

Description of Services

**TPG
HOSPITALITY
ADVISORY
SERVICES**



FIRM HISTORY & OVERVIEW

In 1993, Lou Plasencia, the firm's founder, owner, and CEO, formed The Plasencia Group to meet the hotel investment needs of a variety of institutional and high-net-worth clients. By introducing a new paradigm in the field of hotel and resort marketing, business quickly blossomed and the firm soon opened several regional offices throughout the United States. In its first year, The Plasencia Group completed just over \$100 million in hotel sales. Today, the company has nine regional offices and historical annual transaction levels exceeding \$1 billion. In 2008, the firm celebrated 15 years of service exclusively to the hospitality industry.

In recent years, The Plasencia Group has diversified its menu of services, providing a full range of value-added solutions including portfolio and large asset transactions, property disposition analyses, debt and equity placement, hotel development and management advisory services, financial and strategic planning, and proprietary industry research. Most recently, TPG expanded its Hospitality Advisory Services platform to serve the needs of distressed owners and lenders.

The Plasencia Group takes pride in having successfully delivered for our clients with ardent **passion**, direct **access** to high-level decision-makers, and the **certainty** of a thorough and professionally-orchestrated process. These three words represent the basic tenets of our business philosophy.

Every member of the firm is dedicated to serving our clients with a level of commitment that is unsurpassed in our industry. Our goal is to make this singular approach the appreciable difference that repeatedly draws clients to The Plasencia Group.

HOTEL ADVISORY SERVICES LOAN & ASSET PROGRAM

Due to current economic and market conditions, significant demand declines are expected at virtually every hotel and resort in the U.S., Canada and the Caribbean for the next few years. Most lodging assets will be facing a difficult operational period with deterioration in their financial performance.

TPG reinstated its Hotel Advisory Services (HAS) division specifically to meet the needs of lenders, servicers and private equity investors seeking expert advice for their troubled hospitality assets. The HAS menu of services is designed to quickly evaluate each loan or asset, identify problem situations, and recommend immediate action to preserve asset value and prevent the deterioration of operations and the physical plant.

The initial objective of any HAS engagement is to estimate the financial performance of a hotel over the immediate near term in order to determine the property's ability to fund operations and service its debt. Long term, HAS works to preserve the asset's value through identification of specific and quantifiable areas of cost savings and revenue enhancement by actively overseeing the day-to-day manager's implementation of operating tactics and strategies. The end goal of any HAS engagement is to stabilize a property and enhance its overall revenues and bottom line net operating income.

HAS has been privileged to provide consulting, advisory and asset management services to a broad array of investors and lenders. The firm has also completed a number of impartial valuation analyses related to loans as well as disposition efforts. A partial list of engagements and clients is provided below.

CONSULTING AND ASSET MANAGEMENT ENGAGEMENTS

Adolphus Hotel – Dallas, TX	Hyatt Regency Tampa – Tampa, FL
Amelia Island Plantation, Fernandina Beach, FL	Marriott Hotel – Austin, TX
Atlantis – Nassau, Bahamas	Marriott Waterside – Tampa, FL
Beverly Hilton – Beverly Hills, CA	PGA National Resort & Spa – West Palm Beach, FL
Bishop's Lodge Resort – Santa Fe, NM	Rancho Bernardo Inn – Rancho Bernardo, CA
Carambola Resort – St. Croix, USVI	Ritz Carlton – Ft. Lauderdale, FL
Don CeSar Beach Resort – St. Pete Beach, FL	Sawgrass Marriott at TPC – Ponte Vedra, FL
Four Seasons – Great Exuma, Bahamas	Sheraton Canal Street – New Orleans, LA
Hard Rock Hotel & Park – Myrtle Beach, SC	Sheraton Seattle – Seattle WA
Hilton Hotel – Dedham, MA	Trump International Hotel – Ft. Lauderdale, FL
Hilton Hotel – St. Petersburg, FL	Laketown Wharf – Panama City Beach, FL
Holiday Inn on the Hill – Washington, DC	W Hotel – Birmingham, MI
Hyatt Regency Boston – Boston, MA	Westin Book Cadillac – Detroit, MI

CONSULTING AND ASSET MANAGEMENT CLIENTS

Alagem Capital	City of St. Petersburg, Florida	J.P. Morgan Chase
Alliant Partners	City of Tampa, Florida	LNR Partners
Apollo Management	CW Capital	MetLife Real Estate
Bank of America	Ecclestone Organization	Midland Loan Services
Capmark	Ferchill Investments	Ohio Carpenters Pension Fund
Cargill	Fifth-Third Bank	PNC Bank
Castillo Grand LLC	The Hartford	Prudential Insurance
CBRE Strategic Investors	Hyatt Hotels Corporation	TIAA/CREF
Cigna	iStar	VEF Advisors

The degree of HAS’s involvement varies greatly depending on the circumstances surrounding the property or the existing loan. The firm’s services are designed to address the specific situation in which our clients may find themselves, and include:

<p><u>Level One</u> <i>Loan Monitoring and Sensitivity Analysis</i></p>	<ul style="list-style-type: none"> • Little or no access to information and/or to the property beyond what is granted through loan documents.
<p><u>Level Two</u> <i>Asset and Operations Monitoring</i></p>	<ul style="list-style-type: none"> • More open access to information and/or to the property resulting from lender and borrower cooperation and communication.
<p><u>Level Three</u> <i>Asset Management</i></p>	<ul style="list-style-type: none"> • Unrestricted access to the property since it has been taken over by the lender; active and ongoing asset and operational oversight.

LEVEL ONE: LOAN MONITORING AND SENSITIVITY ANALYSIS

In most Level One situations, HAS is working “behind the curtain,” with no direct access to hotel or resort personnel and usually with only limited access to detailed financial data. Accordingly, unless full access is granted to the property and to documentation, we will complete our initial analysis and submittal to the client based upon our ability to gain insight through primary and secondary research sources including our industry contacts and lodging databases.

Level One General Scope of Work

In this Level One phase, HAS will:

- Perform as detailed a financial analysis of the property as possible utilizing readily available property financial information and market intelligence.
- If deemed worthwhile, complete a visit to the property to discretely gain insight on the property’s operations and physical plant.
- Acquire existing supply and demand lodging databases and extrapolate pertinent information as it relates to the subject property.
- Utilize our existing market knowledge and, when possible, use our relationships with knowledgeable industry contacts, to obtain intelligence on the local market and hotel demand issues.
- Research economic data available for the local market and the region.
- Acquire lodging performance data for a set of competitive hotel properties for the previous year and for current year-to-date.
- Evaluate lodging performance expectations for the balance of the given year for the subject market.

Many of the revenue sources of any hotel or resort rely to some degree on the “spend” of each guest being accommodated at the property. Correlations between occupied rooms and revenue-producing areas such as rooms, food and beverage, golf operations, spa, casino, etc., are therefore dependent on the occupancy and number of guests staying at the property.

Accordingly, we will perform a Revenue Per Occupied Room (RevPOR) analysis, where appropriate, in order to determine the total spend-per-guest relative to the various revenue departments at the property. By doing this, we will have a basis upon which to determine the total impact of room nights gained or lost for each of the revenue generators at the property.

Based on the aforementioned RevPOR analysis, we will prepare estimates of financial performance for the subject property for a 12-month period. In addition, in order to determine cash available for normal property operations and to service the existing debt, we will perform a sensitivity analysis on the relative flow-through and debt service coverage based upon three separate potential revenue performance scenarios.

LEVEL TWO: ASSET AND OPERATIONS MONITORING

A more detailed analysis is able to be completed once “the curtain is open” and there is direct access and communication between lender and borrower. Such access is typically obtained once it is legally documented in order to mitigate potential lender liability issues.

The goal of a Level Two engagement is to develop specific findings and recommendations aimed at minimizing losses, maximizing cash flow and, as a result, enhance the value of the asset in the near term.

Upon being provided with access to a property’s management team, we will commence a detailed operational market and financial analysis. The scope of this phase is to complete a detailed analysis of the marketing and revenue maximization efforts being realized by property management, and to gain an understanding of management’s ability to control expenses.

By completing a detailed operations review, we gain a greater insight into the operator’s abilities, identify and quantify specific areas of cost savings and revenue enhancement, as well as improve our accuracy in developing estimates of future financial performance.

Level Two General Scope of Work

Once access to property management and financial and operating documents is granted, HAS will review the following key items in detail in order to develop a specific report of findings and recommendations for the client:

- Historical financial data, including:
 - Profit & Loss statements for the past 36 months
 - Balance sheets
 - Annual budget and marketing plans
 - Historical and future capital expenditures
 - Accounts payable, accounts receivable and aging reports
 - Property taxes
 - Insurance expenses and coverage
 - Working capital and cash flow management
 - STR reports
 - Group Booking Pace reports
 - LNR account production
 - *Hotelligence* reports
 - Other operating information
 - Capital item expenditures

We will also develop a current hotel market positioning and competitive market analysis as well as a property positioning statement relative to its competitive set by reviewing the following:

- Sales and marketing plan
- Analysis of revenue management techniques deployed by management
- Analysis of sources of business
- Existing distribution channels used to gain business and their associated costs

We will focus on cost containment issues by performing a detailed analysis of:

- Expenses and controls deployed by management
- Review of Food & Beverage operations and profitability
- Analysis of hotel staffing and labor cost controls

In addition, we will also review the following general areas of property operations:

- Guest service and quality assurance scores
- Assessment of physical plant condition and maintenance
- Limited review of management company contract compliance
- Limited analysis of other compliance issues

We will review secondary market research to further our understanding of the property's market dynamics relative to local demand generators, the competitive set and overall market demographics and economics. This review may include:

- Historical occupancy and average daily rate history of the competitive lodging market
 - Identify visitor trends and the lodging markets' seasonality of demand
 - Evaluate any cyclical fluctuations in the property's lodging demand over the recent past
 - Identify lodging demand generators and target markets
 - Research historical and current tourism and group business generation programs for the property and the market
 - Identify area attractions and activities
 - Perform comparative performance of local lodging market to that of the competing markets, as warranted
 - Primary feeder markets
- As it relates to resort- or destination-oriented properties, understand current historical and proposed air access from the identified feeder markets and determine their potential impact on the property.
- Other future changes that can positively or negatively affect lodging demand at the property or in the local market.
- Interviews with executives of local hotel operators (General Managers, Directors or Sales, etc.) to gain insight on expectations for their properties as it relates to future performance.
- Other third-party data relating to recent performance of competitive lodging properties with the property.

Based on the results of this Level Two detailed analysis, we will then be in a position to evaluate and report on management's abilities, develop specific quantifiable cost savings and revenue enhancing opportunities which will focus on both short- and long-term recommendations to maximize profitability and value. In addition, we will be in a position to fine-tune a 12-month forecast of operations.

LEVEL THREE: ASSET MANAGEMENT

A Level Three engagement typically commences when a client has taken back a hotel through foreclosure or a deed in lieu of foreclosure. As such, the client is now in a position to take a much more active role in the oversight or actual management of a property. Such an action is often taken when a defaulting borrower (or an affiliate) is also the property's operator. A key and initial element of HAS's Level Three engagement includes all steps completed in the previously described Level Two.

Our focus is to provide the client with an in-depth property analysis based on factual and achievable revenue enhancement and expense reduction techniques, and then take an active role in overseeing the implementation of an involved asset management effort.

In a Level Three engagement, HAS serves as the knowledgeable industry intermediary between our client and the hotel operator. HAS works on an ongoing basis with the property's operator to maximize cash flow and enhance the value of the property.

In this role, HAS becomes much more of a direct and active developer of strategies and tactics, in addition to monitoring the implementation of these programs on behalf of the new owner.

Level Three General Scope of Work

Our Level Three Asset Management program consists of several responsibilities and corresponding objectives delivered during a longer period of time. These objectives generally focus on evaluating, recommending and monitoring specific actions relative to all aspects of hotel performance, including:

- Revenue generation
- Expense management
- Profit maximization
- Market positioning
- Management proficiency and ability
- Brand affiliation
- Evaluation of physical plant and property condition
- Capital budgeting and planning

Additionally, Level Three responsibilities include:

- Interviewing and engaging a property management firm or general manager on the client's behalf should a change in management be warranted.
- Ongoing monitoring of the transition of the property from one management company to another, or converting to independent (non-branded operations).
- Development of performance benchmarks and financial reporting methodology.
- Development and implementation of financial control point responsibilities.
- Sourcing and hiring third-party accounting services provider, as needed.

- Monitoring management's existing financial controls, policies and procedures.
- Operational oversight, including regular property.
- Long- and near-term strategic planning regarding operations, marketing, and capital budgeting.
- Review of physical plant preventive maintenance procedures.
- Attendance at ownership meetings, especially as formal updates of financial and operational performance are presented.
- Facilitate meetings with franchisor and other constituents as needed.

REPORTING

In order to keep our fees at a reasonable level, reports to the client during all three engagement levels discussed above typically take the form of written bullet-point findings and financial modeling as opposed to detailed narrative reports. This also allows us to provide our observations in a much more expedient manner. We have found that much more information is communicated to the client, with anecdotal evidence, in personal meetings or calls.

ENGAGEMENT MANAGEMENT

Any HAS engagement is staffed with experienced members of the consulting team who have significant operations, market analysis and technical experience. Additionally, many team members have backgrounds in loan originations, restructuring or asset management. Each team will be coordinated by a senior member of the firm who will be supported by junior members with responsibilities for certain aspects of the fieldwork and analysis. The vast majority of the work, including the extrapolation of information, preparation of client materials, and communication with the client, is always completed by the senior team leader.

TIMING AND PROFESSIONAL FEES

Typically, a Level One engagement can be completed in four to six weeks. A Level Two assignment, with access to a property's management, typically takes six to eight weeks to complete. These timeframes may be compressed or extended based on the complexity of the asset and the availability of information. Level Three services are typically provided on a monthly basis for a period of no less than six months, unless the property or note is sold before that time.

Fees for each HAS engagement are quoted independently and are based on a variety of factors such as:

- Complexity of the asset(s)
- Size and breadth of property operations
- Complexity of the respective market
- Number of rooms
- Distance from a HAS regional office

Fee estimates will be provided upon request and are typically quoted on a “project” basis. Fees for Level Three asset management efforts are based on a monthly minimum plus a percentage of the increase in the property’s Gross Operating Profit.

DEVELOPMENT CONSULTING

TPG can also support those equity investors and lenders involved in stalled hotel development projects. Through the firm’s Development Management Consultants division (DMC), the firm can provide guidance to owners and reluctant owners of partially-constructed properties (or closed properties) who do not plan to open the facilities in the near-term.

DMC will make recommendations to the property owner regarding the appropriate course of action in a variety of areas to ensure the asset retains its value upon re-opening. While each property will be evaluated based on its level of completion, the broad areas covered by DMC include:

- Security: Efforts to secure an empty building would include erecting fencing, window securing, hiring security staff, cameras or other electronic methods, burglar alarms and relationships with local police.
- Legal: Covenants and obligations arising from zoning approvals, development incentives, lending agreements, partnership agreements, etc. need to be extended or otherwise preserved.
- Insurance: Insurance coverage must be reviewed in the context of a non-operating facility.
Construction: Plumbing and piping must all be sealed, pipes and fixtures drained, electrical outlets secured and turned off, roof leaks prevented, HVAC available to condition and dehumidify air, doors and windows installed and tested for leaks, and power plant securely shut down. These items are just a few examples, as there are a wide range of elements that must be evaluated in order for an individual hotel to arrive at the optimal mid- or post-construction environment.
- Maintenance: Scheduled regular maintenance of HVAC, electrical system, elevators and plumbing.
- Operations: If any operating supplies, operating systems and computers, FF&E, food and beverage, or artwork has been installed, they should be removed and properly stored off site.

OTHER SERVICES

HAS and the rest of The Plasencia Group are available to assist the client with a variety of other related services not contained in this document. This may include discussions with equity investors, lenders, attorneys, franchisors, property personnel and other constituents to whom the client may direct us. Additionally, the firm can also serve as an intermediary in the sale of performing and non-performing notes, as well as in the disposition of individual hotels and resorts or of larger portfolios of hotel assets.

With respect to dispositions, the principals of The Plasencia Group have handled a number of portfolio sales in past years, bringing to the effort a combined experience level of nearly 200 years in the real estate and hospitality industries. During past cycles, the firm has sold 390 hotels (including 19 portfolio transactions), equating to nearly \$14.1 billion in transaction value. Representative portfolio clients include:

Client	Portfolio Room Count
AEW Capital Partners	2,494
Hilton Hotels	1,731
Host Marriott	1,102
InterContinental Hotels	5,724
MeriStar Hospitality	3,729
Prudential Insurance	818
Thayer Lodging	2,173

The company has also successfully marketed seventy-three hotels encumbered by long-term brand management contracts, with a combined transaction value of \$2,775,000,000. The entire team at The Plasencia Group looks forward to being of assistance with all of your hospitality investment needs.



THE PLASENCIA GROUP, INC.

Passion. Access. Certainty.

Founded in 1993, The Plasencia Group is a national hospitality investment consulting and advisory firm with seasoned professionals in offices across the country. The Plasencia Group provides personalized investment opportunities and services to life insurance companies, banks and pension funds, and owners of hotels, resorts, and golf courses throughout the United States, Canada and the Caribbean. TPG offers a full range of value-added solutions, including asset sales, note sales, owner representation, strategic advisory services, portfolio analysis, operations benchmarking, hotel development and management consulting, operator and franchise negotiations, debt and equity placement, and expert witness testimony. Information is available at www.TPGHotels.com.

For information on any of The Plasencia Group's broad array of hospitality-related services, or to discuss how we may be of assistance to you and your firm, please contact Lou Plasencia, our CEO, by calling: (813) 932-1234 or via email at: lplasencia@tpghotels.com.

Offices: California, Connecticut, Florida, Illinois, Ohio, Pennsylvania, Texas

Corporate Office: 4107 N. Himes Ave. Tampa, Florida 33607 T: 813.932.123 F: 813.932.4321 Web: www.tpghotels.com