    | 15,030,181  |
| Sales Tax - Rooms          | 10.05%          | 1,626,951     | 1,790,364     | 1,937,277       | 1,997,332   | 2,059,249   | 2,123,086   | 2,167,671   | 2,213,192   | 2,259,669   | 2,307,122    | 20,481,915  |
| Sales Tax - F & B          | 9.00%           | 1,140,361     | 1,260,099     | 1,398,809       | 1,440,780   | 1,480,970   | 1,522,310   | 1,564,836   | 1,608,580   | 1,653,580   | 1,699,873    | 14,770,199  |
| Total                      |                 | 3,818,701     | 4,328,064     | 4,786,079       | 4,943,249   | 5,101,594   | 5,214,054   | 5,334,559   | 5,457,956   | 5,584,318   | 5,713,721    | 50,282,295  |
| Payoff                     |                 | 3,818,701     | 4,328,064     | 4,786,079       | 4,943,249   | 5,101,594   | 5,214,054   | 5,334,559   | 3,568,552   | 0           | 0            | 37,094,853  |
| Balance End of Year        |                 | 25,206,299    | 22,768,707    | 19,690,282      | 16,223,804  | 12,338,995  | 8,050,365   | 3,319,583   | 0           | 0           | 0            |             |
| TIF Payments               |                 |               |               |                 |             |             |             |             |             |             |              |             |
| Annual                     |                 | 3,818,701     | 4,328,064     | 4,786,079       | 4,943,249   | 5,101,594   | 5,214,054   | 5,334,559   | 3,568,552   | 0           | 0            | 37,094,853  |
| Cumulative                 |                 | 3,818,701     | 8,146,765     | 12,932,844      | 17,876,093  | 22,977,687  | 28,191,742  | 33,526,300  | 37,094,853  | 37,094,853  | 37,094,853   |             |
| Surplus TI                 |                 |               |               |                 |             |             |             |             |             |             |              |             |
| Annual                     |                 | 0             | 0             | 0               | 0           | 0           | 0           | 0           | 1,889,404   | 5,584,318   | 5,713,721    | 13,187,443  |
| Cumulative                 |                 | 0             | 0             | 0               | 0           | 0           | 0           | 0           | 1,889,404   | 7,473,722   | 13,187,443   |             |

**APPENDIX D-3  
CBRE Operating Revenues and Expenses: 20% ADR Reduction**

**EDITION WASHINGTON DC**

**HOTEL OPERATING PROFORMA**

|                                  | Discount | 2013              | 2014              | 2015              | 2016              | 2017              | 2018              | 2019              | 2020              | 2021              | 2022              |
|----------------------------------|----------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Number of Rooms                  |          | 174               | 174               | 174               | 174               | 174               | 174               | 174               | 174               | 174               | 174               |
| Number of Occupied Rooms         |          | 43,187            | 44,457            | 45,727            | 45,727            | 45,727            | 45,727            | 45,727            | 45,727            | 45,727            | 45,727            |
| Average Occupancy                |          | 68%               | 70%               | 72%               | 72%               | 72%               | 72%               | 72%               | 72%               | 72%               | 72%               |
| Average Daily Rate               | 20%      | 352.80            | 377.14            | 396.75            | 409.05            | 421.73            | 434.81            | 443.94            | 453.26            | 462.78            | 472.50            |
| ADR Change from Prior Year       |          | 6.90%             | 6.90%             | 5.20%             | 3.10%             | 3.10%             | 3.10%             | 2.10%             | 2.10%             | 2.10%             | 2.10%             |
| RevPAR                           |          | 239.90            | 264.00            | 285.66            | 294.52            | 303.65            | 313.06            | 319.64            | 326.35            | 333.20            | 340.20            |
| Inflation Rate                   |          | 2.50%             |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| <b>Revenue</b>                   |          |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Room                             |          | 15,236,303        | 16,766,655        | 18,142,479        | 18,704,896        | 19,284,748        | 19,882,575        | 20,300,109        | 20,726,411        | 21,161,666        | 21,606,061        |
| Telephone                        |          | 114,840           | 117,711           | 120,654           | 123,670           | 126,762           | 129,931           | 133,179           | 136,509           | 139,921           | 143,419           |
| Garage                           |          | 241,280           | 247,312           | 253,495           | 259,832           | 266,328           | 272,986           | 279,811           | 286,806           | 293,976           | 301,326           |
| Food & beverage                  |          |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Restaurant                       |          | 5,438,080         | 6,009,078         | 6,910,440         | 7,083,201         | 7,260,281         | 7,441,788         | 7,627,833         | 7,818,529         | 8,013,992         | 8,214,342         |
| Banqt Sales                      |          | 3,623,840         | 4,004,343         | 4,444,821         | 4,633,726         | 4,795,906         | 4,963,763         | 5,137,498         | 5,317,307         | 5,503,413         | 5,696,032         |
| Total Food & Beverage            |          | 12,670,680        | 14,001,101        | 15,542,325        | 16,008,667        | 16,455,221        | 16,914,561        | 17,387,063        | 17,873,114        | 18,373,115        | 18,887,477        |
| Spa                              |          | 726,160           | 871,392           | 1,002,101         | 1,027,153         | 1,052,832         | 1,079,153         | 1,106,132         | 1,133,785         | 1,162,130         | 1,191,183         |
| Total Other Rents, Income        |          | 241,280           | 253,344           | 266,011           | 272,661           | 279,478           | 286,465           | 293,627           | 300,967           | 308,491           | 316,204           |
| <b>Total Revenue</b>             |          | <b>29,230,543</b> | <b>32,257,516</b> | <b>35,327,065</b> | <b>36,396,880</b> | <b>37,465,369</b> | <b>38,565,671</b> | <b>39,499,920</b> | <b>40,457,592</b> | <b>41,439,300</b> | <b>42,445,670</b> |
| <b>Department Expenses</b>       |          |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Room                             |          | 4,037,620         | 4,191,664         | 4,354,195         | 4,451,765         | 4,551,200         | 4,632,640         | 4,729,925         | 4,829,254         | 4,930,668         | 5,034,212         |
| Lounge                           |          | 3,808,760         | 3,987,680         | 4,187,064         | 4,291,740         | 4,399,034         | 4,509,010         | 4,621,735         | 4,737,278         | 4,855,710         | 4,977,103         |
| Telephone                        |          | 155,034           | 158,910           | 162,883           | 166,955           | 171,129           | 175,407           | 179,792           | 184,287           | 188,894           | 193,616           |
| Garage                           |          | 144,768           | 148,387           | 152,097           | 155,899           | 159,797           | 163,792           | 167,886           | 172,084           | 176,386           | 180,795           |
| Total Food & Beverage            |          | 9,718,412         | 10,458,823        | 11,361,440        | 11,702,336        | 12,028,767        | 12,364,544        | 12,709,943        | 13,065,246        | 13,430,747        | 13,806,746        |
| Spa                              |          | 723,255           | 833,051           | 931,954           | 955,253           | 979,134           | 1,003,612         | 1,028,703         | 1,054,420         | 1,080,781         | 1,107,800         |
| Total Other Rents, Income        |          | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 |
| <b>Total Dept Profits</b>        |          | <b>14,779,089</b> | <b>15,790,834</b> | <b>16,962,568</b> | <b>17,432,208</b> | <b>17,890,026</b> | <b>18,339,995</b> | <b>18,816,249</b> | <b>19,305,291</b> | <b>19,807,475</b> | <b>20,323,170</b> |
| <b>Departmental Profits</b>      |          |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Room                             |          | 11,198,683        | 12,574,991        | 13,788,284        | 14,253,131        | 14,733,547        | 15,249,935        | 15,570,184        | 15,897,157        | 16,230,998        | 16,571,849        |
| Telephone                        |          | (40,194)          | (41,199)          | (42,229)          | (43,285)          | (44,367)          | (45,476)          | (46,613)          | (47,778)          | (48,972)          | (50,197)          |
| Garage                           |          | 96,512            | 98,925            | 101,988           | 103,933           | 106,531           | 109,194           | 111,924           | 114,722           | 117,591           | 120,530           |
| Total Food & Beverage            |          | 2,952,268         | 3,542,279         | 4,180,885         | 4,306,332         | 4,428,455         | 4,550,017         | 4,677,120         | 4,807,868         | 4,942,368         | 5,080,731         |
| Spa                              |          | 2,905             | 38,341            | 70,147            | 71,901            | 73,698            | 75,541            | 77,429            | 79,365            | 81,349            | 83,383            |
| Total Other Rents, Income        |          | 241,280           | 253,344           | 266,011           | 272,661           | 279,478           | 286,465           | 293,627           | 300,967           | 308,491           | 316,204           |
| <b>Total Dept Profits</b>        |          | <b>14,451,454</b> | <b>16,466,681</b> | <b>18,364,497</b> | <b>18,964,673</b> | <b>19,575,343</b> | <b>20,225,676</b> | <b>20,683,671</b> | <b>21,152,302</b> | <b>21,631,824</b> | <b>22,122,500</b> |
| <b>Deductions From Income</b>    |          |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Administrative & General         |          | 2,524,160         | 2,587,264         | 2,651,946         | 2,718,244         | 2,786,200         | 2,855,855         | 2,927,252         | 3,000,433         | 3,075,444         | 3,152,330         |
| Utilities                        |          | 996,440           | 1,021,351         | 1,046,885         | 1,073,057         | 1,099,883         | 1,127,380         | 1,155,565         | 1,184,454         | 1,214,065         | 1,244,417         |
| Repairs & Maintenance            |          | 1,208,720         | 1,238,938         | 1,269,911         | 1,301,659         | 1,334,201         | 1,367,556         | 1,401,745         | 1,436,788         | 1,472,708         | 1,509,526         |
| Sales & Marketing                |          | 1,859,480         | 1,645,133         | 1,686,262         | 1,728,418         | 1,771,629         | 1,815,919         | 1,861,317         | 1,907,850         | 1,955,547         | 2,004,435         |
| <b>Total deducts From Income</b> |          | <b>6,588,800</b>  | <b>6,492,686</b>  | <b>6,655,003</b>  | <b>6,821,379</b>  | <b>6,991,913</b>  | <b>7,166,711</b>  | <b>7,345,879</b>  | <b>7,529,526</b>  | <b>7,717,764</b>  | <b>7,910,708</b>  |
| <b>House Profit</b>              |          | <b>7,862,654</b>  | <b>9,973,995</b>  | <b>11,709,493</b> | <b>12,143,294</b> | <b>12,583,430</b> | <b>13,058,965</b> | <b>13,337,792</b> | <b>13,622,776</b> | <b>13,914,060</b> | <b>14,211,792</b> |
| FF&E Escrow                      |          | 292,305           | 645,150           | 1,059,812         | 1,091,906         | 1,123,961         | 1,542,627         | 1,579,997         | 1,618,304         | 1,657,572         | 1,697,827         |
| Management Fee                   |          | 1,169,222         | 1,290,301         | 1,413,083         | 1,455,875         | 1,498,615         | 1,542,627         | 1,579,997         | 1,618,304         | 1,657,572         | 1,697,827         |
| Building/Liability Insurance     |          | 175,160           | 179,539           | 184,027           | 188,628           | 193,344           | 198,177           | 203,132           | 208,210           | 213,415           | 218,751           |
| Equipment Rental                 |          | 58,461            | 64,515            | 70,654            | 72,794            | 74,931            | 77,131            | 79,000            | 80,915            | 82,879            | 84,891            |
| Property Taxes                   |          | 1,338,105         | 1,649,073         | 1,877,646         | 1,949,511         | 2,022,734         | 2,029,897         | 2,073,197         | 2,117,458         | 2,162,701         | 2,208,950         |
| <b>Total Other Deductions</b>    |          | <b>3,033,253</b>  | <b>3,828,578</b>  | <b>4,605,223</b>  | <b>4,758,715</b>  | <b>4,913,584</b>  | <b>5,390,459</b>  | <b>5,515,323</b>  | <b>5,643,191</b>  | <b>5,774,139</b>  | <b>5,908,245</b>  |
| <b>Net House Profit</b>          |          | <b>4,829,400</b>  | <b>6,145,417</b>  | <b>7,104,271</b>  | <b>7,384,579</b>  | <b>7,669,845</b>  | <b>7,668,506</b>  | <b>7,822,470</b>  | <b>7,979,585</b>  | <b>8,139,921</b>  | <b>8,303,547</b>  |

**APPENDIX D-4  
CBRE Cash Flow and Return: 20% ADR Reduction**

**EDITION WASHINGTON DC  
PROJECTED CASH FLOW**

| ADR Discount              | 20%       |              | 2013         | 2014      | 2015      | 2016      | 2017      | 2018      | 2019      | 2020      | 2021      | 2022      |
|---------------------------|-----------|--------------|--------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Net House Profit          |           |              | 4,829,400    | 6,145,417 | 7,104,271 | 7,384,579 | 7,669,845 | 7,668,506 | 7,822,470 | 7,979,585 | 8,139,921 | 8,303,547 |
| Retail Lease Gym/Spa      | PSF<br>33 | SF<br>29,000 | 957,000      | 985,710   | 1,015,281 | 1,045,740 | 1,077,112 | 1,109,425 | 1,142,708 | 1,176,989 | 1,212,299 | 1,248,668 |
| Net Operating Income      |           |              | 5,786,400    | 7,131,127 | 8,119,552 | 8,430,319 | 8,746,957 | 8,777,931 | 8,965,178 | 9,156,575 | 9,352,220 | 9,552,215 |
| Debt Service              |           |              | 4,068,634    | 4,068,634 | 4,710,356 | 4,710,356 | 4,710,356 | 4,710,356 | 4,710,356 | 4,710,356 | 4,710,356 | 4,710,356 |
| Net Cash Flow             |           |              | 1,717,767    | 3,062,493 | 3,409,196 | 3,719,963 | 4,036,601 | 4,067,575 | 4,254,822 | 4,446,219 | 4,641,864 | 4,841,859 |
| Cash on Cash Return       |           |              | 3.26%        | 5.82%     | 6.48%     | 7.07%     | 7.67%     | 7.73%     | 8.08%     | 8.45%     | 8.82%     | 9.20%     |
| Return on Cost            |           |              | 4.55%        | 5.61%     | 6.39%     | 6.63%     | 6.88%     | 6.90%     | 7.05%     | 7.20%     | 7.36%     | 7.51%     |
| Gym/Spa Annual Increase   |           |              | 3.00%        |           |           |           |           |           |           |           |           |           |
| <b>Permanent Mortgage</b> |           |              |              |           |           |           |           |           |           |           |           |           |
| Amount                    |           |              | 50,857,920   |           |           |           |           |           |           |           |           |           |
| Rate                      |           |              | 8.00%        |           |           |           |           |           |           |           |           |           |
| Amortization              |           |              | 25 years     |           |           |           |           |           |           |           |           |           |
| Interest Only             |           |              | 2 years      |           |           |           |           |           |           |           |           |           |
| Payments                  |           |              | 392,530      |           |           |           |           |           |           |           |           |           |
| <b>Sale</b>               |           |              |              |           |           |           |           |           |           |           |           |           |
| NOI Year 6                |           |              | 8,777,931    |           |           |           |           |           |           |           |           |           |
| Cap Rate                  |           |              | 8.00%        |           |           |           |           |           |           |           |           |           |
| Sale Price                |           |              | 109,724,143  |           |           |           |           |           |           |           |           |           |
| Cost of Sale              |           | 3.0%         | (3,291,724)  |           |           |           |           |           |           |           |           |           |
| Mortgage Balance          |           |              | (48,690,205) |           |           |           |           |           |           |           |           |           |
| Net Cash From Sale        |           |              | 57,742,214   |           |           |           |           |           |           |           |           |           |
| Equity IRR                |           |              | 7.57%        |           |           |           |           |           |           |           |           |           |

**APPENDIX D-5  
CBRE TIF Schedule: 20% ADR Reduction**

**EDITION WASHINGTON DC  
TIF Calculations**

|                            |                 |               |               |                 |             |             |             |             |             |             |              |             |
|----------------------------|-----------------|---------------|---------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|-------------|
| <b>TIF Bond</b>            |                 |               |               |                 |             |             |             |             |             |             |              |             |
| Interest Rate              | 7.50%           |               |               |                 |             |             |             |             |             |             |              |             |
| Total TIF Bonds Issued     | 27,000,000      |               |               |                 |             |             |             |             |             |             |              |             |
| Less:                      |                 |               |               |                 |             |             |             |             |             |             |              |             |
| Interest Reserve - 2 years | 4,050,000       |               |               |                 |             |             |             |             |             |             |              |             |
| Cost of Issuance           | 3.00%           | 810,000       |               |                 |             |             |             |             |             |             |              |             |
| Net Proceeds               | 22,140,000      |               |               |                 |             |             |             |             |             |             |              |             |
| <b>Tax Rates</b>           |                 |               |               |                 |             |             |             |             |             |             |              |             |
|                            | <b>Total</b>    | <b>Shares</b> | <b>Amount</b> | <b>Conv Ctr</b> |             |             |             |             |             |             |              |             |
| Prop Tax Rate              | 1.85%           | 72.00%        | 1.33%         | 0.52%           |             |             |             |             |             |             |              |             |
| Sales Tax - Rooms          | 14.50%          | 69.31%        | 10.05%        | 4.45%           |             |             |             |             |             |             |              |             |
| Sales Tax - F & B          | 10.00%          | 90.00%        | 9.00%         | 1.00%           |             |             |             |             |             |             |              |             |
|                            | <b>1</b>        | <b>2</b>      | <b>3</b>      | <b>4</b>        | <b>5</b>    | <b>6</b>    | <b>7</b>    | <b>8</b>    | <b>9</b>    | <b>10</b>   | <b>Total</b> |             |
|                            | <b>2013</b>     | <b>2014</b>   | <b>2015</b>   | <b>2016</b>     | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>2021</b> | <b>2022</b> |              |             |
| <b>Property Value</b>      |                 |               |               |                 |             |             |             |             |             |             |              |             |
| Capitalization Rate        | 8.00%           | 8.00%         | 8.00%         | 8.00%           | 8.00%       | 8.00%       | 8.00%       | 8.00%       | 8.00%       | 8.00%       |              |             |
| NOI                        | 5,786,400       | 7,131,127     | 8,119,552     | 8,430,319       | 8,746,957   | 8,777,931   | 8,965,178   | 9,156,575   | 9,352,220   | 9,552,215   |              |             |
| Value                      | 72,330,006      | 89,139,086    | 101,494,402   | 105,378,989     | 109,336,965 | 109,724,143 | 112,064,720 | 114,457,184 | 116,902,756 | 119,402,684 |              |             |
| <b>Taxable Revenues</b>    |                 |               |               |                 |             |             |             |             |             |             |              |             |
|                            | <b>Discount</b> |               |               |                 |             |             |             |             |             |             |              |             |
| Room Revenues              | 20%             | 15,236,303    | 16,766,655    | 18,142,479      | 18,704,896  | 19,284,748  | 19,882,575  | 20,300,109  | 20,726,411  | 21,161,666  | 21,606,061   | 191,811,903 |
| Food & Beverage            |                 | 12,670,680    | 14,001,101    | 15,542,325      | 16,008,667  | 16,455,221  | 16,914,561  | 17,387,063  | 17,873,114  | 18,373,115  | 18,887,477   | 164,113,325 |
| <b>Bond Payoff</b>         |                 |               |               |                 |             |             |             |             |             |             |              |             |
| Paid Off                   |                 |               |               |                 |             |             |             |             |             |             |              |             |
| Number of Years            | 9               |               |               |                 |             |             |             |             |             |             |              |             |
| Year                       | 2021            |               |               |                 |             |             |             |             |             |             |              |             |
| Balance Beginning of Year  |                 | 27,000,000    | 25,389,955    | 23,161,721      | 20,324,816  | 17,124,907  | 13,533,819  | 9,566,821   | 5,186,634   | 359,477     | 0            |             |
| Interest Accrued           |                 | 2,025,000     | 1,904,247     | 1,737,129       | 1,524,361   | 1,284,368   | 1,015,036   | 717,512     | 388,998     | 26,961      | 0            |             |
| Intermediate Balance       |                 | 29,025,000    | 27,294,201    | 24,898,850      | 21,849,177  | 18,409,275  | 14,548,856  | 10,284,333  | 5,575,631   | 386,438     | 0            |             |
| TI Available               |                 |               |               |                 |             |             |             |             |             |             |              |             |
| Property Tax               | 1.33%           | 963,436       | 1,187,333     | 1,351,905       | 1,403,648   | 1,456,368   | 1,461,526   | 1,492,702   | 1,524,570   | 1,557,145   | 1,590,444    | 13,989,076  |
| Sales Tax - Rooms          | 10.05%          | 1,531,248     | 1,685,049     | 1,823,319       | 1,879,842   | 1,938,117   | 1,998,199   | 2,040,161   | 2,083,004   | 2,126,747   | 2,171,409    | 19,277,096  |
| Sales Tax - F & B          | 9.00%           | 1,140,361     | 1,260,099     | 1,398,809       | 1,440,780   | 1,480,970   | 1,522,310   | 1,564,836   | 1,608,580   | 1,653,580   | 1,699,873    | 14,770,199  |
| Total                      |                 | 3,635,045     | 4,132,481     | 4,574,034       | 4,724,270   | 4,875,455   | 4,982,035   | 5,097,699   | 5,216,154   | 5,337,472   | 5,461,726    | 48,036,372  |
| Payoff                     |                 | 3,635,045     | 4,132,481     | 4,574,034       | 4,724,270   | 4,875,455   | 4,982,035   | 5,097,699   | 5,216,154   | 386,438     | 0            | 37,623,611  |
| Balance End of Year        |                 | 25,389,955    | 23,161,721    | 20,324,816      | 17,124,907  | 13,533,819  | 9,566,821   | 5,186,634   | 359,477     | 0           | 0            |             |
| TIF Payments               | Annual          | 3,635,045     | 4,132,481     | 4,574,034       | 4,724,270   | 4,875,455   | 4,982,035   | 5,097,699   | 5,216,154   | 386,438     | 0            | 37,623,611  |
|                            | Cumulative      | 3,635,045     | 7,767,526     | 12,341,560      | 17,065,830  | 21,941,285  | 26,923,320  | 32,021,019  | 37,237,173  | 37,623,611  | 37,623,611   |             |
| Surplus TI                 | Annual          | 0             | 0             | 0               | 0           | 0           | 0           | 0           | 0           | 4,951,034   | 5,461,726    | 10,412,760  |
|                            | Cumulative      | 0             | 0             | 0               | 0           | 0           | 0           | 0           | 0           | 4,951,034   | 10,412,760   |             |

**APPENDIX E-3  
CBRE Operating Revenues and Expenses: 25% ADR Reduction**

**EDITION WASHINGTON DC**

**HOTEL OPERATING PROFORMA**

|                                  | Discount | 2013              | 2014              | 2015              | 2016              | 2017              | 2018              | 2019              | 2020              | 2021              | 2022              |
|----------------------------------|----------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Number of Rooms                  |          | 174               | 174               | 174               | 174               | 174               | 174               | 174               | 174               | 174               | 174               |
| Number of Occupied Rooms         |          | 43,187            | 44,457            | 45,727            | 45,727            | 45,727            | 45,727            | 45,727            | 45,727            | 45,727            | 45,727            |
| Average Occupancy                |          | 68%               | 70%               | 72%               | 72%               | 72%               | 72%               | 72%               | 72%               | 72%               | 72%               |
| Average Daily Rate               | 25%      | 330.75            | 353.57            | 371.96            | 383.49            | 395.38            | 407.63            | 416.19            | 424.93            | 433.86            | 442.97            |
| ADR Change from Prior Year       |          | 6.90%             | 6.90%             | 5.20%             | 3.10%             | 3.10%             | 3.10%             | 2.10%             | 2.10%             | 2.10%             | 2.10%             |
| RevPAR                           |          | 224.91            | 247.50            | 267.81            | 276.11            | 284.67            | 293.50            | 299.66            | 305.95            | 312.38            | 318.94            |
| Inflation Rate                   |          | 2.50%             |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| <b>Revenue</b>                   |          |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Room                             |          | 14,284,034        | 15,718,739        | 17,008,574        | 17,535,840        | 18,079,451        | 18,639,914        | 19,031,352        | 19,431,011        | 19,839,062        | 20,255,682        |
| Telephone                        |          | 114,840           | 117,711           | 120,654           | 123,670           | 126,762           | 129,931           | 133,179           | 136,509           | 139,921           | 143,419           |
| Garage                           |          | 241,280           | 247,312           | 253,495           | 259,832           | 266,328           | 272,986           | 279,811           | 286,806           | 293,976           | 301,326           |
| Food & beverage                  |          |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Restaurant                       |          | 5,438,080         | 6,009,078         | 6,910,440         | 7,083,201         | 7,260,281         | 7,441,788         | 7,627,833         | 7,818,529         | 8,013,992         | 8,214,342         |
| Banqt Sales                      |          | 3,623,840         | 4,004,343         | 4,444,821         | 4,633,726         | 4,795,906         | 4,963,763         | 5,137,498         | 5,317,307         | 5,503,413         | 5,696,032         |
| Total Food & Beverage            |          | 12,670,680        | 14,001,101        | 15,542,325        | 16,008,667        | 16,455,221        | 16,914,561        | 17,387,063        | 17,873,114        | 18,373,115        | 18,887,477        |
| Spa                              |          | 726,160           | 871,392           | 1,002,101         | 1,027,153         | 1,052,832         | 1,079,153         | 1,106,132         | 1,133,785         | 1,162,130         | 1,191,183         |
| Total Other Rents, Income        |          | 241,280           | 253,344           | 266,011           | 272,661           | 279,478           | 286,465           | 293,627           | 300,967           | 308,491           | 316,204           |
| <b>Total Revenue</b>             |          | <b>28,278,274</b> | <b>31,209,600</b> | <b>34,193,160</b> | <b>35,227,824</b> | <b>36,260,072</b> | <b>37,323,010</b> | <b>38,231,163</b> | <b>39,162,192</b> | <b>40,116,696</b> | <b>41,095,291</b> |
| <b>Department Expenses</b>       |          |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Room                             |          | 3,785,269         | 3,929,685         | 4,082,058         | 4,173,530         | 4,266,750         | 4,343,100         | 4,434,305         | 4,527,425         | 4,622,501         | 4,719,574         |
| Lounge                           |          | 3,808,760         | 3,987,680         | 4,187,064         | 4,291,740         | 4,399,034         | 4,509,010         | 4,621,735         | 4,737,278         | 4,855,710         | 4,977,103         |
| Garage                           |          | 144,768           | 148,387           | 152,097           | 155,899           | 159,797           | 163,792           | 167,886           | 172,084           | 176,386           | 180,795           |
| Total Food & Beverage            |          | 9,718,412         | 10,458,823        | 11,361,440        | 11,702,336        | 12,028,767        | 12,364,544        | 12,709,943        | 13,065,246        | 13,430,747        | 13,806,746        |
| Spa                              |          | 723,255           | 833,051           | 931,954           | 955,253           | 979,134           | 1,003,612         | 1,028,703         | 1,054,420         | 1,080,781         | 1,107,800         |
| Total Other Rents, Income        |          | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 |
| <b>Total Dept Profits</b>        |          | <b>14,526,738</b> | <b>15,528,855</b> | <b>16,690,431</b> | <b>17,153,972</b> | <b>17,605,576</b> | <b>18,050,455</b> | <b>18,520,629</b> | <b>19,003,462</b> | <b>19,499,309</b> | <b>20,008,531</b> |
| <b>Departmental Profits</b>      |          |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Room                             |          | 10,498,765        | 11,789,054        | 12,926,516        | 13,362,310        | 13,812,701        | 14,296,814        | 14,597,047        | 14,903,585        | 15,216,560        | 15,536,108        |
| Telephone                        |          | (40,194)          | (41,199)          | (42,229)          | (43,285)          | (44,367)          | (45,476)          | (46,613)          | (47,778)          | (48,972)          | (50,197)          |
| Garage                           |          | 96,512            | 98,925            | 101,988           | 103,933           | 106,531           | 109,194           | 111,924           | 114,722           | 117,591           | 120,530           |
| Total Food & Beverage            |          | 2,952,268         | 3,542,279         | 4,180,885         | 4,306,332         | 4,428,455         | 4,550,017         | 4,677,120         | 4,807,868         | 4,942,368         | 5,080,731         |
| Spa                              |          | 2,905             | 38,341            | 70,147            | 71,901            | 73,698            | 75,541            | 77,429            | 79,365            | 81,349            | 83,383            |
| Total Other Rents, Income        |          | 241,280           | 253,344           | 266,011           | 272,661           | 279,478           | 286,465           | 293,627           | 300,967           | 308,491           | 316,204           |
| <b>Total Dept Profits</b>        |          | <b>13,751,536</b> | <b>15,680,744</b> | <b>17,502,729</b> | <b>18,073,852</b> | <b>18,654,496</b> | <b>19,272,555</b> | <b>19,710,534</b> | <b>20,158,729</b> | <b>20,617,387</b> | <b>21,086,759</b> |
| <b>Deductions From Income</b>    |          |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Administrative & General         |          | 2,524,160         | 2,587,264         | 2,651,946         | 2,718,244         | 2,786,200         | 2,855,855         | 2,927,252         | 3,000,433         | 3,075,444         | 3,152,330         |
| Utilities                        |          | 996,440           | 1,021,351         | 1,046,885         | 1,073,057         | 1,099,883         | 1,127,380         | 1,155,565         | 1,184,454         | 1,214,065         | 1,244,417         |
| Repairs & Maintenance            |          | 1,208,720         | 1,238,938         | 1,269,911         | 1,301,659         | 1,334,201         | 1,367,556         | 1,401,745         | 1,436,788         | 1,472,708         | 1,509,526         |
| Sales & Marketing                |          | 1,859,480         | 1,591,690         | 1,631,482         | 1,672,269         | 1,714,076         | 1,756,927         | 1,800,851         | 1,845,872         | 1,892,019         | 1,939,319         |
| <b>Total deducts From Income</b> |          | <b>6,588,800</b>  | <b>6,439,243</b>  | <b>6,600,224</b>  | <b>6,765,229</b>  | <b>6,934,360</b>  | <b>7,107,919</b>  | <b>7,285,412</b>  | <b>7,467,547</b>  | <b>7,654,236</b>  | <b>7,845,592</b>  |
| House Profit                     |          | 7,162,736         | 9,241,502         | 10,902,505        | 11,308,623        | 11,720,136        | 12,164,836        | 12,425,122        | 12,691,182        | 12,963,151        | 13,241,168        |
| FF&E Escrow                      |          | 282,783           | 624,192           | 1,025,795         | 1,056,835         | 1,087,802         | 1,492,920         | 1,529,247         | 1,566,488         | 1,604,668         | 1,643,812         |
| Management Fee                   |          | 1,131,131         | 1,248,384         | 1,367,726         | 1,409,113         | 1,450,403         | 1,492,920         | 1,529,247         | 1,566,488         | 1,604,668         | 1,643,812         |
| Building/Liability Insurance     |          | 175,160           | 179,539           | 184,027           | 188,628           | 193,344           | 198,177           | 203,132           | 208,210           | 213,415           | 218,751           |
| Equipment Rental                 |          | 56,557            | 62,419            | 68,386            | 70,456            | 72,520            | 74,646            | 76,822            | 79,049            | 81,326            | 83,653            |
| Property Taxes                   |          | 1,215,949         | 1,523,701         | 1,741,414         | 1,808,555         | 1,876,891         | 1,881,102         | 1,921,322         | 1,962,439         | 2,004,473         | 2,047,447         |
| Total Other Deductions           |          | 2,861,579         | 3,638,235         | 4,387,349         | 4,533,586         | 4,680,961         | 5,139,766         | 5,259,410         | 5,381,949         | 5,507,458         | 5,636,011         |
| <b>Net House Profit</b>          |          | <b>4,301,157</b>  | <b>5,603,267</b>  | <b>6,515,157</b>  | <b>6,775,037</b>  | <b>7,039,175</b>  | <b>7,025,070</b>  | <b>7,165,713</b>  | <b>7,309,233</b>  | <b>7,455,693</b>  | <b>7,605,156</b>  |

**APPENDIX E-4  
CBRE Cash Flow and Return: 25% ADR Reduction**

**EDITION WASHINGTON DC  
PROJECTED CASH FLOW**

| ADR Discount              | 25%       |              | <b>2013</b>  | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>2021</b> | <b>2022</b> |
|---------------------------|-----------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net House Profit          |           |              | 4,301,157    | 5,603,267   | 6,515,157   | 6,775,037   | 7,039,175   | 7,025,070   | 7,165,713   | 7,309,233   | 7,455,693   | 7,605,156   |
| Retail Lease Gym/Spa      | PSF<br>33 | SF<br>29,000 | 957,000      | 985,710     | 1,015,281   | 1,045,740   | 1,077,112   | 1,109,425   | 1,142,708   | 1,176,989   | 1,212,299   | 1,248,668   |
| Net Operating Income      |           |              | 5,258,157    | 6,588,977   | 7,530,438   | 7,820,777   | 8,116,287   | 8,134,495   | 8,308,421   | 8,486,223   | 8,667,992   | 8,853,824   |
| Debt Service              |           |              | 4,068,634    | 4,068,634   | 4,710,356   | 4,710,356   | 4,710,356   | 4,710,356   | 4,710,356   | 4,710,356   | 4,710,356   | 4,710,356   |
| Net Cash Flow             |           |              | 1,189,523    | 2,520,343   | 2,820,082   | 3,110,420   | 3,405,931   | 3,424,139   | 3,598,065   | 3,775,866   | 3,957,636   | 4,143,468   |
| Cash on Cash Return       |           |              | 2.26%        | 4.79%       | 5.36%       | 5.91%       | 6.47%       | 6.50%       | 6.83%       | 7.17%       | 7.52%       | 7.87%       |
| Return on Cost            |           |              | 4.14%        | 5.18%       | 5.92%       | 6.15%       | 6.38%       | 6.40%       | 6.53%       | 6.67%       | 6.82%       | 6.96%       |
| Gym/Spa Annual Increase   |           |              | 3.00%        |             |             |             |             |             |             |             |             |             |
| <b>Permanent Mortgage</b> |           |              |              |             |             |             |             |             |             |             |             |             |
| Amount                    |           |              | 50,857,920   |             |             |             |             |             |             |             |             |             |
| Rate                      |           |              | 8.00%        |             |             |             |             |             |             |             |             |             |
| Amortization              |           |              | 25 years     |             |             |             |             |             |             |             |             |             |
| Interest Only             |           |              | 2 years      |             |             |             |             |             |             |             |             |             |
| Payments                  |           |              | 392,530      |             |             |             |             |             |             |             |             |             |
| <b>Sale</b>               |           |              |              |             |             |             |             |             |             |             |             |             |
| NOI Year 6                |           |              | 8,134,495    |             |             |             |             |             |             |             |             |             |
| Cap Rate                  |           |              | 8.00%        |             |             |             |             |             |             |             |             |             |
| Sale Price                |           |              | 101,681,190  |             |             |             |             |             |             |             |             |             |
| Cost of Sale              |           | 3.0%         | (3,050,436)  |             |             |             |             |             |             |             |             |             |
| Mortgage Balance          |           |              | (48,690,205) |             |             |             |             |             |             |             |             |             |
| Net Cash From Sale        |           |              | 49,940,550   |             |             |             |             |             |             |             |             |             |
| Equity IRR                |           |              | 3.93%        |             |             |             |             |             |             |             |             |             |



**APPENDIX E-5  
CBRE TIF Schedule: 25% ADR Reduction**

**EDITION WASHINGTON DC  
TIF Calculations**

|                            |                 |               |               |                 |             |             |             |             |             |             |              |             |
|----------------------------|-----------------|---------------|---------------|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|-------------|
| <b>TIF Bond</b>            |                 |               |               |                 |             |             |             |             |             |             |              |             |
| Interest Rate              | 7.50%           |               |               |                 |             |             |             |             |             |             |              |             |
| Total TIF Bonds Issued     | 27,000,000      |               |               |                 |             |             |             |             |             |             |              |             |
| Less:                      |                 |               |               |                 |             |             |             |             |             |             |              |             |
| Interest Reserve - 2 years | 4,050,000       |               |               |                 |             |             |             |             |             |             |              |             |
| Cost of Issuance           | 3.00%           | 810,000       |               |                 |             |             |             |             |             |             |              |             |
| Net Proceeds               | 22,140,000      |               |               |                 |             |             |             |             |             |             |              |             |
| <b>Tax Rates</b>           |                 |               |               |                 |             |             |             |             |             |             |              |             |
|                            | <b>Total</b>    | <b>Shares</b> | <b>Amount</b> | <b>Conv Ctr</b> |             |             |             |             |             |             |              |             |
| Prop Tax Rate              | 1.85%           | 72.00%        | 1.33%         | 0.52%           |             |             |             |             |             |             |              |             |
| Sales Tax - Rooms          | 14.50%          | 69.31%        | 10.05%        | 4.45%           |             |             |             |             |             |             |              |             |
| Sales Tax - F & B          | 10.00%          | 90.00%        | 9.00%         | 1.00%           |             |             |             |             |             |             |              |             |
|                            | <b>1</b>        | <b>2</b>      | <b>3</b>      | <b>4</b>        | <b>5</b>    | <b>6</b>    | <b>7</b>    | <b>8</b>    | <b>9</b>    | <b>10</b>   | <b>Total</b> |             |
|                            | <b>2013</b>     | <b>2014</b>   | <b>2015</b>   | <b>2016</b>     | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>2021</b> | <b>2022</b> |              |             |
| <b>Property Value</b>      |                 |               |               |                 |             |             |             |             |             |             |              |             |
| Capitalization Rate        | 8.00%           | 8.00%         | 8.00%         | 8.00%           | 8.00%       | 8.00%       | 8.00%       | 8.00%       | 8.00%       | 8.00%       |              |             |
| NOI                        | 5,258,157       | 6,588,977     | 7,530,438     | 7,820,777       | 8,116,287   | 8,134,495   | 8,308,421   | 8,486,223   | 8,667,992   | 8,853,824   |              |             |
| Value                      | 65,726,963      | 82,362,209    | 94,130,475    | 97,759,706      | 101,453,592 | 101,681,190 | 103,855,261 | 106,077,782 | 108,349,902 | 110,672,801 |              |             |
| <b>Taxable Revenues</b>    |                 |               |               |                 |             |             |             |             |             |             |              |             |
|                            | <b>Discount</b> |               |               |                 |             |             |             |             |             |             |              |             |
| Room Revenues              | 25%             | 14,284,034    | 15,718,739    | 17,008,574      | 17,535,840  | 18,079,451  | 18,639,914  | 19,031,352  | 19,431,011  | 19,839,062  | 20,255,682   | 179,823,659 |
| Food & Beverage            |                 | 12,670,680    | 14,001,101    | 15,542,325      | 16,008,667  | 16,455,221  | 16,914,561  | 17,387,063  | 17,873,114  | 18,373,115  | 18,887,477   | 164,113,325 |
| <b>Bond Payoff</b>         |                 |               |               |                 |             |             |             |             |             |             |              |             |
| Paid Off                   |                 |               |               |                 |             |             |             |             |             |             |              |             |
| Number of Years            | 9               |               |               |                 |             |             |             |             |             |             |              |             |
| Year                       | 2021            |               |               |                 |             |             |             |             |             |             |              |             |
| Balance Beginning of Year  |                 | 27,000,000    | 25,573,610    | 23,554,734      | 20,959,350  | 18,026,010  | 14,728,644  | 11,083,277  | 7,053,685   | 2,608,358   | 0            |             |
| Interest Accrued           |                 | 2,025,000     | 1,918,021     | 1,766,605       | 1,571,951   | 1,351,951   | 1,104,648   | 831,246     | 529,026     | 195,627     | 0            |             |
| Intermediate Balance       |                 | 29,025,000    | 27,491,631    | 25,321,339      | 22,531,301  | 19,377,961  | 15,833,293  | 11,914,523  | 7,582,711   | 2,803,985   | 0            |             |
| TI Available               |                 |               |               |                 |             |             |             |             |             |             |              |             |
| Property Tax               | 1.33%           | 875,483       | 1,097,065     | 1,253,818       | 1,302,159   | 1,351,362   | 1,354,393   | 1,383,352   | 1,412,956   | 1,443,221   | 1,474,162    | 12,947,971  |
| Sales Tax - Rooms          | 10.05%          | 1,435,545     | 1,579,733     | 1,709,362       | 1,762,352   | 1,816,985   | 1,873,311   | 1,912,651   | 1,952,817   | 1,993,826   | 2,035,696    | 18,072,278  |
| Sales Tax - F & B          | 9.00%           | 1,140,361     | 1,260,099     | 1,398,809       | 1,440,780   | 1,480,970   | 1,522,310   | 1,564,836   | 1,608,580   | 1,653,580   | 1,699,873    | 14,770,199  |
| Total                      |                 | 3,451,390     | 3,936,897     | 4,361,989       | 4,505,291   | 4,649,317   | 4,750,015   | 4,860,839   | 4,974,353   | 5,090,627   | 5,209,731    | 45,790,448  |
| Payoff                     |                 | 3,451,390     | 3,936,897     | 4,361,989       | 4,505,291   | 4,649,317   | 4,750,015   | 4,860,839   | 4,974,353   | 2,803,985   | 0            | 38,294,075  |
| Balance End of Year        |                 | 25,573,610    | 23,554,734    | 20,959,350      | 18,026,010  | 14,728,644  | 11,083,277  | 7,053,685   | 2,608,358   | 0           | 0            |             |
| TIF Payments               |                 |               |               |                 |             |             |             |             |             |             |              |             |
| Annual                     |                 | 3,451,390     | 3,936,897     | 4,361,989       | 4,505,291   | 4,649,317   | 4,750,015   | 4,860,839   | 4,974,353   | 2,803,985   | 0            | 38,294,075  |
| Cumulative                 |                 | 3,451,390     | 7,388,287     | 11,750,276      | 16,255,567  | 20,904,884  | 25,654,899  | 30,515,737  | 35,490,090  | 38,294,075  | 38,294,075   |             |
| Surplus TI                 |                 |               |               |                 |             |             |             |             |             |             |              |             |
| Annual                     |                 | 0             | 0             | 0               | 0           | 0           | 0           | 0           | 0           | 2,286,642   | 5,209,731    | 7,496,373   |
| Cumulative                 |                 | 0             | 0             | 0               | 0           | 0           | 0           | 0           | 0           | 2,286,642   | 7,496,373    |             |