

CLA Memorandum

TO: All Councilmembers

July 21, 2011

FROM: Gerry F. Miller 
Chief Legislative Analyst

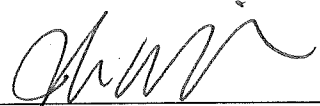
Assignment No: 11-07-0685

AEG Economic Reports

Attached are two reports prepared by consultants to AEG that analyze the proposed Event Center project. These are the complete studies, not executive summaries. The MR+E study considers general revenues that could be generated by the project and the PKF study estimates potential convention business and hotel occupancy resulting from the project. We have just received these documents and have not yet prepared an analysis of their findings. We will be prepared to do so next week.

Please note that the City has retained its own consultants to review the economic impacts of the project. The City staff report concerning the project will contain that full analysis, with detailed attachments, will be released soon.

If we may be of further assistance, please us let know.



John Wickham
Analyst

Attachments: MR+E Economic Study
PKF Convention Study

MR+E

Draft

**Fiscal Analysis – Special Events Center and Los Angeles
Convention Center Expansion**

Prepared for
AEG

Prepared by
Metropolitan Research and Economics

With
PKF Consulting

7/15/11

Section I Executive Summary

Introduction

This report establishes the fiscal contributions of annual operations of the proposed AEG Special Events Center (SEC) and expansion of the Los Angeles Convention Center (LACC). The analysis investigates the revenue implications for jurisdictions affected by activities at the future facility. These include:

- **State of California**-- sales taxes
- **Los Angeles County**-- property taxes
- **Metropolitan Transportation Authority (MTA)**-- sales taxes
- **City of Los Angeles**-- property and sales taxes along with a set of local options
- **Los Angeles Unified School District**-- property taxes
- **Other special districts**-- property taxes

The analysis considers two locations for impacts:

- 1) **On-site impacts**-- these are fiscal impacts that occur directly as result of activities that take place within special events center and the expanded LACC.
- 2) **Off-site impacts**--Which are the fiscal impacts of activities that are directly related to events that occur at the new project but take place elsewhere in the City of LA. A key example of this would be hotel room night generation attributable to an event held at the project.

Another important feature of this analysis is that it only focuses on net new incremental growth in activities at the LACC. This analysis is based on a complimentary work effort undertaken by MR+E and PKF to determine growth in the market that would be likely to occur once the SEC and improvements to the LACC have been built.

Existing fiscal policy was used as the basis for determining impacts and all estimated values are shown as 2011 dollars.

MR+E

Key findings

Table I-1 summarizes the revenue impacts from all sources for activities at the SEC and expanded LACC for a stable operating year. This includes both direct on-site impacts as well as off-site impacts that are directly attributable to activities at the project. It is important to note that these off-site impacts are direct primary impacts (that is to say they are not forecast based on economic multipliers representing secondary rounds of expenditure) but are referred to as off-site due to the location where the tax event would take place.

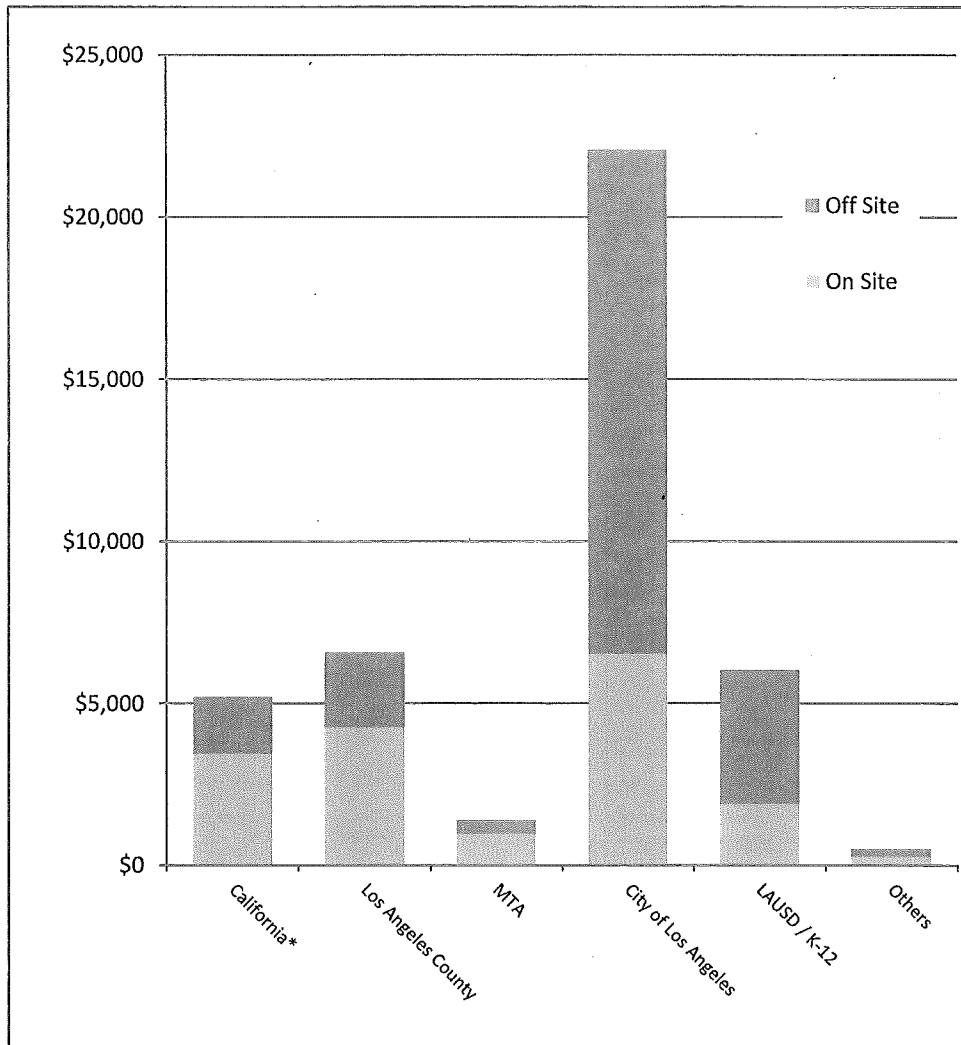
On an ongoing annual operating basis, the project can be anticipated to contribute over \$41 million in total from all sources both on and off-site. The total amount is comprised of \$17.3 million of on-site impacts and \$24.3 million of off-site impacts.

The largest recipient of on-site impacts is the City of Los Angeles with an estimated \$6.5 million in revenue generated by activities that occur directly at the SEC and expanded LACC. These revenues are made up of a mix of property, sales and business activity taxes that are detailed in the supporting tables.

The City of Los Angeles is forecast to be the largest recipient of revenue from the project's operations, which are forecast to contribute over \$22 million per year on an annual recurring basis stemming from activities at the SEC and the expanded LACC. The largest single component of the contribution is expected to come from transient occupancy tax estimated at just over \$11.5 million per year. Other significant sources of revenue include property tax at \$5.6 million per year based on the value of improvements made at the project and forecast development off-site.

Table I-1
Revenue Impacts--All sources
Special Events Center and LACC Expansion
 In thousands (x 1,000)

Jurisdiction	On Site	Off Site	Total
California*	\$3,447	\$1,745	\$5,192
Los Angeles County	\$4,259	\$2,322	\$6,580
MTA	\$965	\$421	\$1,386
City of Los Angeles	\$6,541	\$15,531	\$22,072
LAUSD / K-12	\$1,899	\$4,135	\$6,035
Others	\$254	\$238	\$491
Total	\$17,365	\$24,391	\$41,757



*Sales tax only

Source MR+E

Section II Technical Analysis

Introduction

This report represents an analysis of the public revenue generation anticipated from the development of a special events (SEC) and expansion of the Los Angeles convention center that is been proposed by AEG, for a site currently occupied by West Hall of the Los Angeles Convention Center (LACC). The goal of the development program is to provide Los Angeles with increased convention hosting capacities through an expanded and improved convention center, as well as to provide a special events center that is capable of accommodating large-scale scale spectator events. The SEC is envisioned as being a home stadium for a National Football League (NFL) franchise team and will have the ability to accommodate major international sporting events and championship series events for professional and college athletics. The project is anticipated to have a significant effect on the economy of Los Angeles and on business conditions in the hospitality and convention industries in the city. The project represents a very substantial investment and as such will have the ability to positively influence the levels of economic activities that occur in the area around Staples Center LA live the LACC and the South Park district as a whole.

This study focuses in on one particular facet of the economic contribution of the project-- namely fiscal revenues. This is an analysis of the public revenue streams that can be anticipated from annual operations of the SEC and expanded LA CC on a recurring basis for a stabilized operating year. The study was prepared by MR+E in cooperation with PKF Consulting. PKF has provided information on forecast utilization of the LACC for citywide conventions and the resulting room night generation and its implications for the City of Los Angeles in terms of transient occupancy tax. MR+E has provided the fiscal impact analysis for the other aspects of the project. A market study analyzing the potential for the expanded LACC and special event center to accommodate net new business in Los Angeles is provided in an accompanying study provided to AEG.

The following are key assumptions that underlie the analysis:

- All impacts are presented in 2011 dollars.

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- Only net new incremental impacts are assessed. These are activities that can be directly attributed to the new development program at the special event center and the expanded LA CC
- The analysis proceeds using existing fiscal policy and rates.
- Baseline information on capital costs and the event schedule at the special event center have been provided by AEG.

In an attempt to capture the full fiscal contributions the project this study considers impacts of the following levels of geography in terms of relevant fund accounts. These include:

- **State of California**-- sales taxes
- **Los Angeles County**-- property taxes
- **Metropolitan Transportation Authority (MTA)**-- sales taxes
- **City of Los Angeles**-- property and sales taxes along with a set of local options
- **Los Angeles Unified School District**-- property taxes
- **Other special districts**-- property taxes

The analysis considers two locations for impacts:

- **On-site impacts**-- these are fiscal impacts that occur directly as result of activities that take place within special events center and the expanded LACC.
- **Off-site impacts**---Which are the fiscal impacts of activities that are directly related to events that occur at the new project but take place elsewhere in the City of LA. A key example of this would be hotel room night generation attributable to an event held at the project.

The distinction between on-site and off-site impacts is geographic in nature and should not be confused with direct and indirect impacts. That is to say all of the off-site impacts that are accounted for in this analysis can be directly attributed to primary first round activities that occur within the project area.

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Project description

Table II-1 illustrates the anticipated development program associated with the SEC and LA CC expansion.

The on-site development program is made up of three components:

1. **The special event center (SEC)**-- this is a 72,000 seat facility with a gross building area of 1.75 million sq. ft.. This facility will be able to host large-scale sporting events including NFL football and is convertible into exhibit space that can be used as part of the overall LACC operations
2. **Parking facilities**-- the project anticipates adding over 1,200 net new parking spaces in order to accommodate anticipated increased visitation volumes on site.
3. **Pico Hall**-- This is an approximately 500,000 square-foot convention and exhibit facility that replaces the existing West Hall of the LACC.

The off-site development program is made up principally of two components that are directly attributable to AEG's investment in the special event center and the LACC expansion. The project is likely to engender additional off-site private investment throughout Downtown Los Angeles and in the South Park district. However this analysis focuses on two specific categories of development that have been identified by AEG's internal planning and through PKF's analysis of the downtown hotel market. These include the following:

1. **Retail center**-- AEG anticipates an additional development of 500,000 sq. ft. of destination oriented retail to be co-developed along with the SEC development program.
2. **Hotels**-- PKF's market study from June 2011 anticipates that the downtown hotel market will be able to absorb 2,414 new rooms as a direct result of activities at the expanded LACC and the SEC this additional room night capacity is based on demand from incremental growth directly attributed to forecast activities at the project. Fiscal impacts of hotel operations discussed in this study are limited to an analysis of the net incremental growth rather than the total inventory of hotel rooms in downtown Los Angeles

Table II- 2 provides a forecast of annual events that are expected to occur at the project after construction of the SEC and LACC expansion. It is likely that large-scale events will take place in both the SEC and components of LACC so event to be divided into two basic categories:

**Table II-1
Development Program**

On Site			
<i>Special Events Center</i>			
Gross Building Area	1,750,000	square feet	
Seats	72,000		
Construction Cost	\$1,000,000,000		
Hard Construction Cost	79%	of total construction cost	
 <i>Parking Facilities</i>			
Parking	39,000	spaces	
Net new	1,200		
Construction Cost	80,000,000		
Land Valuation	20,000,000		
Hard Construction Cost	90%	of total construction cost	
 <i>Pico Hall</i>			
Size	500,000	Sq. Ft.	
Construction Cost	\$235,000,000		
Hard Construction Cost	75%	of total construction cost	
Off Site			
 <i>Retail Center</i>			
Size	500,000	Sq. Ft.	
Average Development Cost	\$175	Sq. Ft.	
Construction Cost	\$87,500,000		
Hard Construction Cost	70%	of total construction cost	
 <i>Hotels</i>			
Size	2,414		
Full Service Rooms	1,448		
Luxury Rooms	966		
Average Development Cost Full Service	\$340,000	per room	
Average Development Cost Luxury	\$560,000	per room	
Construction Cost	\$1,033,192,000		
Hard Construction Cost	70%	of total construction cost	

Source: AEG, RS Means, HVS, PKF, MR+E

Table II-2

Incremental Growth in Events and Attendance
Special Events Center and LACC Expansion

Event	Annual Events Number of Events (days)	Average Attendance Per Event	Total
<i>Spectator Events</i>			
NFL Games	12	72,000	864,000
Concerts/Music Festival	3	55,000	165,000
Pac- 12 Championship	1	72,000	72,000
College Bowl Game	1	55,000	55,000
High School Championship	1	20,000	20,000
ESPN X Games	3	40,000	120,000
International Soccer Matches	2	72,000	144,000
Chivas Friendlies	1	55,000	55,000
Galaxy Friendlies	1	55,000	55,000
Boxing	1	50,000	50,000
NFL Pro Bowl	1	72,000	72,000
Community Events	4	20,000	80,000
Motor Sports / Rodeo / Other	6	45,000	270,000
Mega-Event	1	72,650	72,650
<i>Subtotal</i>	38		2,094,650
<i>Public Assemblies</i>			
City-wide conventions	14	43,423	607,920
Tradeshows	20	8,661	173,225
Consumer shows	5	26,301	131,504
Meeting Rooms	18	546	9,833
Banquets	18	1,450	26,094
Assemblies / Other	18	8,156	146,811
<i>Subtotal</i>	79		487,467
Total	117		2,582,117

1 This would be a event such as a Super Bowl, NCAA Men's Basketball Final or international sports event

Source: AEG, MR+E and PKF

MR+E

1. **Spectator events**-- these included spectator sports exhibitions and national championship events that would primarily use the Stadium configuration of the SEC.
2. **Public assemblies**-- this is the incremental growth in the number of events and size of anticipated by MR+E and PKF's earlier market analysis. This does not represent the total amount of activity that would occur at the LACC, but rather represents net new business that otherwise would not be accommodated in Los Angeles.

Within the spectator event category NFL games represent the largest single category of event. The facility is expected to accommodate a variety of spectator sports many of which will have a draw for attendance beyond the Los Angeles market. Of particular importance are the anticipated annual mega-events which will change in nature periodically. These are expected to include events such as the NFL Super Bowl the NCAA men's basketball final four or an international sports event such as a World Cup or similar event.

Public assemblies are made up of a variety of activities. This analysis is based on the existing system of categorization of events used by LACC management and LA Inc. These include the following:

1. **Citywide conventions**--- these are conventions that are booked at least 18 months in advance and consume a significant number of hotel rooms as part of the event. Citywide conventions are typically national and international scale and are focused on an extra regional market.
2. **Tradeshows**-- these are events that are open "to the trade" only. And represent an opportunity for vendors to exhibit services and equipment to potential customers. These are business-to-business events, typically aimed at a regional market, without a public component.
3. **Consumer shows**-- these are events open to the general public generally with the gated admission. Consumer shows may include a retail component with direct sales.
4. **Meeting room use**-- this represents the use of the LACC's meeting rooms by businesses and organizations independent of a larger exhibit or convention program.
5. **Banquets and catered events**—These are special events with seated meals
6. **Assemblies**—These are large scale public meetings often religious in nature

MR+E

In total is anticipated that the project will be able to accommodate an average annual basis 38 spectator events with a total attendance of 2.09 million. The LACC expansion is anticipated to generate 79 events net new incremental events with an attendance of over 487,000. This combined total would yield 117 annual events with a total attendance of just over 2.5 million.

Fiscal revenues

The activities at the new project will have fiscal implications for a broad variety of jurisdictions for both dedicated and general fund purposes. This analysis looks at the total private flow of funds from all sources to relevant jurisdictions generated from annual operations.

Property tax

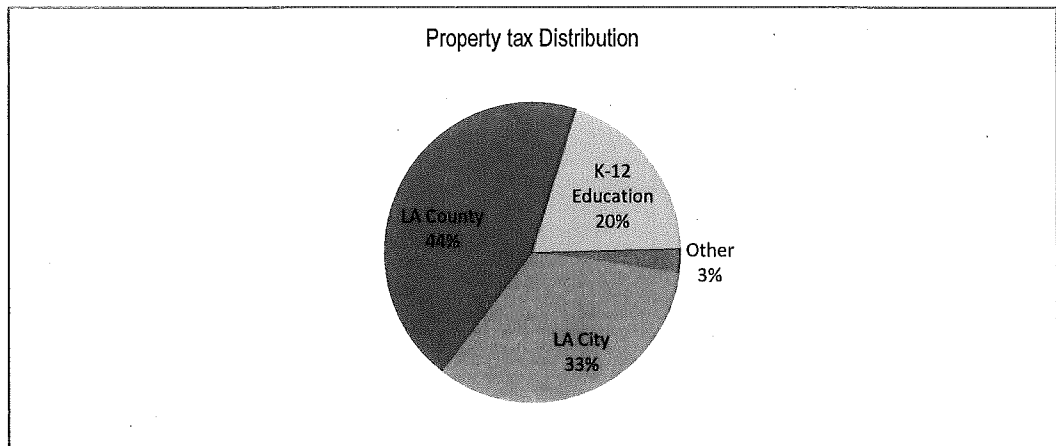
Table II-3 provides the allocation for property taxes from direct on-site investments. This is based on a total value of improvements for the SEC and parking garage at just over \$1 billion. This is a significant capital investment in its own right that will have important contributions in terms of property tax. Over and above the capital cost associated with improvements is a possessory interest which accounts for the value of land occupied by private projects where in the city of Los Angeles retains title. This possessory interest assumes a land valuation a \$45 per sq. ft.. Pico Hall would remain a public facility as part of LACC and would be exempt from property taxes. The distribution of the annual assessment of over \$9.6 million is shown on the table and is based on existing tax rate area (TRA) that is in place for the site. The largest single recipient of funds at just over \$4.1 million would be Los Angeles County's general fund. The County, including general fund and flood control accounts, make up 44% of the total distribution of property tax generated by the project. The city of Los Angeles would receive 33% of the direct on-site property tax generated by the project estimated at just over \$3.1 million per year. K-12 education including LAUSD would receive 20% of the total with LAUSD itself receiving just over \$1.8 million per year.

In terms of the estimated off-site property tax stemming from the retail center and the net new incremental hotel development, the tax rate area including city of Los Angeles TD#1 was used for analyzing the property

**Table II-3
On-Site Property Tax
Allocation**

	Improvements	Possessory Interest	Total AV	Total Assessment
Special events center	\$790,000,000	78,750,000	868,750,000	8,687,500
Parking Garage	72,000,000	20,000,000	92,000,000	920,000
Pico Hall		<i>Exempt</i>		
Total	862,000,000	98,750,000	960,750,000	9,607,500

Agency	Rate	Annual receipts
Los Angeles County General Fund	0.427886354	4,110,918
Los Angeles County Capital Outlay	0.000097444	936
LA City Fire-FFW	0.005619738	53,992
LA County Flood Control	0.002292692	22,027
LA County Flood Control-Maintenance	0.012976875	124,675
LA County West Vector Control	0.000319344	3,068
Los Angeles City	0.327053209	3,142,164
County School Services	0.001208559	11,611
Children's Inst. Tuition Fund	0.002398565	23,044
LA Community College	0.025791903	247,796
LA Community College Children's Center	0.000266689	2,562
Los Angeles Unif. School Dist.	0.189891162	1,824,379
LA Co. Scheduled Servs.	0.000010586	102
LA USD Hdcpd Minors	0.001071063	10,290
Los Angeles Children's Center	0.003115817	29,935
Total	1.00	9,607,500



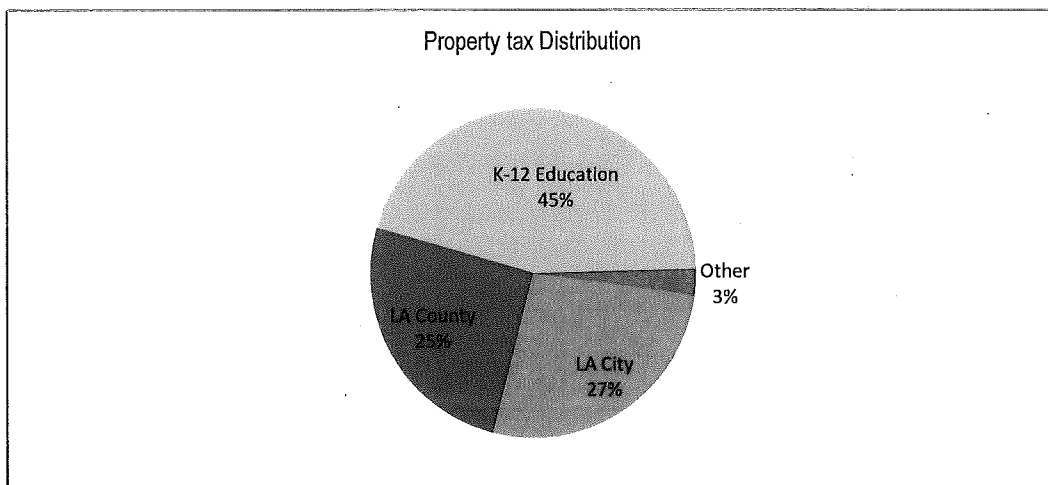
Assumes land valuation at \$45 per sq. ft.

Source: MR+E, LA County Assessor

**Table II-4
Estimated Off-Site Property Tax
Allocation**

	Improvements	Land	Total AV	Total Assessment
Retail Center	\$61,250,000	6,750,000	68,000,000	680,000
Hotel	723,234,400	123,983,040	847,217,440	8,472,174
Total	784,484,400	130,733,040	915,217,440	9,152,174

Agency	Rate	Annual receipts
Los Angeles County General Fund	0.24463767	2,238,967
Los Angeles County Capital Outlay	0.000097444	892
LA City Fire-FFW	0.005619738	51,433
LA County Flood Control	0.00134472	12,307
LA County Flood Control--Maintenance	0.007609695	69,645
LA County West Vector Control	0.000190083	1,740
Los Angeles City ¹	0.262842057	2,405,576
ERAF	0.081471093	745,638
ERAF Imp.	0.172433158	1,578,138
County School Services	0.001208559	11,061
Children's Inst. Tuition Fund	0.002398565	21,952
LA Community College	0.025791903	236,052
LA Community College Children's Center	0.000266689	2,441
Los Angeles Unif. School Dist.	0.189891162	1,737,917
LA Co. Scheduled Servs.	0.000010586	97
LA USD Hdcpd Minors	0.001071063	9,803
Los Angeles Children's Center	0.003115817	28,517
Total	1.00	9,152,174



1) LA City TD #1
Assumes land valuation at \$45 per sq. ft.

Source: MR+E, LA County Assessor

MR+E

tax implications. The specific geography of the investment may be spread out over multiple TRA's however TD #1 and its associated rates were used for the purposes of this analysis. Note that this is subject to ERAF distributions and as such K-12 education receives a larger proportion of property tax revenues. In terms of the direct offsite investments the total assessed valuation is estimated at just over \$915 million. Resulting in over \$9.1 million in total tax assessed. The largest recipient of this revenue would be K-12 education due to the presence of the ERAF funding formula. The largest single amount would be the City of Los Angeles general fund at \$2.4 million per year followed by Los Angeles County general fund at just over \$2.2 million per year.

Sales tax

Table II-5 presents an estimate of direct retail sales that occur on site. This analysis is based on an estimate of per capita sales by event attendees at events that occur within the project. This represents spending on taxable goods such as prepared food and merchandise at the facility. MR+E has provided the analysis of per capita sales for the spectator events and non-citywide public assemblies based on an analysis of industry data and financial reports for various spectator events where available and survey data. PKF has provided the data on citywide conventions. Presently Los Angeles County's sales tax rate is 8.75%. This analysis anticipates that spectator events would generate just over \$49.1 million in taxable sales per year yielding total tax receipts of \$4.3 million. Net incremental growth in public assemblies is anticipated to generate over \$5.9 million in direct taxable sales on-site which would generate over \$480,000 in sales tax receipts. In total on annual recurring basis on site retail sales are forecast to generate over \$4.8 million in sales tax revenue.

Table II-6 provides the distribution of the 8.75% rate by fund. The largest single recipient of sales tax is the State of California general fund which would receive 5% of the 8.75% collected. The second largest recipient of sales tax is the MTA which would receive 1.5% of all retail sales. This is a result of measure R and additional assessments within the County. The City of Los Angeles would receive .75%, or an estimated \$413,000, per year from direct on-site retail sales.

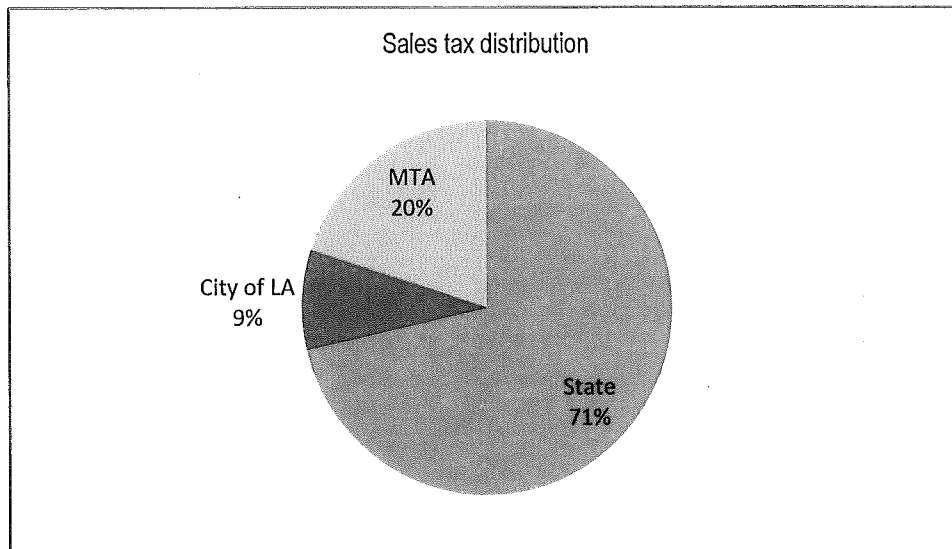
**Table II-5
On-Site Sales Taxes**

LA County Rate		8.75%				
Event	Annual Attendance	Per capita Food and Bev Sales	Per Capita Merchandise Sales	Total Sales	Tax Receipts	
<i>Spectator events</i>						
NFL Games	864,000	\$17.00	\$9.00	\$22,464,000	1,965,600	
Concerts/Music Festival	165,000	\$15.00	\$15.00	\$4,950,000	433,125	
Pac- 12 Championship	72,000	\$13.60	\$15.00	\$2,059,200	180,180	
College Bowl Game	55,000	\$13.60	\$15.00	\$1,573,000	137,638	
High School Championship	20,000	\$4.50	\$2.00	\$130,000	11,375	
ESPN X Games	120,000	\$9.00	\$9.00	\$2,160,000	189,000	
International Soccer Matches	144,000	\$9.00	\$2.00	\$1,584,000	138,600	
Chivas Friendlies	55,000	\$4.50	\$2.00	\$357,500	31,281	
Galaxy Friendlies	55,000	\$4.50	\$2.00	\$357,500	31,281	
Boxing	50,000	\$20.00	\$7.00	\$1,350,000	118,125	
NFL Pro Bowl	72,000	\$17.00	\$9.00	\$1,872,000	163,800	
Community Events	80,000	\$9.00	\$2.00	\$880,000	77,000	
Motor Sports / Rodeo / Other	270,000	\$13.60	\$9.00	\$6,102,000	533,925	
Mega-Event	72,650	\$21.25	\$25.00	\$3,360,063	294,005	
<i>Subtotal</i>				49,199,263	4,304,935	
<i>Public Assemblies</i>						
City-wide conventions	607,920	\$6.23	NA	\$3,787,339	331,392	
Tradeshows	173,225	\$3.50	NA	\$606,289	53,050	
Consumer shows	131,504	\$3.50	\$7.00	\$1,380,795	120,820	
Meeting Rooms	9,833	\$0.25	NA	\$2,458	215	
Banquets	26,094	\$0.00	NA	\$0	-	
Assemblies / Other	146,811	\$1.25	NA	\$183,513	16,057	
<i>Subtotal</i>				5,960,394	521,535	
Total				55,159,657	4,826,470	

Source: PKF, MR+E

**Table II-6
On-Site Sales Tax Distribution**

Fund	Rate	Amount
State General Fund	5.00%	\$2,757,983
State Recovery Bond	0.25%	\$137,899
State Public Safety	0.5%	\$275,798
State Health	0.5%	\$275,798
City of LA	0.75%	\$413,697
County Transportation	0.25%	\$137,899
MTA	1.50%	\$827,395
Total	8.75%	\$4,826,470



Source: BoE MR+E

MR+E

Table II-7 provides an estimate for the direct off-site retail sales. Off-site sales include delegate expenditures at citywide conventions in expenditures by attendees at spectator events directly attributable to their attendance at an event at either the SEC or the expanded LACC. Again note that the public assembly expenditures represent only the net growth in advance attributable to the expansion program and does not represent the total off-site retail sales tax implications of LACC operations. In addition to attendance-based estimates of retail sales of value of \$550 per square foot is assigned to the destination retail complex that is anticipated as part of the development program. It is assumed that this facility would draw a significant amount of its patronage from consumers attending events at the SEC and the expanded LA CC. Therefore to avoid double counting the value of off-site expenditures attributable to the development program have been subtracted from the total level of taxable retail sales anticipated at the retail complex.

Off-site direct retail sales are estimated to generate over \$24 million in recurring annual revenues. Table II-8 provides a distribution of the sales tax based on existing splits of the county's 8.75% sales tax rate. The State of California can anticipate receiving \$1.4 million per year which would be the largest portion, the MTA is forecast to receive over \$360,000 per year and the City of Los Angeles general fund would be anticipated to receive approximately \$180,000 per year from direct off-site retail sales associated with the development program.

Transient occupancy tax

The city of Los Angeles charges a 14% levy on hotel space occupied for less than 30 days. This transient occupancy tax (TOT) is an important part of the fiscal rationale for the maintenance and operation of the LACC and the city's tourism-based economic development programs. Table II-9 provides an attendance-based analysis of rooms night generation associated with activities at the project. PKF has supplied the room a generation rate for citywide conventions based on its previous market work MR+E has provided estimates for the other categories of events. According to PKF the current average daily rate in downtown Los Angeles is \$149. This is used as the basis for the valuation of the aggregate average daily rate (ADR) associated with the project.

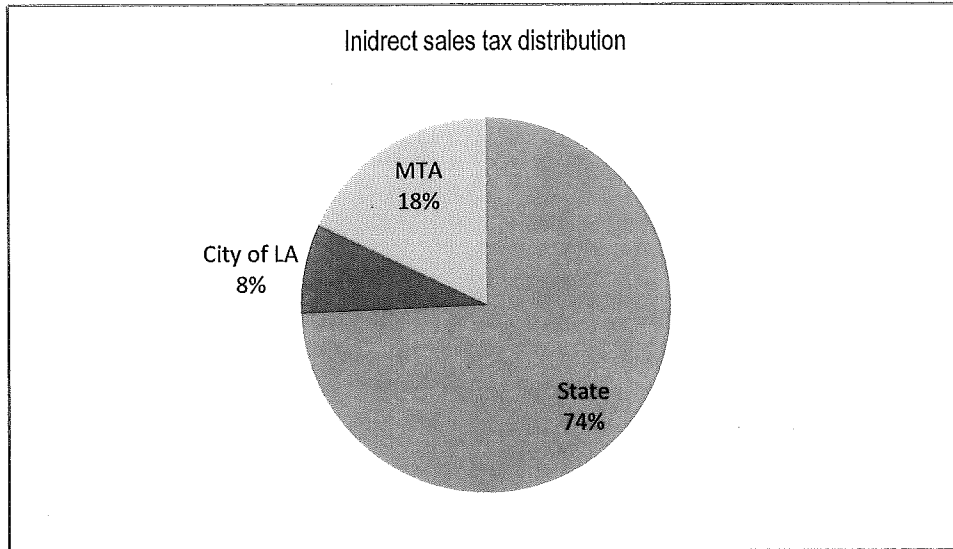
**Table II-7
Off-Site Sales Taxes**

LA County Rate		8.75%				
Event	Annual Attendance	Off Site Per capita sales per day	Number of Visitor Days	Total Sales	Tax Receipts	
Spectator events						
NFL Games	864,000	\$2.50	1.00	\$2,160,000	189,000	
Concerts/Music Festival	165,000	\$1.75	1.00	\$288,750	25,266	
Pac- 12 Championship	72,000	\$45.00	3.00	\$9,720,000	850,500	
College Bowl Game	55,000	\$45.00	3.00	\$7,425,000	649,688	
High School Championship	20,000	\$1.75	1.00	\$35,000	3,063	
ESPN X Games	120,000	\$1.75	1.00	\$210,000	18,375	
International Soccer Matches	144,000	\$1.75	1.00	\$252,000	22,050	
Chivas Friendlies	55,000	\$1.75	1.00	\$96,250	8,422	
Galaxy Friendlies	55,000	\$1.75	1.00	\$96,250	8,422	
Boxing	50,000	\$45.00	2.00	\$4,500,000	393,750	
NFL Pro Bowl	72,000	\$45.00	2.00	\$6,480,000	567,000	
Community Events	80,000	\$2.50	1.00	\$200,000	17,500	
Motor Sports / Rodeo / Other	270,000	\$1.75	1.00	\$472,500	41,344	
Mega-Event	72,650	\$45.00	5.00	\$16,346,250	1,430,297	
Subtotal				48,282,000	4,224,675	
Public Assemblies						
City-wide conventions	607,920	\$14.92	2.30	\$20,858,330	1,825,104	
Tradeshows	173,225	\$4.48	1.50	\$1,162,865	101,751	
Consumer shows	131,504	\$1.75	1.00	\$230,133	20,137	
Meeting Rooms	9,833	\$0.00	1.00	\$0	-	
Banquets	26,094	\$0.00	1.00	\$0	-	
Assemblies / Other	146,811	\$0.25	1.00	\$36,703	3,211	
Subtotal				22,288,030	1,950,203	
Reatil Complex	@\$550/ Sq. Ft. less event spending			275,000,000	17,887,622	
Total					24,062,500	

Source: DAMI, PKF, MR+E

Table II- 8
Off -Site Sales Tax Distribution

Fund	Rate	Amout
State General Fund	6.0%	\$1,443,750
State Recovery Bond	0.25%	\$60,156
State Public Safety	0.5%	\$120,313
State Health	0.5%	\$120,313
City of LA	0.75%	\$180,469
County Transportation	0.25%	\$60,156
MTA	1.50%	\$360,938
Total		\$2,346,094



Source: BoE , MR+E

**Tablel- 9
Transient Occupancy Tax**

Average Daily Rate	\$149			
LA Transient Occupancy Tax rate	14%			
	Attendance	Room Generation Rate Attendees	Number of Vistor Days	Total Occupied Rooms
<i>Spectator Events</i>				
NFL Games	864,000	1 per 74	1.00	11,676
Concerts/Music Festival	165,000	1 per 50	1.00	3,300
Pac- 12 Championship	72,000	1 per 10	3.00	21,600
College Bowl Game	55,000	1 per 4	3.00	41,250
High School Championship	20,000	1 per 25	1.00	800
ESPN X Games	120,000	1 per 15	1.00	8,000
International Soccer Matches	144,000	1 per 75	1.00	1,920
Chivas Friendlies	55,000	1 per 25	1.00	2,200
Galaxy Friendlies	55,000	1 per 25	1.00	2,200
Boxing	50,000	1 per 10	2.00	10,000
NFL Pro Bowl	72,000	1 per 5	2.00	28,800
Community Events	80,000	1 per 250	1.00	320
Motor Sports / Rodeo / Other	270,000	1 per 200	1.00	1,350
Mega-Event	72,650	1 per 3.5	5.00	103,786
<i>Subtotal</i>	2,094,650			237,201
<i>Public Assemblies</i>				
City-wide conventions	607,920	1 per 5	2.31	280,859
Tradeshows	173,225	1 per 8	1.50	32,480
Consumer shows	131,504	1 per 65	1.00	2,023
Meeting Rooms	9,833	1 per 20	1.00	492
Banquets	26,094	1 per 50	1.00	522
Assemblies / Other	146,811	1 per 135	1.00	1,087
<i>Subtotal</i>	1,095,387			317,463
Total				554,664
Aggregate ADR				\$82,644,959
TOT Collected				\$11,570,294

Source: JW Marriott, MR+E and PKF

MR+E

Spectator events are anticipated to support over 327,000 occupied room nights per year with the bulk of these rooms being generated by mega-events and college championships which draw national and non-local attendance. In terms of public assemblies, citywide conventions are the largest single driver of occupied room nights estimated by PKF at 280,000. In total this yields an aggregated ADR of \$82.5 million per year yielding a total of \$11.5 million in TOT available to the city of Los Angeles is general fund as a result of that new activities at the expanded LACC and SEC project.

Parking tax

The City of Los Angeles levies a 10% parking tax on all automobile parking facilities. Based on the parking generation rates shown on Table II-10 the project is anticipated to generate \$15.7 million aggregate parking expenditure. This would yield over \$1.5 million per year to the general fund accounts of the City of Los Angeles. A split is shown between parking at LACC/SEC facilities as opposed to anticipated off site parking.

Utility user tax

The City of Los Angeles levies a utility user tax (UUT) on electricity gas and telephone use at all addresses in LA. On-site generation of UUT will come primarily from the consumption of electricity at the special events center as well as utilities by exhibitors and attendees at Pico Hall. Using an average annual rate of utility consumption of \$1.90 per sq. ft. the SEC can be anticipated to generate over \$781,000 worth of annual UUT revenue for the City of Los Angeles. Off-site consumption of utilities at the retail center and the incremental additional hotel rooms is estimated at just over 693,000 per year yielding a total estimated UUT levy of \$1.4 million in net new revenue to the city's general fund accounts. Table II-11 shows the generation rates aggregate cost and total yield for this category of revenue.

Business license tax

Los Angeles municipal code provides for a gross receipts tax on business operations located within the city. The primary source of business license assessments from on-site activities would stem from operations of

**Table II-10
Parking Tax**

Average Parking Rate	\$18			
Total on Site Spaces	10,238			
LA Parking Occupancy Tax Rate	10%			
	Attendance	Parking Generation Rate	Total Occupied Spaces	On-site Occupied Spaces
<i>Spectator Events</i>				
NFL Games	864,000	1 per 3	288,000	122,856
Concerts/Music Festival	165,000	1 per 3	55,000	30,714
Pac- 12 Championship	72,000	1 per 3	24,000	10,238
College Bowl Game	55,000	1 per 3	18,333	10,238
High School Championship	20,000	1 per 3	6,667	6,667
ESPN X Games	120,000	1 per 3	40,000	30,714
International Soccer Matches	144,000	1 per 3.5	41,143	41,143
Chivas Friendlies	55,000	1 per 3.5	15,714	10,238
Galaxy Friendlies	55,000	1 per 3.5	15,714	10,238
Boxing	50,000	1 per 5	10,000	10,000
NFL Pro Bowl	72,000	1 per 5	14,400	10,238
Community Events	80,000	1 per 3.5	22,857	22,857
Motor Sports / Rodeo / Other	270,000	1 per 3	90,000	61,428
Mega-Event	72,650	1 per 5	14,530	10,238
<i>Subtotal</i>			656,359	387,807
<i>Public Assemblies</i>				
City-wide conventions	607,920	1 per 15	40,528	40,528
Tradeshows	173,225	1 per 5	34,645	34,645
Consumer shows	131,504	1 per 2.3	57,176	51,190
Meeting Rooms	9,833	1 per 1.5	6,555	6,555
Banquets	26,094	1 per 1.5	17,396	17,396
Assemblies / Other	146,811	1 per 2.3	63,831	63,831
<i>Subtotal</i>			220,131	214,145
Total			876,490	601,952
Aggregate Parking			\$15,776,812	\$10,835,133
Parking Tax Collected			\$1,577,681	\$1,083,513

Source: MR+E

**Table II-11
Utility User Tax
City of Los Angeles**

	Quantity	Unit	Rate	Aggregate Cost	UUT Collected
On-Site					
Special Events Center	1,750,000	Sq. Ft.	\$1.90	\$3,325,000	\$415,625
Parking Facilities	39,000	Spaces*	\$75	\$2,925,000	\$365,625
<i>Subtotal</i>					\$781,250
Off-Site					
Retail Center	500,000	Sq. Ft.	\$2.40	\$1,200,000	\$150,000
Hotels	2,414	Rooms	\$1,800	\$4,345,200	\$543,150
<i>Subtotal</i>					\$693,150
Total					\$1,474,400

Source: MR+E

MR+E

the NFL team and other event operations. The internal financial operations of an NFL franchise are notoriously difficult for outsiders to gain access to. However, in their preliminary planning AEG estimates gross receipts of \$262 million on team and stadium operations. The sum of the value of the other event operators is based on 80% of the NFL team's annual operating gross receipts. Gross receipts of retail sales are based on estimates of on-site retail sales file categories of users. Direct off-site business license tax is based on the aggregate ADR of the hotels and sales per square foot of the retail center combined on and off-site direct activities are estimated to generate over \$1.2 million per year to general fund revenues the City of Los Angeles. The derivation of this estimate is shown on Table II-12.

Summary and implications

Table II-13 provides a summary of all of the on and off-site revenue streams described in the report by jurisdiction and fund account. The project can be anticipated to generate over \$41 million in fiscal revenue. In terms of local governments the City of Los Angeles would be the largest single recipient of operational revenues with the forecasted total revenue stream of \$22 million per year—with \$11.5 million being generated by transient occupancy. This would account for over half the total of anticipated revenues to the City of Los Angeles from the project. Transient occupancy tax is the largest single category of local government revenue identified by this analysis. The second largest recipient of revenues amongst local governments is Los Angeles County which can be anticipated to receive \$6.5 million per year on an annual recurring basis as result of the LACC expansion and SEC project. Of that \$4.2 million would occur from direct on-site property taxes. This is the second largest individual source of public revenues generated from the project's annual operations. LAUSD and County K-12 revenue funds can be anticipated to receive \$6 million on a recurring annual basis based on property taxes generated by the project.

Table II-12
City of Los Angeles
Business License Tax

	Gross Receipts	Rate	Tax Receipts
Onsite			
NFL and Stadium Operations	\$262,000,000	0.002550	\$668,100
Other Event Operations	\$128,800,000	0.002550	\$328,440
Retail Sales	\$55,159,657	0.001270	\$70,053
<i>Subtotal</i>			<i>\$1,066,593</i>
Off Site			
Retail Center	\$24,062,500	0.001270	\$30,559
Hotels	\$82,644,959	0.001270	\$104,959
<i>Subtotal</i>			<i>\$135,518</i>
Total			\$1,202,111

Source: MR+E

**Table II-13
Revenue Impacts
Annual Operations**

		On-Site	Off-Site	Total
California				
	Sales Taxes	3,447,479	1,744,531	5,192,010
<i>Subtotal</i>		<i>3,447,479</i>	<i>1,744,531</i>	<i>5,192,010</i>
Los Angeles County				
	Property tax	4,258,557	2,321,908	6,580,464
<i>Subtotal</i>		<i>4,258,557</i>	<i>2,321,908</i>	<i>6,580,464</i>
MTA				
	Sales tax	965,294	421,094	1,386,388
<i>Subtotal</i>		<i>965,294</i>	<i>421,094</i>	<i>1,386,388</i>
City of Los Angeles				
	Property tax	3,196,155	2,457,009	5,653,165
	Sales tax	413,697	180,469	594,166
	TOT	-	11,570,294	11,570,294
	Parking Tax	1,083,513	494,168	1,577,681
	UUT	781,250	693,150	1,474,400
	Business License Tax	1,066,593	135,518	1,202,111
<i>Subtotal</i>		<i>6,541,209</i>	<i>15,530,608</i>	<i>22,071,817</i>
LAUSD / K-12				
	Property Tax	1,899,260	4,135,466	6,034,726
<i>Subtotal</i>		<i>1,899,260</i>	<i>4,135,466</i>	<i>6,034,726</i>
Others				
	Property Tax	253,528	237,792	491,319
<i>Subtotal</i>		<i>253,528</i>	<i>237,792</i>	<i>491,319</i>
TOTAL		17,365,326	24,391,399	41,756,725

Source: MR+E

July 8, 2011



Ms. Francesca Leiweke
AEG Worldwide
800 West Olympic Boulevard
Suite 305
Los Angeles, California 90015

Dear Ms. Leiweke:

We have completed our preliminary conclusions relative to the potential number of additional or incremental number of conventions and events that could be reasonably achieved assuming the development of the proposed Special Event Center (Farmers Field) and reconfiguration and expansion of the Los Angeles Convention Center (LACC). This report is the result of a collaboration between PKF Consulting USA (PKF) and Metropolitan+ Research Economics (MR+E). Given the individual expertise of each firm, this report contains two distinct sections, each of which focuses on specific aspects of the proposed project. PKF's analysis was primarily focused on events booked by LA INC. The Los Angeles Convention and Visitors Bureau, i.e., citywide conventions and MR+E's analysis was specifically concerned with events that are booked by the LACC itself.

As a point of background, citywide conventions are the largest events that take place at the LACC in terms of roomnights and attendance generated, as well as economic impact to the City of Los Angeles. These conventions are comprised of primarily non-local attendees that while in Los Angeles to attend an event will also stay at hotels, patronize local restaurants and lounges, and shops and retail boutiques in the area. Although on a total number basis, citywide conventions only account for a small portion of the hundreds of events each year that take place at the LACC. LACC events depend more heavily on the local market, and as result tend not to be a significant driver of room night generation. However, these events make up the bulk of overall utilization and attendance at LACC.

It is important to note that while LA INC. and the LACC have a close working relationship, there is a set of procedures that define and outline the processes required to book an event at the LACC. While too numerous and lengthy to describe at full herein, the most important distinction is which entity controls the convention calendar and future bookings for a given point in time in the future. In short, with the exception of "grandfathered" events, which can be booked by LACC up to ten years in advance of the show date, LACC controls the convention calendar for all dates within the next 24 months, while LA INC. is responsible for booking events that are planned to occur more than two years out.

EXECUTIVE SUMMARY

Based on the analysis provided by both firms and provided herein, we have collectively concluded to the anticipated growth in events, attendance, and roomnights generated from the development of the proposed Special Event Center (Farmers Field) and reconfiguration and expansion of the Los Angeles Convention Center (LACC). As previously discussed in the introduction, this analysis has been separated into two distinct analyses, and accordingly is presented below in a similar manner.

PKF concludes that based upon the assumptions outlined in this report, it is anticipated that the LACC can reasonably achieve a significant increase in the number of citywide conventions booked on an annual basis, as well as the number of attendees and roomnights generated from these events. The LACC is anticipated to attract not only a greater volume of conventions and attendance, but also benefit from larger conventions and the capture of other organizations and associations that currently do not consider Los Angeles to be a viable convention destination. The anticipated incremental growth in citywide conventions and resulting projected attendance and roomnights increases are presented in the table below.

Incremental Growth LACC Citywide Conventions		
	Base Case ¹	Proposed ²
Exhibit Space	719,575	723,890
Additional Meeting Space	153,348	131,791
Contiguous Space	346,890	562,000
Citywide Conventions	24	38
Room Nights	270,000	550,000
Room Nights/SF Free Standing Exhibit Space	0.4	0.8
Delegates (x1.2)	324,000	660,000
Average Size (Room Nights)	11,250	14,474
Total Projected Attendance	810,000	1,650,000

¹Projected 2012 convention year based on the LA INC. Citywide Sales Activity Convention Calendar.
²Stabilized year.
 Source: PKF Consulting

On an annual basis the number of citywide conventions is anticipated to increase from 24 to 38 on a stabilized basis, which corresponds to an increase of 280,000 roomnights and 840,000 attendees.

Similarly, MR+E has concluded, based on the reconfiguration of the Los Angeles Convention Center and the addition of the Special Events Center, that the number of LACC booked events would also increase materially. The projected incremental growth is based on the increase in attendance that can be expected to occur as a result of expansion of the hosting capacity of the facility itself as well as an increase in the number of events based on an increase in the penetration rate for national market's and incremental growth stemming from the regional economy.

Incremental Growth LACC Events								
	Current		Forecast		Growth			
	Events	Attendance	Events	Attendance	Events	Attendance	Events	Attendance
Tradeshows	28	196,185	47	369,411	20	173,225	71.1%	88.3%
Consumer shows	48	652,962	53	784,466	5	131,504	10.4	20.1
Meeting Rooms	189	71,841	207	81,674	18	9,833	9.5	13.7
Banquets	9	11,875	27	37,969	18	26,094	211.8	219.7
Assemblies / Other	66	354,345	84	501,155	18	146,811	27.2	41.4
Total	339	1,287,208	418	1,774,675	79	487,467	23.2	37.9

Source: MR + E

In total the forecast anticipates a 23.2 percent increase in the number of events corresponding to a 37.9 percent increase in attendance. In terms of total attendance the tradeshow category can be anticipated to be the largest sector of new activity at the facility at just over 173,000 new attendees. In terms of total attendance consumer shows are anticipated to remain the largest single category of use at the convention center with a forecast attendance of just over 784,000 per year.

This report was prepared for your internal use to assist you in evaluating future development planning. As is customary in assignments of this type, neither our name nor the material submitted may be included in any prospectus or as part of any printed material or used in offerings or representations in connection with the sale of securities or participation interest to the public without our prior written consent. This report is subject to the attached Statement of Assumptions and Limiting Conditions.

We appreciate the opportunity to work on this assignment and look forward to answering any questions you may have regarding our preliminary findings and conclusions presented herein.

Sincerely,

PKF Consulting USA



By Bruce Baltin
Senior Vice President

INTRODUCTION

We have completed our analysis relative to the potential number of additional or incremental roomnights and conventions that could be reasonably achieved assuming the development of the Special Event Center (Farmers Field) and reconfiguration and expansion of the Los Angeles Convention Center (LACC). At your request, we specifically undertook this analysis to determine the number of additional citywide conventions that could reasonably be achieved, and the respective number of attendees and roomnights that could be anticipated assuming the expansion and reconfiguration scenario as described herein. Our analysis focused specifically on the following:

- Historical convention activity and the number of roomnights booked by LA INC. on an annual basis.
- The redevelopment and expansion plans for the South Park district of Downtown Los Angeles, including the redevelopment and reconfiguration of the LACC and the Special Event Center.
- The potential increase in new hotel supply and complementary amenities and facilities that could be realized in downtown Los Angeles with proximity to the LACC given the assumed redevelopment and expansion plan.
- Convention prospects identified that could potentially be booked by LA INC. in the future assuming the redevelopment and expansion plan.
- Comparable California convention cities and the respective configuration and of its facilities and recent performance, as it relates to the LACC under both an "as is" and the assumed expansion scenario.
- Potential increase in the number of Los Angeles Convention Center citywide conventions, attendees, and room nights.

METHODOLOGY

In conducting our analysis we met with executives of your organization, as well as those affiliated with the LACC and LA INC. In addition, we also specifically reviewed the following documents and pieces of data:

- Information regarding the LACC and LA INC. the two organizations responsible for selling events at the Los Angeles Convention Center.
- Current size and configuration of the exhibit halls and available meeting space at the LACC.
- The proposed reconfiguration and expansion plans for the LACC as part of the development of the Special Events Center.
- Historical figures for the LACC, including total number of conventions and number of convention related roomnights generated.
- The Citywide Sales Activity Convention Calendar.

- The Los Angeles Convention Center Citywide Convention Availability calendar
- A listing of hundreds of future potential citywide events, representing more than seven million roomnights, identified as potential opportunities for future convention business.
- Size and space configurations of comparable, competitive centers and the respective number of conventions and roomnights booked by each.
- The number of hotels and total hotel rooms within proximity to the LACC, under the current and proposed scenarios; compared to similar figures for the competitive centers.

OVERVIEW OF LACC

Originally opened in 1971, the Los Angeles Convention Center is located at 1201 South Figueroa Street in downtown Los Angeles. It is the main demand generator for large convention and meeting activity in Los Angeles. The Convention Center, which completed a major expansion in 1993, offers approximately 720,000 square feet of exhibit hall space and 150,000 square feet of meeting space split between its two halls. This makes it one of the largest meeting and convention facilities in the country. LACC is responsible for booking space at the Convention Center and coordinates with representatives and the sales staff of LA INC. to ensure that the facility maintains a high occupancy rate. In the 2008-09 fiscal year LACC hosted nearly 400 events, welcoming approximately 2.5 million guests. Further, the Convention Center is one of the most important and unique economic assets in the City of Los Angeles, generating an estimated economic impact of over \$1 billion a year.

Historically, LA INC. has been given the primary task of booking citywide conventions (defined as 3,000-plus minimum roomnights in total), while LACC has been tasked to book trade shows, consumer shows, special events, and other activities which generate revenues through the sales of services and rentals, but primarily draw a local attendance and generate a limited number of roomnights and economic impact to the City of Los Angeles. These events are typically booked between the then current date up 24 months out, except for a limited collection of "grandfathered" shows, which retained their right to book up to ten years in advance of the show date, due to revisions made to the booking policy in 1992, which remains in effect today.

OVERVIEW OF LA INC.

LA INC., the Los Angeles Convention and Visitors Bureau is responsible for attracting and booking major citywide conventions to meet in the City of Los Angeles and utilize the Convention Center. LA INC. also markets the city as travel destination, regional, nationally, and internationally - promoting tourism and a positive image of the city. As mentioned previously, LA INC. works with LACC to ensure that the Convention Center is fully utilized, with LA INC. being tasked to book conventions occurring typically two or more years into the future which attract out of town visitors requiring a block of hotel rooms within Los Angeles. Bookings are cyclical in nature, reflecting the typical patterns of

convention markets, in part because many major conventions either meet in alternate years or in alternate cities according to a set geographical rotation. These citywide conventions are given priority over trade and consumer shows due to the significant economic impact that these events have on the City of Los Angeles, given the consumer spending and applicable taxes. Between 1996 and 2009, LA INC. was responsible for the booking of nearly 3.6 million roomnights and \$445 million of room revenues to Los Angeles area hotels. Additionally, according to LA INC., the organization will have created an economic benefit to the City of Los Angeles of more than \$1.1 billion between fiscal years 2008 and 2012.

In an effort to attract citywide conventions to downtown Los Angeles, rather than losing them to regional competitors such as San Diego, Anaheim, San Francisco, or Las Vegas, conventions meeting a certain threshold are incentivized to meet at LACC through an abatement of rent payable to the Center. These measures were enacted to better position the City of Los Angeles and the Center relative to the abovementioned regional competitors, which benefit from a larger supply of hotel rooms proximate to the facility and greater and more varied number of entertainment and food and beverage outlets. With the evolution of LA LIVE and the JW Marriott/Ritz Carlton headquarters hotel recently coming to fruition these challenges have been lessened to some extent, although as a convention destination Los Angeles is still evolving into a top tier convention destination.

LACC HISTORICAL PERFORMANCE

The following table presents the total number of citywide conventions and total roomnights generated on an annual basis for calendar years 1996 through 2010.

LA INC. Citywide Conventions Calendar Years 1996 - 2010			
Year	Number of Conventions	Total Room Nights	Average Room Nights
1996	14	212,141	15,153
1997	16	161,130	10,071
1998	26	343,934	13,228
1999	23	328,822	14,297
2000	23	374,634	16,288
2001	23	256,264	11,142
2002	19	184,424	9,707
2003	8	70,133	8,767
2004	11	163,177	14,834
2005	10	180,529	18,053
2006	14	179,992	12,857
2007	11	110,011	10,001
2008	18	199,597	11,089
2009	15	141,022	9,401
2010	16	176,546	11,034
Averages	16	205,490	12,395

Source: PKF Consulting

While the preceding historical data presents a basis from which to estimate the current potential of citywide conventions and roomnights the LACC could potentially capture, some of the historical data is not applicable and is even misleading. The LACC benefitted

tremendously from construction activity that displaced business from its primary competitive convention centers in the late 1990's and soon after from the National Democratic Presidential Convention in 2000. On the other hand, historical figures did not have the benefit of a headquarters hotel such as the recently constructed JW Marriott and Ritz-Carlton, or the direct access to the restaurants and entertainment opportunities of LA LIVE. Based on recent trends and the future bookings report prepared by LA INC., the opening of the JW Marriott and Ritz-Carlton Hotels have proven to be an excellent selling tool in licensing future business for the LACC and the City of Los Angeles. One such example is the American Heart Association, which previously did not consider Los Angeles a viable convention destination, but is now planning to hold their annual meeting next year in Los Angeles that will fill more than 45,000 hotel rooms.

DOWNTOWN LOS ANGELES

Unlike many metropolitan areas across the United States, historically the Downtown Los Angeles was considered a secondary to its surrounding cities, and as a result the hotel market achieved average daily rate and occupancy levels below that of its immediate competitors, and often this discount was significant. Additionally, and specifically related to the national convention market, Los Angeles as a convention destination has not been able to capture a similar amount of citywide events as its regional competitors, including Anaheim, San Diego, and San Francisco. In conjunction with prior engagements we completed for the City of Los Angeles and the JW Marriott and Ritz-Carlton Hotels, we interviewed meeting planners and organizations active in organizing large meetings and conventions in order to better understand this trend. These meeting planners identified a number of attributes that would potentially position Los Angeles as a top-tier convention destination (population, airlift, access to media, climate, image) but more often than not the negatives outweighed the positives and Los Angeles was judged to be only an average destination. In the past, particular items identified as negatively impacting the perception of Los Angeles as a convention destination were: the lack of hotel rooms within proximity to LACC, the lack of restaurants, nightlife and entertainment options proximate to LACC and the available facilities and configuration of the LACC itself.

The above detailed public perception of Downtown Los Angeles continued for more than a decade and not only until recently has the perception changed. One of the primary catalysts for this change was the development of LA LIVE, the \$2 billion, four million square foot sports, residential and entertainment complex that features the JW Marriott and Ritz-Carlton Hotels, Ritz-Carlton luxury residences, Nokia Theater, Club Nokia, Grammy Museum, ESPN Zone and broadcasting studios, Regal Entertainment 14-screen theater, and more than a dozen popular restaurants. Further, with the opening of the Headquarters Hotel (JW Marriott and Ritz-Carlton) the local hotel market is beginning to gain market share relative to hotels in Pasadena, Santa Monica, and the Westside of Los Angeles. Additionally, it should be noted that the upon opening in early 2010 the 1,001-room headquarters hotel was fully absorbed as the demand for hotel rooms far outpaced the increase in supply. This example is one of many transformative trends that supports the potential for forecasted evolution of Los Angeles as top-tier convention destination.

While a number of situations similar to that of the Headquarters Hotel have also occurred, such as the development of dozens of new restaurants, as new potential clients are drawn to Los Angeles, the immediate area surrounding the LACC is rather devoid of hotel accommodations as compared to regional competitive convention center destinations such as Anaheim, San Diego, and San Francisco. As shown in the table below, the City of Los Angeles is currently underserved in terms of hotels rooms within roughly 0.5 miles of the LACC.

Comparable Convention Center Citywide Analysis				
	Los Angeles	Anaheim	San Diego	San Francisco
Available Hotel Rooms Within 0.5 miles	1,532	6,908	8,281	12,475

LACC currently has 1,531 hotel rooms within a half mile. This is only 22 percent of what Anaheim has, 18 percent of what San Diego has, and 12 percent of what San Francisco has within the same proximity. Therefore, given the current imbalance and future projected convention and event activity, as part of our analysis we also sought to determine the number of additional hotels and hotel rooms that would potentially open. The following tables present the current and future proposed hotel supply for Downtown Los Angeles, assuming the development of the proposed Special Event Center and reconfiguration and expansion of the LACC. As a point of reference, in the table labeled historical and current competitive supply, the hotels that comprise the 1,532 hotel rooms located within 0.5 miles of the LACC are identified with an asterisk.

EXISTING AND FUTURE PROPOSED HOTEL SUPPLY

The following tables present the existing and proposed supply of downtown hotels, assuming the development of the proposed Special Event Center and reconfiguration and expansion of the LACC.

Downtown Los Angeles Historical and Current Competitive Supply							
	2006	2007	2008	2009	2010	2011	2012
Millennium Biltmore	683	683	683	683	683	683	683
Wilshire Grand	896	896	896	896	896	896	0
Westin Bonaventure	1,354	1,354	1,354	1,354	1,354	1,354	1,354
Hilton Checkers	188	188	188	188	188	188	188
Kyoto Hotel and Garden	434	434	434	434	434	434	434
Los Angeles Marriott Downtown	469	469	469	469	469	469	469
Sheraton Downtown	485	485	485	485	485	485	485
Omni Hotel Los Angeles	453	453	453	453	453	453	453
Standard Hotel Los Angeles	207	207	207	207	207	207	207
Figueroa Hotel*	285	285	285	285	285	285	285
LUXE City Center*	195	195	195	195	178	178	178
Orchid Hotel*	0	17	68	68	68	68	68
JW Marriott LA LIVE *	0	0	0	0	768	878	878
Ritz-Carlton LA LIVE*	0	0	0	0	92	123	123
Competitive Market Total	5,649	5,666	5,717	5,717	6,560	6,701	5,805
% Change	N/A	0.3%	0.9%	0.0%	14.7%	2.1%	-13.4%

*Hotels within approximately 0.5 miles of the LACC
Source: PKF Consulting

As has been noted herein, much of Downtown's current hotel inventory is located some distance from the LACC, which requires convention attendees to be shuttled or taxied from the LACC to their hotel and vice versa. As shown in the following table, that number could potentially double within the decade and also potentially include the reintroduction of the redeveloped and repositioned Wilshire Grand Hotel, which is located 0.9 miles northeast from the LACC.

	Stadium Expansion Scenario Future Competitive Supply									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Courtyard/Residence Inn	0	0	0	320	384	384	384	384	384	384
Redeveloped Wilshire Grand	0	0	0	0	217	650	650	650	650	650
Moinian Site	0	0	0	0	0	800	800	800	800	800
Metropolis	0	0	0	0	0	0	480	480	480	480
Figueroa South	0	0	0	0	0	0	0	400	400	400
TBD (Homer Williams)	0	0	0	0	0	0	0	0	350	350
New Properties Total	0	0	0	320	601	1,834	2,314	2,714	3,064	3,064
Competitive Market Total	6,701	5,805	5,805	6,125	6,406	7,639	8,119	8,519	8,869	8,869
% Change Total	N/A	-13.4%	0.0%	5.5%	4.6%	19.2%	6.3%	4.9%	4.1%	0.0%

Source: PKF Consulting

We note that the above detailed hotels may not be developed to the extent or within the timeframe identified, but are a reasonable representation of the number of hotel projects that could potentially come to fruition assuming the development of the Special Events Center in conjunction with the reconfiguration and redevelopment of the LACC.

Currently, the City of Los Angeles offers a significantly lower number of hotel rooms in relation to its competitors. We also note that even under the expansion scenario, Los Angeles as a convention destination will remain well below its competitors, which highlights future growth potential for the area.

EXISTING AND PROPOSED FACILITIES

The following table presents the current and proposed facilities and their respective sizes. Based on the redevelopment and expansion plan, we note that not only will the total available space increase by nearly 240,000 square feet, the Convention Center will be able to offer approximately 562,000 square feet of contiguous meeting space, which brings the LACC in line with its direct competitors in terms of total available space.

Los Angeles Convention Center Current Space		Los Angeles Convention Center Proposed New Space Configuration	
	<u>Size</u>		<u>Size</u>
Exhibit Halls			
West Hall	210,685	West Hall	210,685
South Hall	346,890	South Hall	346,890 (562,000 Contiguous)
Kentia Hall	162,000	Kentia Hall	162,000
Special Event Halls			
Concourse Hall	26,342	Concourse Hall	26,342
Petree Hall	21,557	Petree Hall	-
Meeting Rooms			
West Hall	45,811	West/Pico Hall	44,800
South Hall	19,751	South Hall	19,751
Concourse	39,887	Concourse	39,887
		Stadium/Event Center Floor	180,000
TOTAL	872,923	TOTAL	1,034,670

We note the following changes to the LACC assuming its redevelopment and reconfiguration to include the addition of the Farmers Field Football Stadium and Event Center. As part of the Stadium development the Petree Hall will be demolished along with the West Hall. Preliminary plans reviewed present a replacement of approximately 44,800 square feet of dedicated meeting space in the Level 2 Plan of Pico Hall. These preliminary plans also include approximately 56,000 square feet of luxury suites that may potentially be used for small meetings. We have considered, but not explicitly included these suites in our analysis given that their primary purpose and configuration is not meeting orientated.

Analysis of Future Potential Citywide Conventions

In evaluating the potential impact of the proposed stadium development and redevelopment of the LACC, we conducted a detailed analysis of the type, annual number and average attendance of potential citywide events that could be captured. These conclusions were based upon interviews conducted with executives from AEG, LA INC, and LACC, as well as the following information, data, methodology.

- A review of notable national conventions, which were evaluated on their potential to be licensed as potential future citywide conventions assuming the redevelopment plan.
- These potential citywide conventions were categorized according to month of occurrence, average attendance and current status classification according to information provided by AEG and LA INC.
- The potential citywide conventions were categorized into 5 distinct subgroups: currently on LA INC's Citywide Sales Activity Convention Calendar, active convention leads, conventions currently being targeted, conventions not interested in the LACC, and conventions currently too large to be accommodated by the current facilities and/or configuration.

- From the above distinct sub-categorizations we identified conventions that could potentially be licensed as citywide conventions, including in particular, those previously identified as not interested in the LACC or too large.

Through an analysis of the data, we were able to determine a number of important pieces of information and trends, including: distribution of conventions by month, average attendance by month, future years in which the greatest number of conventions are planned to meet in the west, and the number of conventions potentially likely to meet in Los Angeles currently, and the number that may be accommodated or enticed by redevelopment and expansion plan of LACC and Farmers Field. Key findings relative to future potential citywide convention bookings include:

- On a national basis citywide conventions tend to be more prevalent in the Spring and early Summer, with the low points being Winter, especially December. Of all months identified, October was the one in which the most conventions were to be held.
- The number of convention roomnights booked varies only moderately from month to month, ranging from 9,456 in August to 15,961, with an overall average of 12,349 roomnights per citywide convention.
- According to LA INC. representatives, the average booking window from initial interest in the LACC to the occurrence of the event is approximately five years. Based on our review of future potential events with a planned West rotation, as well as licensed, prospective, and tentative bookings already on the convention calendar – an opportunity exists to significantly increase the annual number of citywide conventions from historical levels.
- Given the current configuration of the LACC and current roomnight availability more than 400 citywide conventions are currently being targeted by LA INC. This figure could potentially increase by more than ten percent based solely on conventions identified as not currently interested in Los Angeles as a destination, or conventions considered too large for the current facilities and/or configuration of the LACC.

The above data was thoroughly analyzed in order to determine the number of conventions that the LACC could accommodate under the redevelopment scenario, which to recap includes:

- An addition of 2,414 new, good and high quality hotel rooms, within a half-mile walking distance of the LACC, as well as the reintroduction of the repositioned Wilshire Grand Hotel.

- The reconfiguration of LACC's primary exhibit space, which will result in 561,890 square feet of contiguous space contained within the West and South Halls.
- The addition of the Stadium, which while not in use for sporting events, will provide 180,000 additional square feet of exhibit space and meeting space on the concourse levels.

Lastly taking all of the above into consideration, we determined the potential amount of business that LA INC. and the LACC could potentially generate in a representative or stabilized year. The performance of a property in a stabilized year reflects the normal level of operation of the LACC at its stabilized occupancy, unaffected by temporary non-recurring expenses such as extraordinary start-up marketing, administrative, or operational costs, which can occur in the initial years following opening or upon repositioning of the facility. Our estimated performance of the LACC was made using the following assumptions.

- The average convention, including move-in and move-out is approximately seven days, allowing for a maximum of four major conventions per month.
- Grandfathered shows remain as is, including Gift Show in January and July, Boat Show and WESTEC in March, and the Auto Show in November/December.
- Move-in for the Auto Show does not begin before mid-November.
- The EMMY Awards occupy one hall for 21 days in September.
- Each of the newly developed, continuous meeting halls could be used independently if necessary.
- Union work rules, including an avoidance of Sunday as a move-in or move-out day were not given strong consideration.
- On a national basis, citywide conventions exhibit a consistent and somewhat predictable seasonal pattern, which was taken into account.
- From lead date to meeting date, the average length of time is approximately five years.

Based on the above analysis and assumptions we have concluded that in a representative or stabilized year, the LACC could potentially accommodate 550,000 roomnights and as many as 38 citywide conventions.

As a point of comparison, we have also provided information on the size and recent performance of the comparable convention centers. It should be noted that there is not a universally agreed upon definition of a citywide convention, and therefore it is left up to the individual convention centers or convention bureaus to classify citywide events. For example Los Angeles has one of the higher thresholds for defining a citywide, requiring

that each event produces a minimum of 1,200 roomnights on peak. As a point of comparison, to qualify as a citywide in San Diego, a convention has to only generate 750 roomnights on peak. In addition, the comparable centers have greater flexibility in booking citywide conventions as they are able to do so up until between 12 and 14 months before the start of the event. As a point of comparison, LACC controls the convention calendar for all dates within the next 24 months.

Although we note a number of important distinctions for each facility and its respective bureau, the data shown herein provide a starting point for any comparative analysis. The following table presents our projections for anticipated convention related activity assuming the development of the proposed Special Event Center and the redevelopment of the LACC.

Comparable Convention Center Citywide Analysis					
	LOS ANGELES				
	Base Case ¹	Proposed ²	Anaheim ³	San Diego ³	San Francisco ⁴
Exhibit Space	719,575	723,890	813,607	525,701	738,092
Additional Meeting Space	153,348	131,791	119,481	204,114	260,560
Contiguous Space	346,890	562,000	670,133	525,701	260,560
Citywides	24	38	44	70	53
Room Nights	270,000	550,000	365,000	600,000	810,000
Room Nights/SF Free Standing Exhibit Space	0.4	0.8	0.4	1.1	1.1
Delegates (x1.2)	324,000	660,000	438,000	720,000	972,000
Average Size (Room Nights)	11,250	14,474	8,295	8,571	15,283

¹Projected 2012 convention year based on the LA INC. Citywide Sales Activity Convention Calendar.

²Stabilized year.

³Year-end 2010 figures.

⁴Fiscal year 2010-11 figures.

As seen in the table above, on a stabilized basis the LACC could potentially accommodate as many as 14 additional conventions, which would approximately double the number of citywide roomnights generated annually. The anticipated roomnight increase will not only be derived from a greater volume of conventions, but also from larger conventions and the capture of other organizations and associations that currently do not consider Los Angeles to be a viable convention destination based upon the current Center facilities and configuration, existing hotel rooms within proximity to the Center, or the lack thereof, and the growing, but comparatively limited number of other complementary developments in the immediate area. The proposed convention center redevelopment and reconfiguration, Stadium construction, emergence of new hotels and ancillary developments including additional retail, restaurants and entertainment venues are all anticipated to remedy these concerns and raise the profile of Los Angeles as a convention destination.

Lastly based on the number of projected citywide conventions and include resulting roomnights, assuming the development of the proposed Special Event Center and the redevelopment of the LACC, we have also projected the anticipated attendance in a stabilized year based on historical trends. As shown in the following table the citywide convention attendance has ranged from 235,060 to 629,930 people, including local residents and attendees staying in hotels outside of the measured room blocks, with an average of 439,376 attendees. Additionally, based on our ongoing audit for the City of Los

Angeles, the number of roomnights generated on an annual basis ranged from 113,331 to 198,089, with an average of 145,838 roomnights. Based on this information we measured the relationship between the total number of attendees per citywide convention and the number of audited roomnights generated per citywide convention. Overall, we found there to be a close relationship, which on average equated to a factor of three attendees per measured roomnight.

	LACC Historical Activity			
	2007-08	2008-09	2009-10	3 YR Avg
Citywide Convention Attendance	235,060	629,930	453,139	439,376
Total Citywide Conventions	14	18	13	15
Total Citywide Convention Days	50	78	56	61
Average Attendance/Citywide Convention	16,790	34,996	34,857	28,881
Average Attendance/Day	4,701	8,076	8,092	6,956
PKF Audited Citywide Convention Roomnights	113,331	198,089	126,095	145,838
Citywide Attendance/Audited PKF Roomnight	2.1	3.2	3.6	3.0

Source: PKF Consulting, and the Los Angeles Convention Center

The following table presents the culmination of our analysis and findings based on the assumptions contained herein.

	Incremental Growth LACC Citywide Conventions	
	Base Case ¹	Proposed ²
Exhibit Space	719,575	723,890
Additional Meeting Space	153,348	131,791
Contiguous Space	346,890	562,000
Citywide Conventions	24	38
Room Nights	270,000	550,000
Room Nights/SF Free Standing Exhibit Space	0.4	0.8
Delegates (x1.2)	324,000	660,000
Average Size (Room Nights)	11,250	14,474
Total Projected Attendance	810,000	1,650,000

¹Projected 2012 convention year based on the LA INC. Citywide Sales Activity Convention Calendar.
²Stabilized year.
Source: PKF Consulting

Beginning on the following page we have presented the Convention Center Events Market Forecast, which has been prepared by MR + E.

Convention Center Events Market and Forecast

Introduction

The focus of this section of the report is to identify the likely future levels of utilization at the expanded Los Angeles Convention Center (LACC) after the development of the proposed Special Events Center (SEC). In particular this analysis is specifically concerned with events that are booked by the LACC itself rather than the citywide conventions that are the responsibility of LA Inc. In general this class of events depends more heavily on the local market as result tends not to be a significant driver of room night generation. However these events make up the bulk of overall utilization and attendance at LACC.

Table 1 shows the anticipated changes in the physical programming of the convention center after the development of the (SEC). The proposed development will replace the existing West Hall building, which was part of the original 1973 development of the facility, with a state-of-the-art facility capable of seating over 60,000 people. The SEC will have the capacity to host major public assemblies and sporting events including NFL football. At present the facility is envisioned to have a retractable roof that will allow for conversion of the facility from a stadium configuration to an exhibit hall or enclosed space arrangement.

Replacing West Hall is a proposed Pico Hall facility that will be joining the existing South Hall space that was developed as part of the 1992 expansion. This will create a continuous high-quality space that will allow for combined programming between the two halls. Total square footage is expected to increase by just over 68,000 ft.² to a total of 788 54 5 ft.² as compared to the present configuration of 720,000 ft.² this represents a 9.5% increase in the size of the exhibit Hall space available the LACC. In addition to this net increase in exhibit hall space the SEC can be used as meeting and exhibition space when the retractable roof is deployed this will add an additional 225,000 ft.² of usable space for the convention center resulting in an overall increase of 40.8% in gross leasable area.

Definitions

This section will provide a forecast of future utilization of the expanded LACC for the following types of events:

Tradeshows-- these are business-to-business events that are generally open only "to the trade".

Attendance is generally free for qualified delegates in the primary revenue source for the show are

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fees paid by the exhibitors seeking to demonstrate their products and services to qualified audience.

Consumer shows-- these are business to consumer events that are open to the general public. Most consumer shows have an admission entry fee and are open to the public at large. Oftentimes consumer shows will include a retail component where vendors sell items directly to consumers.

Meeting room use-- the Los Angeles convention center has 64 meeting and conference rooms that can be booked by civic and social organizations and for private events meeting room use is often independent of other events that are taking place simultaneously at the convention center however conventions and tradeshow will oftentimes include a meetings component within their program.

Banquets-- these are catered events for large groups either social or civic organizations.

Assemblies-- often times these are religious groups and similar organizations that require rental of large spaces for community and group activities.

Most of the patronage for this category of events listed above comes from the local market. Historically LACC has been effective at accommodating the needs of the local market which is significant considering the size of the Los Angeles metropolitan area both in terms of the number of residents and businesses. That focus on serving local market is evident in the levels of utilization described below.

Number of events

Table 2 shows the historic volume of events that have occurred at the Los Angeles convention center between 2008 and 2011. The 2011 figures are total year figures based on the existing schedule. During this time the total number of events peaked in 2008 before the severe effects of the economic crisis were felt on the regional economy of Southern California. Events declined to a low of 300 in 2010 and are showing an increase for 2011. Over the course of this entire time period meeting room use was the largest single category of the event, followed by assemblies and consumer shows. This distribution is consistent with the regional focus of utilization at the convention center.

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Table 3 shows the total number of use days at the LACC over the same time. Which range from a high of 1,119 in 2010 to a low of 733 in 2009. Meeting room use and consumer shows made up the bulk of facility utilization. Table 4 translates the total number of events and use days into an average of days per event.

Attendance

Attendance at the LACC has ranged from a high of 1.6 million in 2008 to a low of 1.09 million in 2010. Table 5 shows the distribution of attendance by category of event with consumer shows accounting for over half the total attendance at the LACC. Table 6 provides an average attendance per event based on the total attendance and a number of events reported previously. Table 7 provides the same information for attendance by event day. Note that the size of attendance and per event remain relatively constant over the time period investigated with the exception of banquets which show a fair amount of variability in attendance.

Competitive Facilities

In order to gain an understanding of the potential opportunities for new business in an expanded LACC it is useful to establish the parameters of performance at other convention facilities within Los Angeles' competitive set. Because of the unique nature of the special events center competitive convention centers in the West coast market are examined. In addition because of the presence of the special events center NFL stadiums that are co-located with convention centers are also described.

Convention Centers

Anaheim

In 2010, the total attendance to the Anaheim Convention Center was 1,171,626 people who spent just over \$850 million. In addition to convention attendance, 920,742 hotel room nights were sold from these groups within the same year.

Categories --The Anaheim Convention Center was home to 22 Conventions, 8 trade shows, 14 consumer shows, 31 special events, and over 200 meetings and corporate conferences.

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Facility--The Anaheim Convention Center is the largest facility of its type on the West Coast, offering over 1.6 million square feet of space, including over 813,000 square feet of exhibit space. As one of the busiest convention centers in the United States, the Anaheim Convention Center and its 8,000 seat arena, host approximately 300 events per year attracting over 1,000,000 guests annually.

Economic Indicators--The Anaheim Convention Center has seen revenues decrease, as fewer trade shows and conventions are being held; the shows that are held use less space and have fewer attendees. This decline in revenues has put an undeniable strain on the City as it strives to provide the same services that have been available in the past.

Renovation--As of 2010, the Anaheim Convention Center began renovation. This will have included (and will include in the future) renovation of the parking areas, roof replacement, and other aesthetic improvements. The estimated cost for these improvements will upwards of \$12,975,000 through the year 2015.

Las Vegas

In 2010, the number of visitors to all convention centers in Las Vegas was 4,473,134 for a total of 18,004 events. While the Las Vegas Convention Center (LVCC) is the largest venue, the City has numerous facilities throughout the strip and downtown in nearly every major hotel. They are all a part of the Las Vegas Convention and Visitors Authority (LVCVA). Of the 18,004 events that took place in 2010, LVCVA reports only the major conventions/events, as there are too many varying events and venues to record.

Categories--Total number of major conventions throughout the City in 2010 was 250 including 64 at the LVCC; the City also hosted 60 special events.

Facilities -- LVCC Opened in 1959 with a 20,340-square-foot rotunda, 18 meeting rooms and a 90,000-square-foot exhibit hall with a total of 3.2 million square feet of meeting and exhibit space.

The major hotel facilities under the jurisdiction of the Las Vegas Convention and Visitors Authority are as follows: The Mandalay Bay Convention Center which boasts total meeting space of 1,663,697 Square feet, and The Sand Expo Center and the Venetian hotel which houses 1.8

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million Square feet of combined meeting and event space. The Sands Expo Center is the site of numerous events throughout the year, including portions of the Consumer Electronics Show (CES) and the World Shoe Association show.

The Cashman Center in downtown Las Vegas is a multi-use facility encompassing 483,000 square feet on a 55-acre site near downtown Las Vegas. The facility includes 98,100 square feet of exhibit space, 12 meeting rooms, a 1,922 seat state-of-the-art theatre, over 2,500 spaces for parking, and a 10,000 seat baseball stadium which is the home of the Las Vegas 51s, AAA affiliate of the Toronto Blue Jays. Each segment of the facility is capable of functioning independently or in any combination for conventions and trade shows, business/group meetings, theatrical presentations, and sporting events.

Some other notable convention centers that are included in this study are the Cox Pavilion with a total meeting space of 26,125 Square feet, Sam Boyd Stadium – 92,665, Thomas & Mack Center – 33,582 Square feet, and Henderson Convention Center with a total of 13,765 Square feet.

Economic Indicators-- 11% of all Las Vegas visitors attended a convention, trade show, consumer show, or special event at one the City's convention centers. Over 64 conventions and tradeshow were held at the LVCC during FY10. Some of the largest tradeshow and conventions held here annually include: MAGIC International, International CES, Specialty Equipment Marketing Association (SEMA), and the National Association of Broadcasters (NAB). Since the overall economy of the Las Vegas area is heavily dependent on its tourism and convention industries, the LVCVA has been severely impacted in the last two years. During FY 2010, the national and state economies continued to weaken and directly impact tourism and room tax revenues. The most significant effect for the LVCVA was the decline in room tax, the primary revenue source.

San Diego

The San Diego Convention Center is the premier convention and conference center in San Diego City and County. The facility is one of the major economic forces in San Diego with an estimated \$1.27 billion dollar impact to the overall economy including \$20.2 million in tax revenues. As a result of the convention center,

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in 2010 the City estimates that 709,298 hotel nights were sold. The total attendance in 2010 was 786,403 including 552,237 out-of-town visitors.

Facility-- The San Diego Convention Center has a total of 2.6 million gross square feet including 615,701 dedicated to exhibit space and 204,114 in meeting space. There is a proposed 550 million dollar expansion underway for improvements which will be funded through increased tax revenue from City hotel rooms. The total space dedicated for conventions totals 205,700 square feet which is divisible into six halls and accommodates up to 965 10x10 booths. There are 20 covered bays at two loading docks, 45,000 square feet of ballroom space, 57,000 of meeting space which is divisible into 61 versatile meeting rooms, and four separate and independent registration lobbies. The meeting and conference centers have a total of 102,201 square feet dedicated space which can accommodate groups from 20 to 3,500 in a general session. There are also four separate ballrooms totaling 45,000 square feet including 61 separate meeting rooms with numerous combination possibilities. The area that allows for special events allows service from 10 to 10,000 guests covering a total of 45,000 square feet in four separate ballrooms. In general sessions, the area allows from 20 to 3,500.

The Convention Center Expansion Program-- The Expansion portion of the Proposed Project will include a two-story structure with a mezzanine level matching existing building floor elevations of varying heights up to approximately 95 feet above grade. There will also be a 35-foot wide pedestrian promenade immediately adjacent to the water's edge connecting to the existing promenade along the waterfront. Furthermore, up to 30,000 square feet of visitor-serving retail in the Expansion facility will be evenly distributed along the waterfront and parallel to Convention Way and the pedestrian promenade. There will also be an additional 15,000 square feet of visitor-serving retail located predominantly in the southerly end of the facility. Thirdly, there will be landside improvements to an existing water transportation center facing the waterfront including a ticket booth, administrative offices, public restrooms, a bus drop-off area, and parking.

Economic Indicators-- 72 conventions generate \$1.4 billion regionally and produce \$20 million in tax revenues for the City of San Diego. Despite the lingering effects of the global and national recession, the San Diego Convention Center is predicting positive gains in key economic and

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business measures in 2011. Seventy-two conventions are forecast to generate \$1,392,778,284 in economic impact and \$20,028,015 in tax revenue for the City of San Diego; both metrics are higher than those posted in last year's forecast in the same categories. Local hotels will also pick up 737,820 hotel room nights as a result of the influx of convention business.

San Francisco

The San Francisco Moscone Center caters to nearly one million exhibitors and attendees every year; in fact, conventions account for more than one-third of the City's \$8 billion annual tourism industry. It is estimated by the Visitors Bureau that 35.3 percent of visitors who come to San Francisco are attending a meeting or convention.

Categories-- Moscone center on average hosts between 30-35 conventions each year, 25 trade shows, 20 consumer shows, and 10-15 special events plus hundreds of corporate and continuing educational seminars.

Facilities-- Moscone Center is San Francisco's largest convention and meeting space. The three buildings – Moscone South, Moscone North, and Moscone West – cover more than 20 acres on three adjacent blocks with over 2 million square feet of building area. Combined, the three buildings consist of over 740,000 square feet of exhibit space, more than 100 meeting rooms, and as many as four ballrooms.

In looking at each facility individually, Moscone Center South (the largest) allows 650,000 square feet of building area including a column-free hall of 260,560 square feet. There are also 41 rooms that total up to 60,920 square feet. Moscone Center North has a meeting area of 570,000 square feet including 18,140 square feet in two major halls, and 17 meeting rooms totaling 53,440 square feet. Finally, the Esplanade Ballroom totals 126,000 square feet of building area. There are 10 meeting rooms including one totaling 2,870 square feet, the rest totaling 42,750 square feet.

Moscone Center Renovation Update --The Tourism Improvement District, in partnership with the City & County of San Francisco, is well underway with a \$56 million dollar renovation of Moscone Center. Work began in August of 2010 and will continue through June 2012. Other upgrades

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include a facelift to meeting rooms and public spaces with new carpet, ceilings, lighting and paint. It will be LEED Gold Certified and more tech-savvy with telecom and data cabling upgrades

In exchange for the City issuing up to \$45 million in Certificates of Participation (C.O.P.s) to renovate and improve Moscone, San Francisco hotels have agreed to assess themselves up to 1.5 percent of the gross revenues they receive from tourist rooms. This assessment will more than double the City's hotel-specific marketing and sales programs and generate \$22 million for aesthetic improvements to Moscone over the next five years. While the amount for aesthetic improvement is less than half of original estimates due to lower than expected hotel revenue, these funds will contribute greatly to the visitor experience. The goal is to complete the capital improvements by early 2012 and to maintain the competitiveness of San Francisco as a convention destination.

Seattle

The Washington State Center confirmed 474 events in fiscal 2009, drawing a total of 430,771 attendees and providing \$4,182,663 in gross building rent revenues. A total of 51 "citywide" events brought such diverse groups as the New York Life Insurance Company's Executive Council, the American Academy of Neurology and the International Trademark Association. The Center continues to be a popular destination for meetings and maintains an exceptional return client rate. A good example of this is the American Epilepsy Society, which indicated that its events in Seattle (2002 and 2008) were such a success that it has contracted to return in 2014. Two Microsoft 'TechReady' events drew employees from all around the world. The popular annual Northwest Flower & Garden Show—a fixture on the calendar since 1989—is one of the Center's long standing clients. The successful 'OneStop' sales program supports smaller local meetings and events, allowing the Center to maximize occupancy during and between large national events. OneStop staff managed a total of 351 events in fiscal 2009.

Categories--Washington Convention Center holds on average 40-45 conventions, 3-5 trade shows, 8-10 consumer events, and over 300 special events including continuing education and corporate meetings each year.

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Facility--The facility is home to 71,000 square feet of meeting, exhibit, banquet and pre-function space. There are up to 17 flexible, fully carpeted meeting rooms with the ability to connect to 205,700 square feet of heavy load exhibit space. Meeting rooms equipped with adjustable lighting, built-in sound system and programmable LCD screens at the entrances. This facility is designed and furnished to exceed LEED Silver certification.

Economic Indicators-- Washington State Convention Center has experienced higher than anticipated revenues. A solid backlog of events and a limited number of cancellations enabled the Center to post a \$2,382,441 positive bottom line for fiscal 2009. The board of directors heeded early indications of the financial downturn and authorized exceptional actions to offset an expected decline in revenues. These actions included reductions in utility consumption, goods and services, and a state-mandated wage and hiring freeze to bring expenses in much lower than originally budgeted. Total operating revenue for fiscal 2009 exceeded \$25.5 million, just slightly below the all-time high of \$25.7 million. Building rent, food service and facility services revenues were all higher than 2008 levels; food service led the way with an impressive net increase of \$1.1 million over the prior year's results.

Market Share

Table 8 shows the number of tradeshow news network 250 events by city. Tradeshow news network that tracks the 250 largest public assembly events (including both conventions and tradeshows but excluding consumer shows) held in the United States each year. The events are ranked by the total amount of floor space that they consume. The largest event is the international consumer electronics show (CES) held in Las Vegas which occupies just over 1.4 million ft.². Of the West Coast comparator cities Las Vegas hosts by far the largest number of these large events hosting 58 last year. In comparison Los Angeles was the site of only four of the top 250 largest shows. The largest of which (NCTA) was ranked 157th. Details on the range of events staged in each of the cities are shown on the table.

Stadiums

Cowboys Stadium—opened in 2009 Cowboys Stadium located in Arlington Texas is one of the newest NFL venues. The facility is primarily designed as a football stadium but it is available to host other public

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events including amateur sports concerts and public exhibitions. The final capital construction costs for the project was estimated at \$1.15 billion a which is currently a record in the United States a football stadium. Cowboys Stadium has a retractable roof that can be mechanically used to cover the Stadium that will allow it to be used in all seasons and for indoor events. It's two years of operations Cowboys Stadium has primarily been used for NFL football and selected NCAA events additionally the venue hosted Super Bowl XLV in 2011. It is anticipated that over time the Stadium will be used more frequently for tradeshows and public events however it has currently not been utilized for those purposes at this time.

Georgia Dome-- the Georgia Dome is a publicly owned facility that is located as part of the Georgia world Congress Center which is Atlanta's primary convention venue. The dome was completed in 1992 with a capital cost of \$214 million, all of which was financed by the state of Georgia itself. Since opening the facility the Georgia World Congress Ctr., Authority has undertaken a \$30 million two-phase renovation program that began in 2006. The facilities integration into a larger convention complex has allowed for its use in public event programs however primarily the facility is used as an NFL stadium and NCAA venue and for related spectator sports events. One of the recurring events that utilizes both the Georgia world Congress Center in the dome is the annual passion conference which is a religious meeting of college students. This event has an attendance of approximately 75,000.

University of Phoenix Stadium-- located in Glendale Arizona the University of Phoenix Stadium is the home of the NFL Cardinals football franchise. Developed by the Arizona sports and tourism authority, with public financing generated by an additional sales tax levy in Maricopa County, the Stadium was specifically charged with being a multi-use facility capable of hosting conventions and public events. The Stadium opened in 2006 with a total capital cost of \$455 million. How well the Stadium is primarily used for spectator sports it has been the site of a number of trade shows and special events since its opening and the nature of its retractable grass field allows for the use of the floor of the facility as exhibition space.

Edward Jones Dome-- this is the home stadium of the NFL's St. Louis Cardinals football team is owned and operated by the St. Louis visitors and convention. The dome was built in 2005, speculative basis prior to the relocation of the Rams football team from Anaheim to St. Louis and as such it was always conceived that the facility would be integrated into the city's convention center (the America's Center). The dome has a false roof that can be installed over the playing field that allows the building to be connected to the

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convention center itself. The dome has the ability to act as primary exhibit space for the convention center and is frequently used as part of the trade and consumer shows that take place in the venue. The facility is very popular with religious groups as well in addition to spectator sports and concerts.

Lucas Oil Stadium-- 2008 the \$720 million project located in Indianapolis Indiana is the second Stadium venue that has been integrated into the development of the Indianapolis convention Center. This replaces the RCA dome that had previously been located on the same site. The facility is owned by the state of Indiana convention and is operated by the capital improvement Board of Marion County Indiana. And related facilities used for sporting events is the home of the NFL Colts franchise however because Indianapolis is the home of the NCAA the facility has been used for a number of college sports events as well as high school events and concerts since its opening the facility has been used by approximately twice a year for trade and consumer shows and 4 times as a site for public assemblies.

Table 9 summarizes the public events at these comparable NFL venues based on their average annual or most recent reported year which varies for each facility looked at all of these comparables are located in metropolitan areas with populations considerably smaller than Los Angeles ranging from 6.37 million in the Dallas MSA 2.01 million in the Indianapolis MSA. This compares to the Los Angeles MSA population of just over 15.7 million. In general the nonsports utilization of these venues has been somewhat limited ranging from a high of 31 events at the Edward Jones Dome in St. Louis to a low three at Cowboys Stadium in Arlington Texas. Note that the figure for the Edward Jones, includes events at the of the adjacent convention center as a and the sellers exhibit halls are integrated in a manner where individual use of each facility is not reported out by the venue.

Forecast of future events

The public events market

While the tradeshow news network 250 tracks the largest events in the United States annually it focuses on conventions and trade shows rather than the more narrowly focused category of consumer shows and business-to-business trade shows. A secondary data source, Events in America (EIA), which is used by professional meeting planners and exhibitors to track trends in the industry and develop their markets can

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provide a more focused view of these particular categories of events. The EIA database which reports public events can be sorted by location industry and venue type.

Table 10 presents data on consumer shows that US convention venues with a total of gross leasable area of over 100,000 ft.² of. The data is available for 2010 and for committed events through 2011. In 2010 there were 548 consumer shows held in US convention venues of this size number increased to 697 through 2011. Looking at the LACC 's share of this market it was 8.2% in 2010 and 6% for 2011. This level of penetration represents a significant market share for the LA CC in this sector of the events industry.

Table 11 provides similar information for business-to-business trade shows 2010 saw just over 1,800 trade shows in US convention venues with gross leasable area over hundred thousand square feet this figure is expected to grow by nearly 1,000 to 2,793 for 2001 in the sector Los Angeles has a considerably smaller market share penetrating just 1.6% of the market for 2010 and .8% for 2011. The distribution by sector is shown on the table.

Forecast

Growth in utilization at an expanded LA CC can be expected to come from to factors. Firstly as the center itself expands in terms of floor area existing shows and events will be able to grow their attendance. Secondly as the facility adds new capabilities it will be able to penetrate existing markets more effectively. In order to forecast the likely future level of event utilization at the facility both of these factors were considered based on an extension of current business volumes.

Table 12 shows the incremental growth in attendance based on the existing distribution of event days and average attendance per event. A 9.5% growth rate in attendance was applied to exhibit Hall consuming events based on the expanded size of the new facility after the project is developed. A growth rate of 3% was applied to meeting room use and banquets in order to reflect the rate of expansion in the general economy. Incremental growth for each type of event per event is shown on the table under the heading forecast growth.

The second factor in determining a forecast of utilization is a growth in the number of events that can be attracted to LA CC after the improvements in the facilities hosting capacities. In this case a market penetration rate approach and growth in occupancy rate were applied to the existing annual average event base by type. Assuming a .5% increase in market penetration for trade shows and consumer shows the LA CC can expect a net growth of 20 additional trade shows and five additional consumer shows during a

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stable operating year. For the events that are tied much more closely to the local economy such as meeting room use banquets and assemblies a 5% increase in occupancy rate based on a 360 day occupancy year was used as an estimate of likely future performance. Table 12 displays the forecast the future events based on these growth expectations.

Table 14 presents a forecast of future incremental growth at the expanded LA CC in the stable year after the completion of the project this forecast is based on of the increase in attendance that can be expected to occur as a result of expansion of the hosting capacity of the facility itself as well as an increase in the number of events based on an increase in the penetration rate for national market's and incremental growth stemming from the regional economy. In total the forecast anticipates a 23.2% increase in the number of events corresponding to a 37.9% increase in attendance. In terms of total attendance the tradeshow category can be anticipated to be the largest sector of new activity at the facility at just over hundred and 73,000 new attendees.. In terms of total attendance consumer shows are anticipated to remain the largest single category of use at the convention center with a forecast attendance of just over 784,000 per year.

This information is translated into change in event days based on the new number of events and attendance and forecasts a range of attendance based on a confidence interval of 20% to provide a high and low estimate. This information is translated into event days and forecast of use of floor area and a number of meeting rooms as appropriate. Table 15 provides the same information with a floor area use estimate.

Table 1
Changes in
LACC Capacities

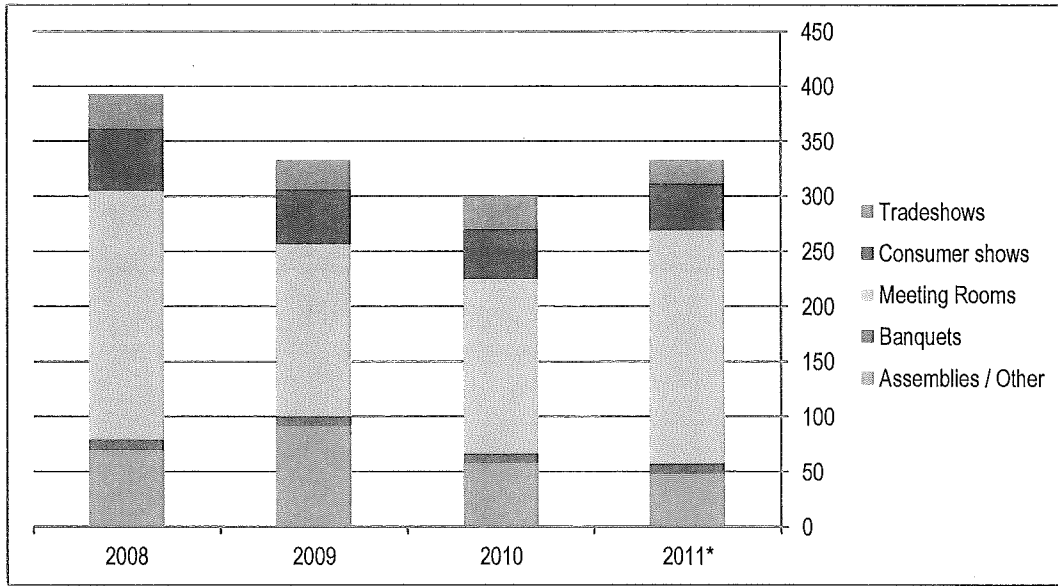
	Number	Sq. Ft.
<i>Existing</i>		
Exhibit halls	3	720,000
Meeting rooms	64	147,000
<i>Post Project</i>		
Exhibit Halls	3	788,545
Meeting Rooms	64	147,000
SEC Floor Space	1	225,000
<i>Net Growth</i>		
Exhibit halls		68,545
Exhibit halls plus SEC		293,545
<i>Percent Growth</i>		
Exhibit halls		9.5%
Exhibit halls plus SEC		40.8%

Source: LACC, AEG and MR+E

Table 2

LACC Events
Los Angeles Convention Center

Year	Tradeshows	Consumer shows	Meeting Rooms	Banquets	Assemblies / Other	Total
2011*	22	42	212	9	48	333
2010	30	45	159	8	58	300
2009	27	49	157	8	92	333
2008	32	56	226	9	70	393



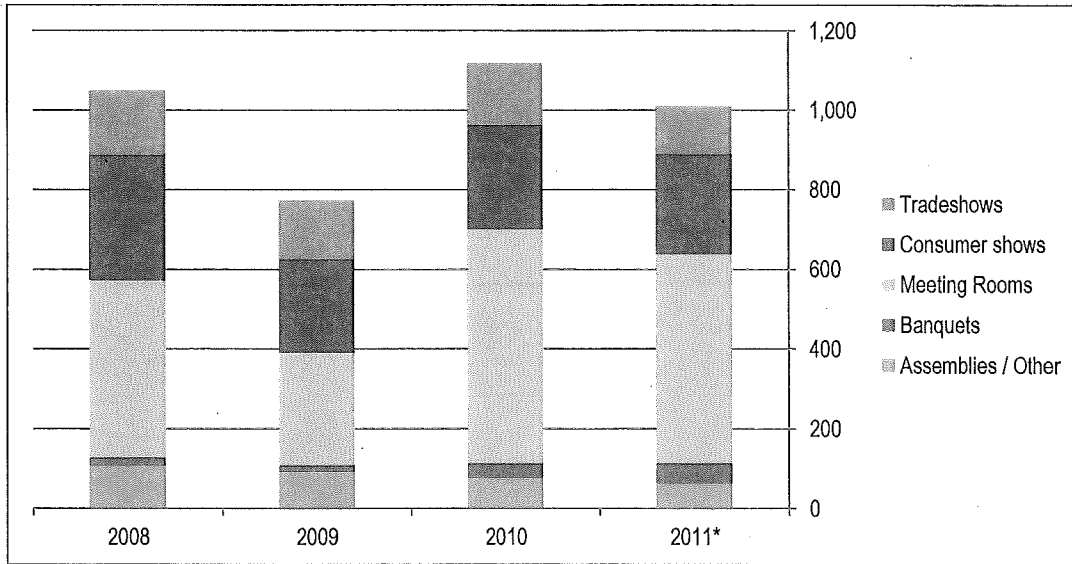
*2011 forecast

Source: LACC and MR+E

Table 3

LACC Event Use Days
Los Angeles Convention Center

Year	Tradeshows	Consumer shows	Meeting Rooms	Banquets	Assemblies / Other	Total
2011*	122	250	525	50	63	1,010
2010	157	261	588	36	77	1,119
2009	148	234	283	16	92	773
2008	163	314	446	20	107	1,050



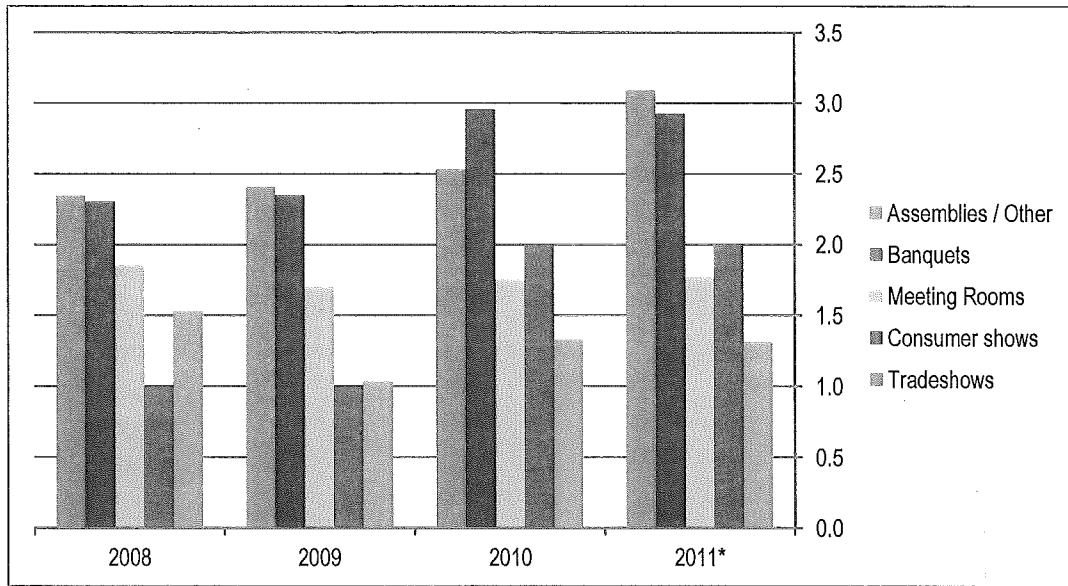
*2011 forecast

Source: LACC and MR+E

Table 4

LACC Average Days Per Event
Los Angeles Convention Center

Year	Tradeshows	Consumer shows	Meeting Rooms	Banquets	Assemblies / Other	Ave
2011*	3.1	2.9	1.8	2.0	1.3	2.2
2010	2.5	3.0	1.8	2.0	1.3	2.1
2009	2.4	2.3	1.7	1.0	1.0	1.7
2008	2.3	2.3	1.9	1.0	1.5	1.8



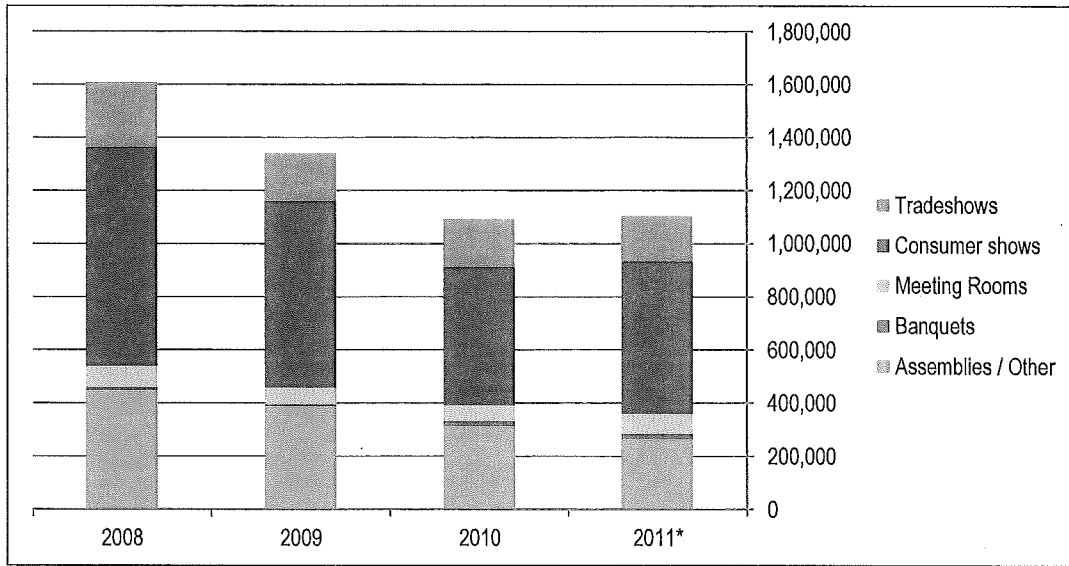
*2011 forecast

Source: LACC and MR+E

Table 5

LACC Event Attendance
Los Angeles Convention Center

Year	Tradeshows	Consumer shows	Meeting Rooms	Banquets	Assemblies / Other	Total
2011*	172,458	570,996	78,353	17,250	265,825	1,104,882
2010	183,843	518,682	61,565	16,424	313,337	1,093,851
2009	183,109	699,372	65,191	4,210	390,021	1,341,903
2008	245,331	822,797	82,256	9,615	448,195	1,608,194



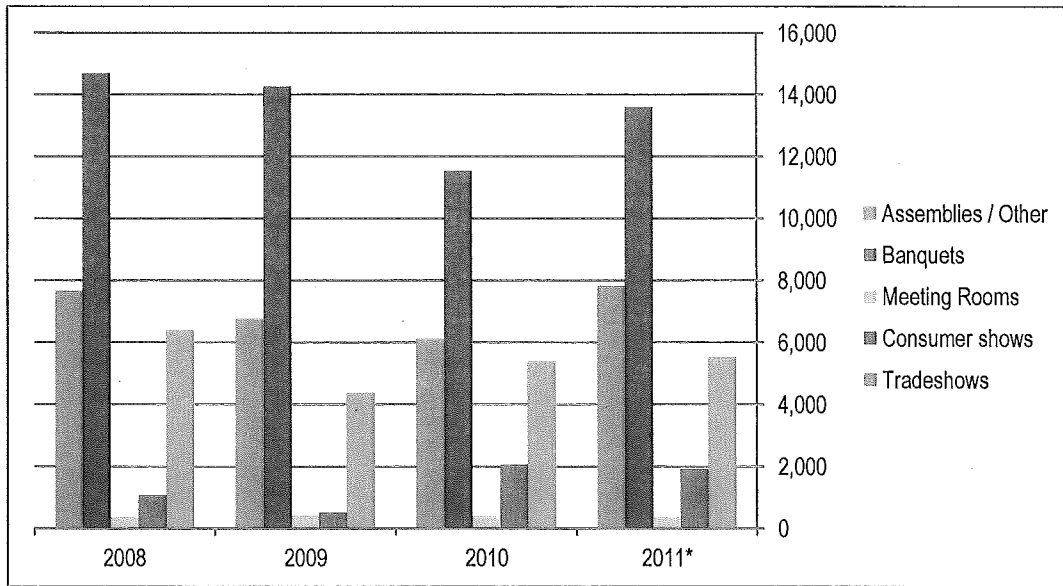
*2011 forecast

Source: LACC and MR+E

Table 6

LACC Average Attendance Per Event
Los Angeles Convention Center

Year	Tradeshows	Consumer shows	Meeting Rooms	Banquets	Assemblies / Other
2011*	7,839	13,595	370	1,917	5,538
2010	6,128	11,526	387	2,053	5,402
2009	6,782	14,273	415	526	4,382
2008	7,667	14,693	364	1,068	6,403
Average	7,104	13,522	384	1,391	5,431



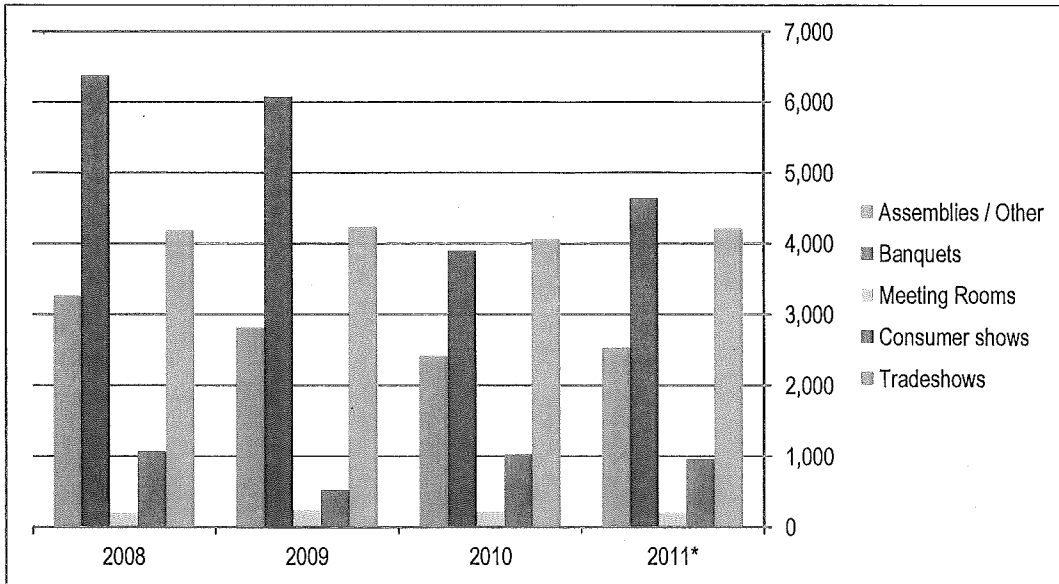
*2011 forecast

Source: LACC and MR+E

Table 7

LACC Average Attendance Per Event Day
Los Angeles Convention Center

Year	Tradeshows	Consumer shows	Meeting Rooms	Banquets	Assemblies / Other
2011*	2,536	4,642	209	958	4,219
2010	2,419	3,900	221	1,027	4,069
2009	2,817	6,081	244	526	4,239
2008	3,271	6,378	196	1,068	4,189
Average	2,761	5,250	218	895	4,179



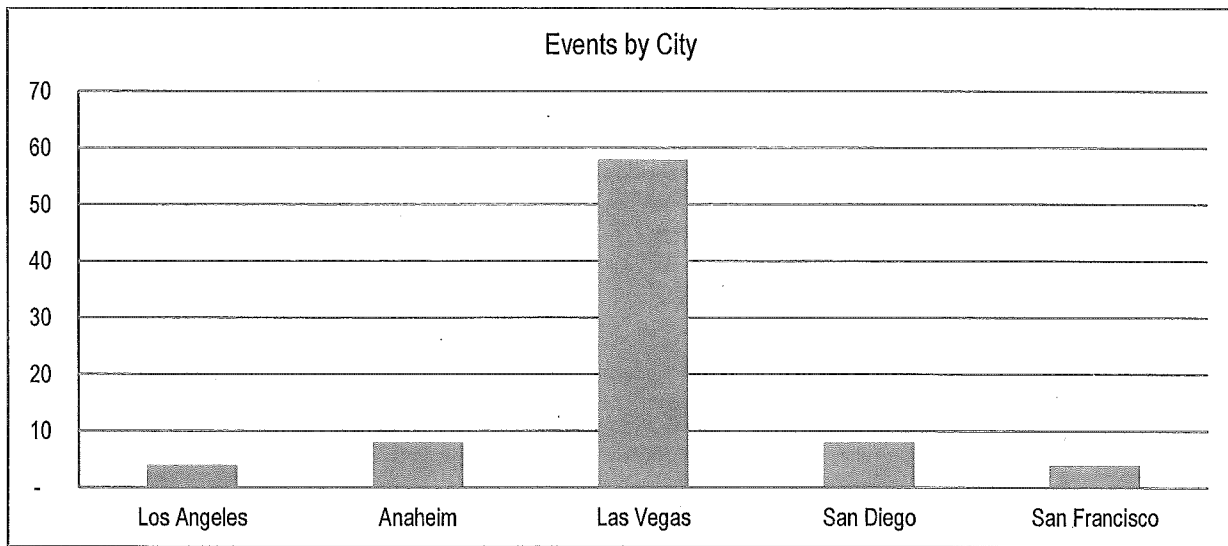
*2011 forecast

Source: LACC and MR+E

Table 8

Tradeshaw News Network Top 250 Shows by City West Coast Market*

City	Number of Events	Rank		Size		Attendance		
		High	Low	High	Low	High	Low	Average
Los Angeles	4	157	232	152,000	83,785	45,600	12,427	21,709
Anaheim	8	35	237	477,836	82,200	102,223	6,519	32,847
Las Vegas	58	1	249	1,442,000	67,100	130,000	3,318	28,629
San Diego	8	106	235	204,000	80,100	16,156	3,000	9,376
San Francisco	4	119	193	190,000	114,350	17,500	14,000	16,520



*At present Seattle does not host any TNN 250 events

Source; Tradeshaw News Network and MR+E

Table 9

Public Events at Comparable NFL Venues
Average Annual or Most Recent Reported Year

Facility Location	Cowboys Stadium Arlington, TX	George Dome Atlanta	University of Phoenix Glendale, AZ	Edward Jones Dome St. Louis	Lucas Oil Stadium Indianapolis
Population in market (in millions)	6.37	5.26	4.19	2.84	2.01
<i>Event Type</i>					
Professional Sport	14	12	12	12	13
Other Sport (amateur, college, high school)	8	9	2	2	4
Concerts	3	3	3	2	0
Trade/Consumer Shows	0	3	4	21*	2
Graduations	0	4	4	2	2
Examinations	0	0	0	4	0
Assemblies	0	2	0	2	4
Total Public Events	25	33	25	45	25
TOTAL NON-SPORTS	3	12	11	31	8

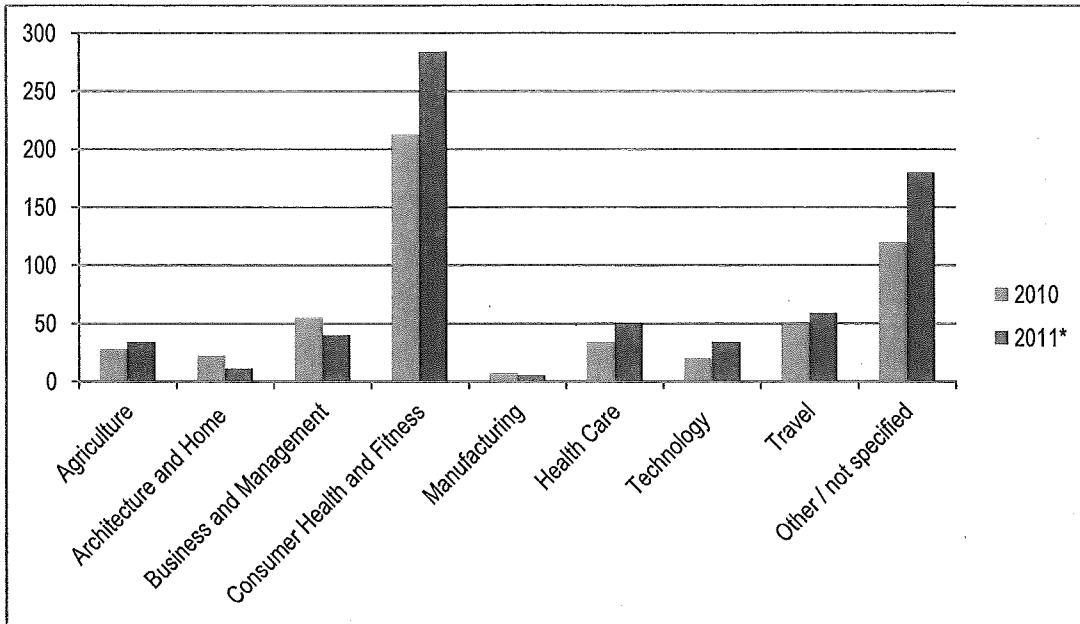
*Includes events at the adjacent convention center

Source: Individual Facilities and MR+E

Table 10

Public Events, Consumer Shows
US Convention Venues

Sector	2010	2011*
Agriculture	28	34
Architecture and Home	22	11
Business and Management	55	40
Consumer Health and Fitness	213	284
Manufacturing	7	5
Health Care	34	50
Technology	20	34
Travel	49	59
Other / not specified	120	180
Total	548	697
<i>LACC Share</i>	<i>8.2%</i>	<i>6.0%</i>



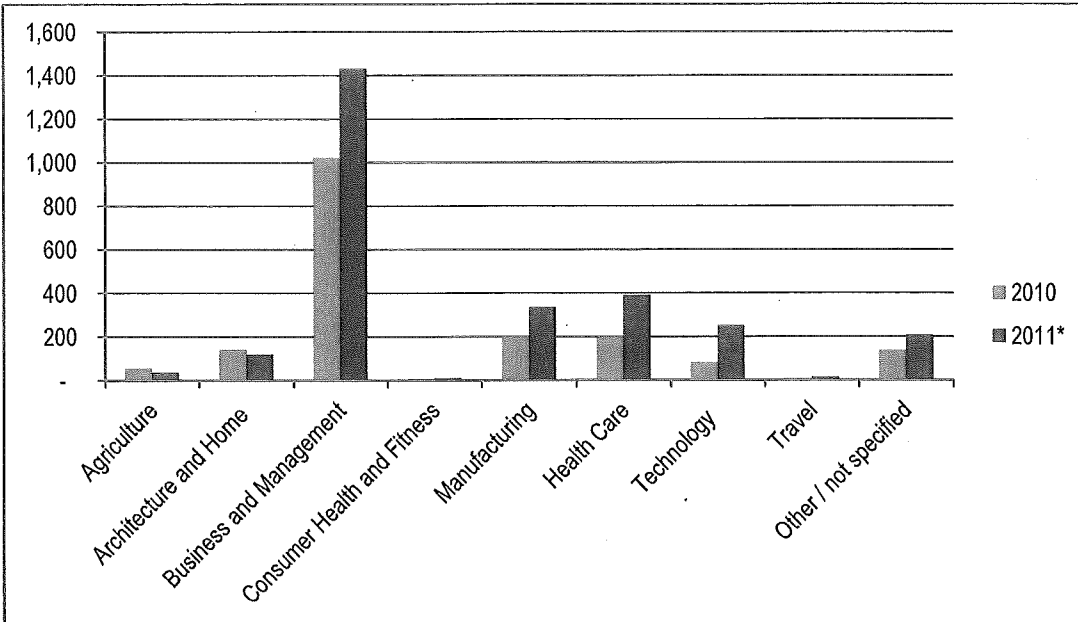
*Scheduled

Source: Events in America Inc. and MR+E

Table 11

Business to Business Trade Shows
US Convention Venues

Sector	2010	2011*
Agriculture	57	36
Architecture and Home	143	120
Business and Management	1,023	1,431
Consumer Health and Fitness	7	10
Manufacturing	195	335
Health Care	194	389
Technology	82	251
Travel	8	14
Other / not specified	137	207
Total	1,846	2,793
<i>LACC Share</i>	<i>1.6%</i>	<i>0.8%</i>



*Scheduled

Source: Events in America Inc. and MR+E

Table 12
Forecast of Future Events
Stable Year Post Project

Event Type	Existing Events			Future Events				
	Annual Events	Market Penetration	Occupancy Rate ¹	Annual Events	Market Penetration	Occupancy Rate ¹	Net Growth	Percentage Growth
Tradeshows	28	1.2%		47	1.7%		20	71%
Consumer shows	48	7.1%		53	7.6%		5	10%
Meeting Rooms	189		52.4%	207		57.4%	18	10%
Banquets	9		2.4%	27		7.4%	18	212%
Assemblies / Other	66		18.4%	84		23.4%	18	27%
Total	339			418			79	23.2%

1) Based on a 360 day occupancy year

Source: MR+E

Table 13
Incremental Growth
LACC Events

	Current		Forecast		Growth			
	Events	Attendance	Events	Attendance	Events	Attendance		
Tradeshows	28	196,185	47	369,411	20	173,225	71.1%	88.3%
Consumer shows	48	652,962	53	784,466	5	131,504	10.4%	20.1%
Meeting Rooms	189	71,841	207	81,674	18	9,833	9.5%	13.7%
Banquets	9	11,875	27	37,969	18	26,094	211.8%	219.7%
Assemblies / Other	66	354,345	84	501,155	18	146,811	27.2%	41.4%
Total	339	1,287,208	418	1,774,675	79	487,467	23.2%	37.9%

Source: MR+E

Table 14
Forecast of LACC Activity
Post Project

	Attendance			Floor Area			Events			
	Range			Range			Number of Events	Event Days	Set Up / Take Down Days	
	High	Low	Average	High	Low	Median			Event Days	Set Up
Tradeshows	9,336	6,224	7,780	720,000	22,000	371,000	47	123	130	
Consumer shows	17,771	11,847	14,809	720,000	22,000	371,000	53	140	154	
Meeting Rooms	475	316	396	308	211,000	105,654	207	365	148	
Banquets	1,719	1,146	1,433	211,000	22,000	116,500	27	40	55	
Assemblies / Other	7,138	4,759	5,948	350,000	22,000	186,000	84	110	133	
Total			1,774,675				418	777	621	

**Table 15
Incremental Growth of Events at LACC
After Project Development**

Event Type	Existing Conditions										Forecast Growth			
	Use Days					Attendance		Floor Area			Attendance Growth	Incremental Growth	Average Per Event	Floor Area
	Event Days	Take Down	Total	Per Event	Average Per Event Day	Median per Event	Per Event	Average Per Event Day	Median per Event	Incremental Growth				
Tradeshows	2.59	2.74	5.34	7,104	2,761	175,232	7,104	2,761	175,232	9.5%	676	7,780	191,915	
Consumer shows	2.63	2.90	5.53	13,522	5,250	175,232	13,522	5,250	175,232	9.5%	1,287	14,809	191,915	
Meeting Rooms	1.77	0.72	2.49	384	218	15	384	218	15	3.0%	12	396	16	
Banquets	1.50	2.07	3.57	1,391	895	25,750	1,391	895	25,750	3.0%	42	1,433	26,523	
Assemblies / Other	1.30	1.58	2.88	5,431	4,179	175,232	5,431	4,179	175,232	9.5%	517	5,948	191,915	

Source: MR+E

Addendum

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

This report is made with the following assumptions and limiting conditions:

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

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

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

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

Zoning and Land Use - Unless otherwise stated, the projections were formulated assuming the hotel to be in full compliance with all applicable zoning and land use regulations and restrictions.

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

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

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

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

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

(continued)

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

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

Testimony in Court - Testimony or attendance in court or at any other hearing is not required by reason of rendering this appraisal, unless such arrangements are made a reasonable time in advance of said hearing. Further, unless otherwise indicated, separate arrangements shall be made concerning compensation for the consultant's time to prepare for and attend any such hearing.

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

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

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

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

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