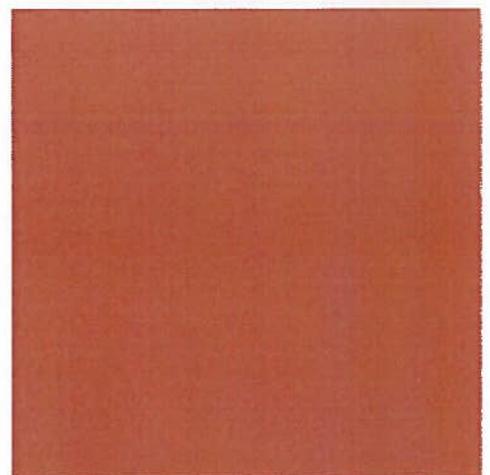
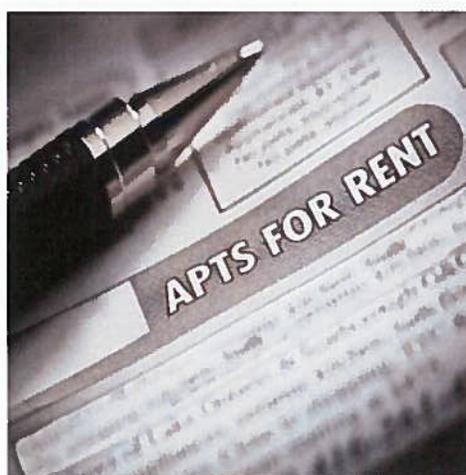
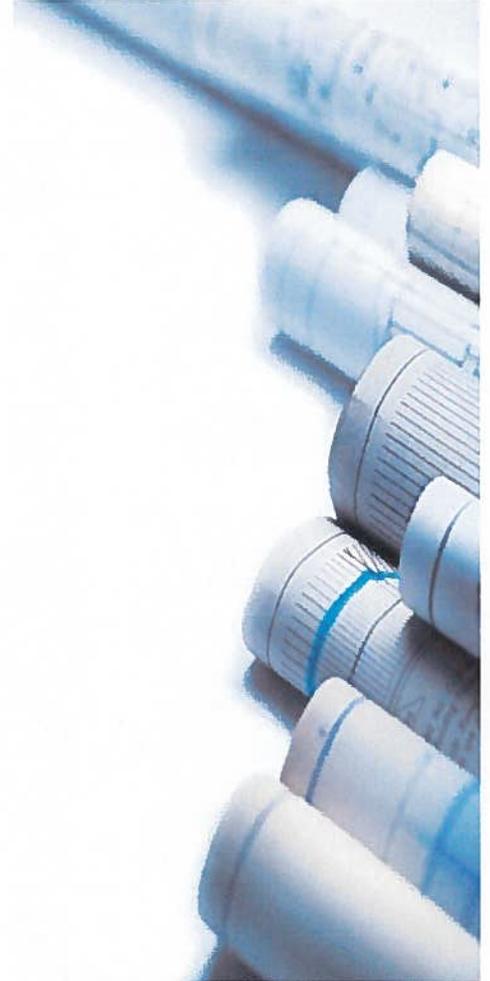
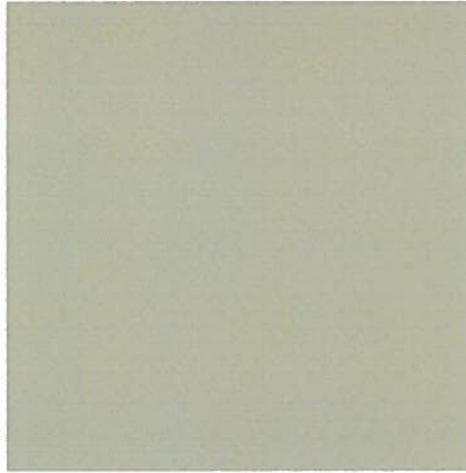


Attachment 14

Fiscal Impact and Market Study Reports

(Submitted by Applicant)

Economic Impact Analysis One Beverly Hills



Economic Impact Analysis: One Beverly Hills

This publication was prepared for:

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EXECUTIVE SUMMARY

New commercial and residential developments can have an considerable positive impact on a local economy. Not only do these projects lead to the creation of jobs and income for workers directly related to the project, they also generate multiplier effects across the local economy. This report will assess the economic impact of Wanda Beverly Hills Properties, LLC’s re-development of the former Robinsons-May property at 9900 Wilshire Boulevard (now known as “One Beverly Hills”) on the City of Beverly Hills.

Table 1: Economic Impact of Construction & Operations

	On-Going Operations Impact	One-Time Construction Impact
Output (\$)	71,105,222	6,027,548
Employment	691	42
Labor Income (\$)	30,153,311	2,348,301
Value Added (\$)	44,527,035	3,608,643

Source: IMPLAN, Calculations by Beacon Economics

The Richard Meier-designed One Beverly Hills project entails the construction and operation of a 134-room luxury hotel and construction of 193 luxury residential condominiums, along with public gardens, open space, and green space, designed by the OLIN landscape architecture firm. Altogether, this project will consist of approximately:

- \$500 million in development of residential and commercial property
- \$47.5 million in on-going operational revenues from the luxury hotel annually at stabilization.
- \$7.6 million in additional revenues for local businesses in the City of Beverly Hills from additional visitors coming to the area.

We found that, in all, the project’s expenditures will generate a one-time \$6.0 million in economic output across the City of Beverly Hills during construction. In other words, of the original \$500 million in construction expenditures \$6.0 million will end up within the City’s economy during construction. The operational revenues from the luxury hotel and additional guest spending in other parts of the City will have a multiplicative effect in the City’s economy, however this will occur on an on-going basis. As this \$47.5 million in operational revenues and \$7.6 million in additional guest spending in other parts of the City of Beverly Hills moves through the economy, its impact will multiply, generating an additional \$16.0 million in secondary spending annually. In all, the luxury hotel operations at One Beverly Hills and additional guest spending in other parts of the City will generate \$71.1 million in economic activity in the City of Beverly Hills each year on an on-going basis.

Because of its ripple effect throughout the economy, the spending and revenues connected to the One Beverly Hills project will also support a number of jobs. This development is expected to result in the direct hiring of 18 workers during its construction in the City of Beverly Hills. Jobs that are supported through secondary effects—the business-to-business and worker-to-business spending that result from direct spending on the construction project—total an additional 24 workers. In all, the One Beverly Hills

project is expected to support 42 workers during its construction phase. In addition, the subsequent operation of the luxury hotel and additional guest spending in other parts of the City of Beverly will support an estimated 691 full-time equivalent workers on an on-going basis annually.

Labor income will be generated in the form of wages and earnings for workers employed in connection to the One Beverly Hills property, as well as through the increase in wages and earnings for existing workers—those workers will receive a bump in income as a result of the increase in business activity generated by the construction project and subsequent operation of the luxury hotel. An estimated \$2.3 million in labor income will be paid out during the duration of construction in the City of Beverly Hills, while an additional \$30.1 million in labor income will be generated on an on-going basis each year by operations and from the additional guest spending in the area as a result of the project.

There will also be an estimated \$3.6 million in value added generated during the duration of the construction—that is, the output generated minus the cost of production. In addition, the subsequent operation of the luxury hotel and additional guest spending in the area will generate an estimated \$44.5 million in value-added annually on an on-going basis in the City's economy.

The One Beverly Hills project will add to the tax base of the City of Beverly Hills, to the tune of \$45.3 million in permit and other fees. Of this total, \$6.4 million will represent park & recreation tax, while \$2.2 million will represent a school development tax. Other permits and fees will also play a significant role, generating an estimated \$36.7 million in revenue for the City of Beverly Hills.

On top of these taxes generated, the operational component of this project will generate an expected total of just over \$8.7 million annually for the City of Beverly Hills.

Table 2: Fiscal Impact of Construction

	Park & Rec. Tax Impact (\$)	School Dev. Tax Impact (\$)	Permit & Other Fees Impact (\$)	Total Fiscal Impact (\$)
Total	6,390,000	2,166,739	36,730,048	45,286,787

Source: IMPLAN, Calculations by Beacon Economics

Table 3: Fiscal Impact of Operations

	TOT	City Hotel Surcharge	Residential Room Rental	Sales Tax	Property Tax (Hotel)	Property Tax (Condos)	Business Tax	Total Revenues
2015 Rep	4,054,000	1,448,000	347,000	261,792	401,000	2,244,000	59,000	8,814,792

Source: PKF Consulting USA & Beacon Economics

The impact of this project is not limited to the economic stimulus that the Beverly Hills economy will receive as a result of the construction costs. Also important are the long-run social impacts from this construction project, many of which will accrue to Beverly Hills on an ongoing basis post-completion. These impacts include:

- Increasing cultural diversity in the community
- Increased access and improved social services
- Additional spending in Beverly Hills businesses from new homes and establishments.

In all, the One Beverly Hills Project will have a sizable economic, fiscal, and social impact on the City of Beverly Hills in both the short run and long run.

PROJECT OVERVIEW AND PERFORMANCE ASSUMPTIONS

The site of One Beverly Hills is in the world-renowned City of Beverly Hills, California. The area has numerous retail establishments, offices, restaurants, and other luxury residential units in the surrounding area. The Richard Meier-designed One Beverly Hills will complement its surroundings by offering a 134-room luxury hotel and 193 luxury residential condominiums, along with public gardens, open space, and green space designed by the OLIN landscape architecture firm.

In a study prepared by PKF Consulting for Wanda dated September 2015 (the “PKF Study”), the condominiums at One Beverly Hills were envisioned to be among the most sought-after for-sale condominium units in Los Angeles County, achieving sales prices near the top of the local area. The study notes that hotels near the One Beverly Hills site are consistently ranked among the most prestigious in the nation. These luxury hotels generate some of the highest average daily rates in the United States.

The study also estimated that the market has been and will continue to operate at a stabilized occupancy rate of 78 percent. Indeed, this market is one of the premier hotel submarkets in the country and the demand for luxury hotel rooms in the Beverly Hills area is anticipated to continue to outpace the supply of new hotel rooms based on the amount of unsatisfied and growing demand in the marketplace. As a result the study concluded that there is no anticipated negative impact to the local market attributable to the addition of the hotel component of the One Beverly Hills development to the competitive market. Therefore, all taxes and revenues generated for the City of Beverly Hills will be additive.

Table 4: Projected Condo Valuations

	Condo Valuations (\$)
2015 Rep	1,171,145,812
2020	533,963,866
2021	715,340,410
2022	894,685,536
2023	1,079,411,017
2024	1,269,678,262
2025	1,465,653,524
2026	1,667,508,044
2027	1,771,463,121
2028	1,806,892,384
2029	1,843,030,231

Source: PKF Consulting USA

Table 5: Historic Performance of Competitive Hotel Supply

	Occupied Rooms	Occupancy Rate (%)	Average Daily Rate (\$)	Revenue Per Available Room (\$)
2010	339,454	66.4	499.10	331.31
2011	365,876	70.5	537.39	378.82
2012	400,767	73.0	565.66	412.96
2013	416,499	75.8	599.43	454.49
2014	428,739	78.0	642.96	501.82

Source: PKF Consulting USA

In addition, PKF Consulting estimated that the average daily rate (ADR) for the One Beverly Hills property would stabilize at \$740 (2015 dollars). This positions the property above the average room rate of the Beverly Hills hotel market, but within range or below that of luxury Beverly Hills properties such as the Peninsula and Beverly Hills Hotel. Occupancy rates at the One Beverly Hills property are expected to stabilize at 80 percent, which is in line with the long-term average for the luxury hotel segment in Beverly Hills.

Table 6: Projected Hotel Occupancy and ADR

	Occupancy (%)	ADR (\$)	Rooms Revenue (\$)
Stabilized (2015 \$)	80.0	740.00	28,955,000
2020	70.0	858.00	29,378,000
2021	75.0	884.00	32,425,000
2022	80.0	910.00	35,608,000
2023	80.0	937.00	36,665,000
2024	80.0	966.00	37,800,000
2025	80.0	994.00	38,895,000
2026	80.0	1,024.00	40,069,000
2027	80.0	1,055.00	41,282,000
2028	80.0	1,087.00	42,534,000
2029	80.0	1,119.00	43,786,000

Source: PKF Consulting USA

LITERATURE REVIEW

Studies have shown that new local amenities and businesses can improve the attractiveness of an area for workers, residents, and visitors. In addition, an increased mix of commercial, residential, and mixed-use development will likely result in improved quality of life as an added asset. New construction projects such as One Beverly Hills generate modest, short-term impacts within the local economy, as well. The new development would spur major investment in the area providing jobs and income to individuals within the area.¹

In addition, visitors coming to an area can have a substantial impact on a local economy. This is especially true with the One Beverly Hills property, which will attract high-income earners to the area. The most direct effects occur within the primary tourism-related industries: lodging, restaurants, transportation, amusement, and retail trade. However, through secondary effects, tourism affects most sectors of the economy. As a result, tourism may lead to a wider array of goods and services available in the area.²

Another long-term benefit of the One Beverly Hills project will be the open public space the project will provide. This project will feature public gardens, open space, and green space designed by world-renowned landscape architects. There will be roughly three-quarters of an acre of public gardens accessible from Wilshire Boulevard and extending to Merv Griffin Way to Santa Monica Boulevard. The gardens are designed to complement and connect with the newly restored Beverly Gardens Park, which begins at Whittier Drive, creating a beautiful green gateway into the city.

Studies show that maintaining aesthetic values and offering outdoor space can enhance local and regional economic growth. This has a compounding effect, with the open space increasing property values in the area, which impacts local revenues. As such, rather than conflicting with other goals, open space preservation can provide significant economic benefits.³

Studies also show that urban space provides health benefits. In one study, researchers found that green space can provide a buffer against the negative health impact of stressful life events.⁴ These less-tangible benefits of new open public space will provide long-term benefits and longevity to the area's residents.

¹University of Cincinnati, "Economic and Fiscal Impacts of the Construction and Operations of a Proposed Select-Service Hotel on Greater Cincinnati", 2012

²Daniel J. Stynes "Economic Impact of Tourism" Michigan State University

³"Economic Benefits of Open Space Preservation," New York State: Office of the State Comptroller, March 2010.

⁴Agnes E. van den Berg, Jolanda Maas, Robert A. Verheij, and Peter P. Groenewegen, "Green Space as a Buffer Between Stressful Life Events and Health." *Social Science & Medicine*, April 2010.

PLANNED EXPENDITURES AND PROJECTED HOTEL REVENUES

Wanda's expenditures in direct relation to the hotel and residential project will total roughly \$500 million, all of which is in new construction. These expenditures on goods and services will multiply through the local economy, generating an impact beyond the initial spending level. However, because many of the companies involved in the construction phase of the project are located outside the City of Beverly Hills, only a portion of these direct expenditures will end up in the City of Beverly Hills.

Table 7: Projected Revenues & Expenditures

Category	Value
Construction Expenditures (\$)	500,000,000
Hotel Operations Revenue (\$)	47,541,000
Additional Guest Spending (\$)	7,579,167

Source: Wanda Beverly Hills Properties, LLC & Beacon Economics

There is also an operational component of the One Beverly Hills project: the ongoing operations of a luxury hotel. Revenues will fall within the hotel sector and restaurant sector, with revenues totaling \$47.5 million annually (2015 dollars), based on the PKF Study. These revenues will then be put back into the local economy, generating demand for goods and services that will multiply through the local economy, generating an impact beyond the just the initial revenues received by the luxury hotel. In contrast to the construction component of the project these revenues will stay within the City of Beverly Hills' economy.

Aside from spending related to accommodations, visitors also make other purchases while in the City of Beverly Hills, generating an impact beyond just the initial impact generated by the hotel's revenues. In addition to spending within the hotel that is estimated to be roughly \$972.00 per room per day, outside spending is estimated to be \$193.70 per room per day for a total of \$1,165.70 per room per day.⁵ By comparison, the Beverly Hills Conference and Tourism Bureau found average spending to be roughly \$1,264 per occupied room per day, assuming double occupancy.⁶ This translates to roughly \$1,011 per room per day assuming an occupancy rate of 80%. As a result of these new visitors to the area local retailers will receive roughly \$5.2 million in additional revenue annually and local restaurants and bars will receive an additional \$2.4 million in revenues annually. While these estimates are likely conservative given the hotels clientele, they provide a suitable baseline for the uptick in expenditures the City of Beverly Hills can expect from the luxury hotel in other parts of the City.

ECONOMIC IMPACT OF CONSTRUCTION

To determine the effects of the construction component of the proposed project, Beacon used the IMPLAN system to calculate the impact of construction expenditures of One Beverly Hills on the economy of the city of Beverly Hills.⁷ To account for much of the direct expenditures occurring outside the city limits of the

⁵Based on an estimated expenditure of \$96.85 per person per day and assuming double-occupancy per room on average. <http://smdp.com/tourism-industry-credits-more-visitors-for-bringing-more-money-to-town/154999>

⁶http://beverlyhills.granicus.com/MetaViewer.php?view_id=2&clip_id=4278&meta_id=252871

⁷Details on the IMPLAN System and associated methodology can be found in the Appendix at the end of this report.

City of Beverly Hills we first modeled the construction expenditures at the County level. We then derived the City of Beverly Hills share of the County's economy using the IMPLAN system, arriving at estimates of the output and jobs that will be generated within the City of Beverly Hills for a construction project in Los Angeles County that is similar to One Beverly Hills.

In all, the project's expenditures will generate \$6.0 million in economic output across the City of Beverly Hills during construction. In other words, of the original \$500 million in construction expenditures only \$6.0 million will end up within the City's economy during construction. This includes over \$2.5 million in direct expenditures, \$1.3 million in indirect expenditures by Beverly Hills businesses down the supply chain, and \$2.2 million in induced impacts from spending by workers in the area that receive a boost in income as a result of the One Beverly Hills project.

Table 8: Economic Impact of Construction Summary

Category	Direct Impact (est.)	Indirect Impact (est.)	Induced Impact (est.)	Total Impact (est.)
Output (\$)	2,514,279	1,288,806	2,224,462	6,027,548
Employment	18.2	7.4	16.8	42.4
Labor Income (\$)	971,875	496,559	879,867	2,348,301
Value Added (\$)	1,283,877	877,789	1,446,978	3,608,643

Source: IMPLAN, Calculations by Beacon Economics

We estimate that the economic output generated by construction component of the One Beverly Hills project will also have a modest impact on jobs in Beverly Hills. The project will support an estimated 42 full-time jobs during the duration of construction. This includes over 18 jobs supported as a result of spending on this project. It also includes 24 secondary jobs that will be supported across other sectors in the economy through businesses and workers spending money back into the local economy during construction. These jobs will be supported at restaurants, bars, architecture firms, property management firms, auto dealerships, general retail stores, and a variety of other businesses that are not directly related to the One Beverly Hills project itself during the duration of construction.

The construction component of the One Beverly Hills project will also generate an estimated \$2.3 million in labor income for workers in the City of Beverly Hills. Of this total, \$1.0 million will represent spending on wages directly connected to the project, while the remaining \$1.3 million will represent spending on wages for workers at businesses down the supply chain, with \$497,000 in indirect wages at firms that receive spending from businesses connected to the project and \$880,000 in induced wages at firms that receive spending from workers connected to the One Beverly Hills project.

There will also be a fair amount of value added by the construction component of the One Beverly Hills project—that is, the economic output generated minus the cost of production. The project will generate an estimated \$3.6 million in value-added during construction. This includes \$1.3 million generated as a result of spending directly by Wanda. It also includes \$2.3 million in secondary impacts that will be generated across other sectors in the economy.

The contribution of the construction component of the One Beverly Hills project to the local economy goes beyond jobs. Not only will the project redevelop a piece of real estate that has gone unused for years, the project will also stimulate the demand for businesses throughout its supply chain, which will support local businesses through increased sales. This will lead to the creation of jobs and income that generate multiplier effects across the city.

ECONOMIC IMPACT OF OPERATIONS

The operations of the luxury hotel at One Beverly Hills will also have a more substantial impact on the City of Beverly Hills. Not only will the direct revenues generated by the luxury hotel multiply through the City of Beverly Hills' economy the visitors staying at the hotel will also spend money at local retail and dining establishments that will multiply through the economy of the City of Beverly Hills. Beacon Economics concludes that, in all, the project's operational component and the increase in visitors to the area will generate \$71.1 million in annual economic output across the City of Beverly Hills annually on an on-going basis.

In other words, the original \$47.5 million in annual hotel revenues and \$7.6 million in expenditures by hotel guests in other parts of the City of Beverly Hills will generate \$16.0 million in secondary impacts throughout the rest of the City's economy annually on an on-going basis. The secondary impacts include over \$11.8 million in indirect expenditures by Beverly Hills businesses down the supply chain and \$4.2 million in induced impacts from spending by workers in the area that receive a boost in income as a result of the luxury hotel at One Beverly Hills.

We estimate that the economic output generated by operational component of the One Beverly Hills project will also have a significant impact on jobs in Beverly Hills. The project will support an estimated 691 full-time equivalent jobs annually on an on-going basis. This includes 603 jobs supported as a result of the revenues from the luxury hotel and guest expenditures at local retail and dining establishments. It also includes nearly 89 secondary jobs that will be supported across other sectors in the economy through businesses and workers spending money back into the local economy. These jobs will be supported at restaurants, bars, property management firms, auto dealerships, general retail stores, and a variety of other businesses that are not directly related to the One Beverly Hills luxury hotel itself.

Table 9: Economic Impact of Operations Summary

Category	Direct Impact (est.)	Indirect Impact (est.)	Induced Impact (est.)	Total Impact (est.)
Output (\$)	55,120,167	11,824,717	4,160,338	71,105,222
Employment	602.9	61.0	27.5	691.4
Labor Income (\$)	24,146,121	4,472,672	1,534,518	30,153,311
Value Added (\$)	34,618,224	7,256,575	2,652,237	44,527,035

Source: IMPLAN, Calculations by Beacon Economics

The operational component of the One Beverly Hills project will also generate an estimated \$30.2 million annually in labor income for workers in the City of Beverly Hills on an on-going basis. Of this total, \$24.2 million will represent spending on wages directly connected to the project and guest spending in other parts of the local economy, while the remaining \$6.0 million will represent spending on wages for workers at businesses down the supply chain, with \$4.5 million in indirect wages at firms that receive spending from businesses connected to the project and \$1.5 million in induced wages at firms that receive spending from workers connected to the One Beverly Hills luxury hotel.

There will also be significant value added by the operational component of the One Beverly Hills luxury hotel—that is, the economic output generated minus the cost of production. The project will generate an estimated \$44.5 million in value added during operations annually. This includes \$34.6 million generated as a result of revenues generated by the luxury hotel and guest expenditures in the local economy. It also includes \$9.9 million in secondary impacts that will be generated across other sectors in the economy.

The contribution of the operational component of the One Beverly Hills project to the local economy is sizable, as it stimulates the demand for businesses throughout its supply chain. This will be a boon to local businesses that will experience an increase in sales, leading to the creation of jobs and income that generate multiplier effects across the City.

FISCAL IMPACT OF CONSTRUCTION

Along with the substantial economic impact the One Beverly Hills project will have, the project will also provide substantial tax benefits to local government agencies. This will include an increase in property taxes, transient occupancy tax revenues; business/sales taxes incurred, and license and permit fees, amongst others.

Indeed, Wanda’s spending is expected to generate a total of \$45.3 million in permit and other fees for the City of Beverly Hills during Construction. Of this total, \$6.4 million will represent a park & recreation tax, while \$2.2 million will represent a school development tax. Other permits and fees will also play a significant role, generating an estimated \$36.7 million in revenue for the City of Beverly Hills.

Table 10: Fiscal Impact of Construction

	Park & Rec. Tax Impact ((\$ est.)	School Dev. Tax Impact ((\$ est.)	Permit & Other Fees Impact ((\$ est.)	Total Total Impact ((\$ est.)
Total	6,390,000	2,166,739	36,730,048	45,286,787

Source: Wanda Beverly Hills Properties, LLC

For the City, the increase in tax revenues resulting from the project will be substantial. As a result, the One Beverly Hills project will serve as a fiscal stimulus to the City’s local government agencies, which will help the public sector to provide services and boost overall quality of life in the region.

FISCAL IMPACT OF OPERATIONS

The operations of the luxury hotel at One Beverly Hills will also provide substantial tax benefits to local government agencies. This new luxury hotel will not only increase transient occupancy tax revenues, it will also increase other revenue streams such as sales tax as hotel-goers enjoy local retail establishments and restaurants in the area.

Table 11: Fiscal Impact of Operations Summary

	TOT	City Hotel Surcharge	Residential Room Rental	Sales Tax	Property Tax (Hotel)	Property Tax (Condos)	Business Impact	Total Revenues
2015 Rep	4,054,000	1,448,000	347,000	261,792	401,000	2,244,000	59,000	8,814,792

Source: PKF Consulting USA & Beacon Economics

Room revenues for the luxury hotel are anticipated to be roughly \$29.0 million annually, based on a study by PKF Consulting. Based on the current 14.0% transient occupancy tax rate in the City of Beverly Hills, transient occupancy tax revenues to the City of Beverly Hills are projected to be just under \$4.1 million annually (2015 dollars).

In addition to transient occupancy taxes, based on recently constructed hotels in the City of Beverly Hills, a study by PKF consulting assumed that the City would assess an additional surcharge of 5.0 percent of room revenue. As a result, the fiscal impact to the City relative to the hotel surcharge is projected to be just over \$1.4 million.

The City of Beverly Hills also levies a tax on business activity in the City based upon gross receipts. Residential room rental taxes for hotels are assessed at a rate of \$12 per \$1,000 in gross revenues. As a result, the fiscal benefits to the City from residential room rental taxes are projected to total \$347,000 annually (2015 dollars).

In addition to the taxes generated by the occupied rooms, hotel operations and other expenditures are also projected to significantly benefit the City of Beverly Hills. Indeed, expenditures on hotel operations and other expenditures are projected to total approximately \$18.6 million annually (2015 dollars). This is largely driven by food and beverage spending, which is projected to total roughly \$375 per occupied room and additional revenues captured by the spa, retail, and other facilities at the property. This falls in line with the range of luxury Beverly Hills properties according to PKF Consulting. The sales tax rate imposed by the city is 1.0 percent, which means the luxury hotel will bring an additional \$186,000 annually (2015 dollars) to the City.

The City of Beverly Hills will also receive an estimated 17.42 percent of the total property tax paid by hotel ownership. With the total property tax for the hotel anticipated to top \$2.3 million annually (2015 dollars), the City of Beverly Hills portion of property taxes will bring an additional \$401,000 annually (2015 dollars) to the City.

The condominiums at One Beverly Hills will also generate property taxes for the City of Beverly Hills. Based on the sales pricing and absorptions estimates from PKF Consulting, the City of Beverly Hills' portion of property tax retained will be roughly \$2.2 million annually (2015 dollars).

In addition the City of Beverly Hills also levies a tax on business activity in the City based upon gross receipts or gross revenues. In the City of Beverly Hills, business taxes are assessed at a rate of \$1.25 per \$1,000 of gross total revenues. Total revenues for the One Beverly Hills property will come from room revenues and the revenues from other expenditures, totaling \$47.5 million. As a result, the fiscal benefits to the City from business taxes to the luxury hotel at the One Beverly Hills property are projected to total \$59,000 annually (2015 dollars).

Finally, guest spending at retail and dining establishments in the City of Beverly Hills will also generate tax revenues for the City of Beverly Hills. The sales tax rate imposed by the city is 1.0 percent, which means that guest spending in other parts of the City generate a total \$75,790 annually for the City of Beverly Hills.

Based on the preceding analysis, the fiscal impact of the One Beverly Hills project to the City of Beverly Hills is more than \$8.8 million (2015 dollars). As a result, the One Beverly Hills project, and the operational component in particular, will serve as a fiscal stimulus to the City government, which will help the public sector to provide services and boost overall quality of life in the community.

SOCIAL IMPACT

The economic impacts of new residential, commercial, and public space developments are significant, but the long-term social benefits from such construction projects will also extend beyond the initial building phase. The specific nature of the California economy as well as the consensus amongst empirical studies suggests that these developments are ultimately highly positive for their respective communities over the long run.

Proponents of urban development projects in general cite a variety of potential impacts on a region, including attracting new businesses and stimulating additional investments into the area. Other benefits include:

- Greater cultural diversity
- Increased access to and improvement of social services
- Additional spending in businesses from new homes and establishments

Effects on Social Services

Urban developments also have the potential to increase access and improve social services in an area. These improvements come from the increased tax revenues that are brought in when a multitude of new households move into an area. Property and sales taxes are divided up amongst the city, county, and state. These revenues are then used to provide road maintenance, sanitation, and police protection. As such, when property and sales tax revenues increase, the education provided in local school improves, the provision and quality of public services becomes greater, and the overall quality of life in the area improves.⁸

Moreover, the municipal services that are desired by new households will increase the need for municipal employment. This demand will create job opportunities for lower- and middle-class residents in the community. These new jobs will help to drive down the poverty rate and create new opportunities for current residents in the area.⁹

⁸Ebenezer O. Aka, Jr., "Gentrification and Socioeconomic Impacts of Neighborhood Integration and Diversification in Atlanta, Georgia." *National Social Science Journal*, October 2010.

⁹J.P. Byrne, "Two Cheers for Gentrification." *Georgetown University Law Center*, 2003.

CONCLUSION

The One Beverly Hills project entails the construction and operations of a 134-room luxury hotel and 193 luxury residential condominiums, along with construction of public gardens, open space, and green space. Altogether, this project will consist of \$500 million in development of residential and commercial property, \$47.5 million in revenues from the ongoing operations of the luxury hotel, and \$7.6 million in revenues from additional visitors staying and spending money in other parts of the City.

As this construction spending and revenues moves through the economy of Beverly Hills, its impact will multiply. In total the project will:

- Increase economic output in Beverly Hills by \$6.0 million during construction and by \$71.1 million each year during operations.
- Support the equivalent of 42 full-time jobs during construction and an additional 691 full-time jobs each year during operations.
- Increase labor income for workers in Beverly Hills by \$2.3 million during construction and by \$30.1 million each year during operations.
- Generate \$3.6 million in value added in the city during construction and \$44.5 million in value-added each year during operations.

The project will have a substantial fiscal impact on the City of Beverly Hills, generating \$45.3 million in permits and fees during construction and an additional \$8.8 million in revenue annually during operations.

At the same time, the impact of this project is not limited to the economic stimulus that the local economy will receive as a result of the construction costs. Also important are the long-run social impacts from this construction project, many of which will accrue to the region on an ongoing basis post-completion. These impacts include:

- Increasing cultural diversity in the community
- Increased access and improved social services
- Additional spending in regional businesses from new homes and establishments.

Thus, the contribution of construction spending and the operational component of the One Beverly Hills project to the local economy are significant. The development will turn an unused piece of real estate into an entity that will serve as a stimulus for businesses throughout the City. This stimulus will lead to increased sales at local business, which will lead to the creation of jobs and income that generate multiplier effects across the City.

APPENDIX

The IMPLAN modeling system combines the U.S. Bureau of Economic Analysis' Input-Output Benchmarks with other data to construct quantitative models of trade flow relationships between businesses, and between businesses and final consumers. From this data, we can examine the effects of a change in one or several economic activities to predict its effect on a specific state, regional, or local economy (impact analysis). The IMPLAN input-output accounts capture all monetary market transactions for consumption in a given time period. The IMPLAN input-output accounts are based on industry survey data collected periodically by the U.S. Bureau of Economic Analysis and follow a balanced account format recommended by the United Nations.

IMPLAN's Regional Economic Accounts and the Social Accounting Matrices are used to construct region-level multipliers that describe the response of the relevant regional economy to a change in demand or production as a result of spending. Each industry that produces goods or services generates demand for other goods and services, and this demand is multiplied through a particular economy until it dissipates through "leakage" to economies outside the specified area. IMPLAN models discern and calculate leakage from local, regional, and state economic areas based on workforce configuration, the inputs required by specific types of businesses, and the availability of both inputs in the economic area. Consequently, economic impacts that accrue to other regions or states as a consequence of a change in demand are not counted as impacts within the economic area.

The model accounts for substitution and displacement effects by deflating industry-specific multipliers to levels well below those recommended by the U.S. Bureau of Economic Analysis. In addition, multipliers are applied only to personal disposable income to obtain a more realistic estimate of the multiplier effects from increased demand. Importantly, IMPLAN's Regional Economic Accounts exclude imports to an economic area so the calculation of economic impacts identifies only those impacts specific to the economic impact area, in this case as determined and defined by Wanda. IMPLAN calculates this distinction by applying the area's economic characteristics described in terms of actual trade flows within the area.

Impact studies operate under the basic assumption that any increase in spending has three effects: First, there is a direct effect on that industry itself. For example, the construction of mixed-use building in Beverly Hills will require a commitment of labor and resources to the construction projects. Second, there is a chain of indirect effects on all the industries whose outputs are used by the industry under observation. For a construction project, indirect effects would include the demand and employment that is stimulated at firms that provide goods and services to this project, such as architectural/engineering services or suppliers of raw building materials. Third, there are induced effects that arise when employment increases and household spending patterns are expanded. These induced effects arise because developers and their suppliers will pay out wages to their employees associated with the construction projects, and those wages will then be spent back into the local economy on household items such as food, gas, cars, and housing.

It is clear that there are several aspects of the overall economic impact. First, there is an employment effect, with some jobs created in the process of developing properties and other jobs spread throughout the local economy. Second, there is an output effect, which includes direct and secondary spending, factoring in the costs of intermediate inputs.

ABOUT BEACON ECONOMICS

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COMMERCIAL REAL ESTATE SERVICES

Bruce Baltin
Managing Director

May 26, 2016

Mr. David Shu
Wanda Beverly Hills Properties, LLC
439 N. Canon Drive, Suite 207
Beverly Hills, California 90210

Mr. Jay Newman
Athens BH Properties, LLC
433 North Camden Drive, Suite 960
Beverly Hills, California 90210

Dear Messrs. Shu and Newman:

Pursuant to your request, we have conducted a study of the potential impact on the Beverly Hills luxury hotel market from the opening of the One Beverly Hills, a luxury hotel in Beverly Hills, California.

The conclusions set forth in this report are based on an analysis of the existing and potential future supply and demand for the competitive lodging market as of the completion of our fieldwork in February 2016. This report has been prepared for you and may be shared with Beverly Hills hoteliers and City representatives. The report is subject to the Terms and Conditions presented in the Addenda.

This report presents our estimate of the potential impact to competitive luxury hotels located in the City of Beverly Hills in terms of occupancy and average daily room rate over the first five full calendar years following the opening of the 134-room luxury hotel to be located at 9900 Wilshire Boulevard in Beverly Hills, California.

It has been a pleasure to work on the assignment and if we can be of any further assistance in the interpretation of our findings, please do not hesitate to contact us.

Yours sincerely,

CBRE Hotels



By: Bruce Baltin
Managing Director

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SCOPE OF THE STUDY

INTRODUCTION

The scope of this study includes an analysis of the impact of the proposed 134-room luxury hotel on the Beverly Hills luxury hotel market. The proposed subject is to be located at 9900 Wilshire Boulevard in Beverly Hills, California. Based on the information gathered from Wanda Beverly Hills Properties LLC, we have assumed the proposed subject to open in January 2020.

In order to meet the objectives of this study, the scope of our analysis included, but was not limited to, the following:

- Analysis of the economic and demographic factors of the market area to assess the economic environment which influences the existing lodging market;
- Determination of the competitive supply of lodging facilities for the properties involved in this study;
- Preparation of a summary of historical performance levels for the competitive lodging supply;
- Estimate of anticipated growth in rooms supply and demand in the market area;
- Calculation of future occupancy levels and market segmentation based on the estimated growth rates and anticipated market conditions; and,
- Estimation of the impact associated with the opening of the project, for the period 2020 through 2024, which incorporates a full five years of operation of the subject following its opening in 2020.

Several resources were utilized in compiling the analytical information and preparing the analysis in this report. The resources included, but were not limited to: *Trends in the Hotel Industry*, CBRE Hotels; data on the lodging market assembled from research independent of our publications; data provided by Athens BH Properties, LLC and Wanda Beverly Hills Properties, LLC; planning departments in the local area; other local agencies; and, interviews with local industry professionals.

SUMMARY OF CONCLUSIONS

Based on the research and analysis conducted, we have made a determination of the potential impact on the Beverly Hills luxury hotel market by the opening of the proposed subject hotel. The following factors influence the impact on the market, as summarized below.

- **Overall market strength:** The Beverly Hills hotel submarket is part of the larger Los Angeles hotel market and as such enjoys a very strong level of economic activity that correlates directly to the demand for room nights. While the competitive market's revenue per available room (RevPAR) was negatively affected by the recession, current and projected economic indicators foretell continued economic growth for the region.
- **Limited impact to supply:** As noted later in this report, the proposed subject's 134 rooms are projected to be absorbed into the market during its first year of operation and, apart from the opening of the 170-room Waldorf Astoria in 2017, there are no other anticipated competitive additions to the luxury market supply.
- **Significant unsatisfied demand:** Given historically high levels of occupancy and lack of new supply in the marketplace, there has been and continues to be a significant level of unsatisfied demand. At 78 percent occupancy hotels in the local market are effectively at capacity every 5.5 days of the week. Thus with projected continued growth in demand and even considering the introduction of two new hotels in the future, the market could accommodate additional hotel rooms beyond what is forecast in this report.
- **Induced demand:** Given the unique and high quality branding of the additions to supply not currently found in the local hotel market, as well as the planned facilities, amenities, and service levels of each, the proposed hotels are anticipated to induce a total of approximately 20,000 room nights during the projection period from guests not currently frequenting the local market.
- **High barriers to entry:** The Beverly Hills luxury hotel market has had minimal additions to supply. The most recent addition to supply was the Montage Beverly Hills in 2009 and prior to that was the Peninsula Beverly Hills in 1991. The entitlement process in the City of Beverly Hills is lengthy and securing approvals for development continues to be challenging. Furthermore, there are very few suitable sites left in the market for hotel development.
- **Strong overnight visitation to Los Angeles:** According to the Los Angeles Tourism & Convention Board (LATCB) estimates overnight visitation to Los Angeles reached over 30 million people in 2015, comprised of over 23 million domestic visitors and 6.8 million international visitors. The U.S. government is taking several steps to attract more international visitors including: expanding the Visa Waiver Program, decreasing visa wait times, and increasing the number of countries with preclearance. The LATCB forecasts overnight visitation to increase to 33.5 million and total to more than 50 million visitors by 2019.

- **Internationally recognized luxury destination:** Beverly Hills offers some of the finest hotels in the world, providing luxurious accommodations and unparalleled service set within a glamorous enclave in the center of Los Angeles. Beverly Hills boasts one of the largest concentrations of Forbes Five Star and AAA Five Diamond properties in the United States.

Our projection of impact on the Beverly Hills luxury hotel market is illustrated on the following table.

Projected Performance of the Competitive Market									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	ADR	Percent Change	RevPAR	Percent Change
2016	549,325	N/A	428,600	N/A	78%	\$691.00	N/A	\$539.14	N/A
2017	611,375	11.3%	476,900	11.3%	78%	\$732.00	5.9%	\$570.99	5.9%
2018	611,375	0.0%	476,900	0.0%	78%	\$754.00	3.0%	\$588.15	3.0%
2019	611,375	0.0%	476,900	0.0%	78%	\$777.00	3.1%	\$606.09	3.1%
2020	660,285	8.0%	515,000	8.0%	78%	\$817.00	5.1%	\$637.23	5.1%
2021	660,285	0.0%	515,000	0.0%	78%	\$842.00	3.1%	\$656.73	3.1%
2022	660,285	0.0%	515,000	0.0%	78%	\$867.00	3.0%	\$676.23	3.0%
2023	660,285	0.0%	515,000	0.0%	78%	\$893.00	3.0%	\$696.51	3.0%
2024	660,285	0.0%	515,000	0.0%	78%	\$920.00	3.0%	\$717.57	3.0%
CAGR	2.3%	-	2.3%	-	-	3.6%	-	3.6%	-

Source: CBRE Hotels

As can be noted in the preceding table, there is no negative projected impact on overall aggregate market occupancy in 2020, the proposed subject's projected year of opening. Furthermore, the opening of the higher rated subject causes market average daily rate (ADR) to increase by 5.1 percent, more than the inflationary rate of 3.0 percent.

PROPERTY DESCRIPTION

SITE DESCRIPTION

Neighborhood, Location, Access and Visibility

The subject site is located on Wilshire Boulevard, to the west of its intersection with Santa Monica Boulevard. Its physical address is 9900 Wilshire Boulevard in Beverly Hills, California. The site is currently a vacant lot, which was previously improved with a 62-year old building which housed the Robinsons-May department store more than a decade ago. The building was demolished to allow for construction of the subject hotel and a larger mixed-use project that will also include 193 luxury residences subject to city approval.

The subject is located only a few minutes from Rodeo Drive, one of the most prestigious concentrations of upper-end retail outlets in Southern California and the country. In addition, the subject is located proximate to corporate offices, restaurants, and other luxury hotels in the surrounding area. Its location is on the edge of the "Golden Triangle", bounded by Wilshire Boulevard, Beverly Drive and Santa Monica Boulevard. The Golden Triangle is a high-end shopping district that caters to the extremely wealthy and affluent.

The immediate area surrounding the hotel is generally comprised of retail stores, office buildings, restaurants, hotels, and residences. Access to the area is considered good. The site is approximately two miles east of the San Diego Freeway (Interstate 405) and less than three miles north of the Santa Monica Freeway (Interstate 10).

The site is bordered by Wilshire Boulevard to the north, Santa Monica Boulevard to the south, Merv Griffin Way and the Beverly Hilton Hotel to the east, and the Los Angeles Country Club to the west.

Uses proximate to the site include:

- North:** Wilshire Boulevard, El Rodeo School, low-rise residential
- South:** Santa Monica Boulevard, low-rise commercial
- East:** Merv Griffin Way, Beverly Hilton, under construction Waldorf Astoria
- West:** The Los Angeles Country Club

Overall, the subject property is situated within the attractive urban community of Beverly Hills. The site is located near one of the most prominent shopping intersections (Wilshire and Rodeo Drive) in Beverly Hills.

The subject site is located approximately nine miles northwest of downtown Los Angeles, approximately nine miles northeast of the LAX International Airport and approximately ten miles south of the Burbank International Airport.

Demand Generators and Supporting Amenities

The subject site is well situated to benefit from its location relative to local demand generators and supporting amenities which include:

- West Los Angeles' commercial office space located in Beverly Hills, Westwood, and Century City;
- Accessibility in and around West Los Angeles and other parts of the County via freeways and surface streets; and,
- The retail and entertainment districts of Beverly Hills, including Rodeo Drive.

IMPROVEMENT DESCRIPTION

We have reviewed the available development options for the subject site and analyzed the Beverly Hills and West Los Angeles luxury hotel markets. Our comments concerning facility programming for the subject are based on our analysis of the competitive hotels and the intended positioning of the subject within the competitive market. Based on our analysis of the site and competitive lodging properties, as well as our interviews with hotel representatives, planning officials, and representatives of potential demand generators for the proposed subject, the following provides a general scope of facilities for the subject property.

Scope of Facilities

The subject will be competing with seven full service, luxury hotels located primarily in the City of Beverly Hills and its surrounding communities. These hotels are considered to be among the highest quality properties in the greater Los Angeles area. Each features a very high quality of construction, extensive facilities, furnishings, and amenities, and highly-sophisticated guest services. To appropriately position the subject within the competitive market, the hotel's overall quality level will be at or above the higher end competitive properties. The property will offer all the amenities characteristic of luxury hotels in the area, including high-end design, various food & beverage outlets, meeting and banquet space, outdoor pool area, spa, and fitness center, as well as an array of guest services. A description of the proposed facilities is presented in the following paragraphs.

Guest Rooms

The proposed hotel will consist of approximately 134 units. With a count of 134 rooms and its location within Beverly Hills, the subject hotel will be well-positioned to capture a mix of small group, but primarily transient demand. Additionally, the planned approximately 7,942 square feet of meeting space (discussed in the next section) will compliment this room count, and allow the subject to capture its share of the high-end group market, including corporate retreats, and social functions and events.

Given the intended positioning of the subject hotel we anticipate that the rooms and accompanying bathrooms will be stylishly designed, featuring a unique design theme and one-of-a-kind touches. The bedrooms will contain one king bed or two queen beds, wireless internet access, interactive iPod players, flat panel televisions with HDTV satellite channels and movies on demand, four- or five-fixture bathrooms, and high-quality furnishings.

According to conversations with the developers of the subject, plans indicate that standard rooms will range from 430 to 500 square feet, suites will range from 970 to 1,940 square feet, and the subject will feature 15 suites, or approximately 11.0 percent of its room mix.

Food and Beverage Facilities

Unique food and beverage outlets are an integral piece of any high-quality hotel property. The proposed hotel will provide a more casual three-meal restaurant, one high-end Chinese full service restaurant, a freestanding bar, a lounge area, a separate private lounge, room service, and catering services. The high-quality restaurant will be positioned as a destination that meets the needs of guests as well as local residents (including those of the proposed 193 residential units), and complement the hotel's facilities. The lounge area will provide comfortable seating, offer a limited food menu, and have the ability to accommodate special events.

Meeting Facilities/Banquet Rooms

As currently programmed, the subject hotel will have 7,942 square feet of dedicated indoor meeting space. We believe that this amount of meeting space will allow the subject to capture its fair share of corporate and social group business. All meeting facilities will be equipped with the latest audio-visual, sound, and lighting equipment, as well as wireless internet access.

Spa

As it is customary for luxury properties, the subject will offer a 7,365 square foot full service spa and wellness center, complete with separate men's and women's areas. The proposed spa will include five treatment rooms, a salon, and locker facilities with wet area that will allow it to capture local demand as well as hotel guests. The hotel will utilize the spa as a vehicle for creating packages to capture additional leisure demand, allowing the hotel drive its average daily rate, and offer an additional amenity to groups.

Amenities and Services

In addition to the aforementioned, the subject will also offer the following services and amenities:

- Heated outdoor pool, whirlpool and cabanas
- Fitness center

- Sundry shop
- Elevators from the ground floor, with direct access to the rooftop
- Local transportation
- Concierge service
- Valet service

MANAGEMENT AND AFFILIATION

The subject hotel will be affiliated with Wanda Hotels and Resorts, China's largest five-star hotel management company. At present, the company owns and manages four hotel brands: Wanda Realm, Wanda Vista, Wanda Reign, and Wanda Jin. There are 38 Realm Hotels, 16 Wanda Vista Hotels, and three Wanda Reign Hotels currently in operation, with additional properties under construction throughout China.

The hotel will be self-managed under the Wanda brand.

PROPERTY SUMMARY

The subject hotel will be one of the newest built hotels in Beverly Hills and is anticipated to be a first class, luxury hotel with an attractive design that is anticipated to generate regional, national, and international recognition. Further, the proposed hotel will be built to and positioned at a level equal to or above its luxury competitors in Beverly Hills. With the planned facilities and the site's convenient location accessible to offices, retail, restaurants, and entertainment, as well as its proximity to leisure and recreational amenities, the property will be positioned to service the needs of the high-end and luxury corporate, leisure, and group market segments. The following analysis and our market projections assume the abovementioned facilities, amenities, and services will be included.

NEIGHBORHOOD ANALYSIS

CITY OF BEVERLY HILLS

Few locations around the world generate the immediate recognition and prestige that is associated with Beverly Hills. The City of Beverly Hills is a small, yet highly sophisticated group of housing and commercial improvements. Located in the heart of Los Angeles County midway between downtown Los Angeles and the Pacific Ocean, the city is located approximately 11 miles west of downtown Los Angeles. The city was incorporated in 1914 and consists of approximately 5.7 square miles of Los Angeles County's most prominent and expensive real estate. It is carried by the focus of the entertainment industry and retail sales as well as high-income families and celebrities with high-value housing stock throughout the community.

The community is landlocked with little residential expansion opportunity other than the demolition and replacement of existing structures. However, the current political climate does not encourage this practice. The trend in residential housing is flat, as the properties on the fringes of commercial areas are highly desirable for retail and office development as the revenue per square foot for retail space escalates. However, the current political posture also discourages the re-zoning of residential areas to promote commercial development and imposes several limitations on the hours of operation, parking, noise and other factors to ensure and respect the quiet enjoyment by residents of their homes.

Unemployment rates in Beverly Hills have traditionally been below that of the metropolitan area, and have remained considerably lower than the Los Angeles County unemployment rate in recent years. As of December 2015, the unemployment rate in Beverly Hills was 5.4 percent, as compared to 5.7 percent for the county as a whole.

Office Market

The West Los Angeles commercial office market, which includes Beverly Hills, consists of approximately 50,307,440 square feet of space, with a total vacancy rate of 10.9 percent as reported in the fourth quarter of 2015 by CBRE, compared to a vacancy rate in the prior quarter at 12.0 percent. The weighted average asking lease rate was \$4.56, up from \$4.35 in the prior quarter. Net absorption was positive for the fourth quarter at 710,511 square feet, in contrast with third quarter 2015, which was negative 374,487 square feet.

Retail Market

Rodeo Drive, one of the most prestigious streets in Los Angeles and the country, is located in the City of Beverly Hills, and includes such world-renowned retailers as Gucci, Cartier, Hermes, Bulgari, and Van Cleef and Arpels. One block east of Rodeo Drive is Beverly Drive, which is also home to several well-established tenants. One block east of Beverly Drive is Canon Drive, which is lined with its well-regarded restaurants, as well as upscale businesses such as banks, beauty salons, and real estate offices. Multi-family

residential buildings dominate Crescent Drive, one block east of Canon Drive. The retail space that exists here consists primarily of facilities which serve the local residents.

Transient Occupancy Tax (TOT)

The City of Beverly Hills collected approximately \$35,400,000 in TOT in 2013/14, an approximate 14.2 percent increase from 2012/13. For 2014/15, the City closed out the fiscal year at approximately \$36,700,000, an increase of approximate 3.6 percent over the 2013/14 fiscal year. The budget for 2015/16 is \$39,100,000.

Transportation

The major air gateway to the Los Angeles area is Los Angeles International Airport (LAX). Additional airport service into Los Angeles is provided via the Bob Hope (Burbank) Airport located to the northeast of Beverly Hills. Several smaller airports provide charter and private aircraft access to the area. Amtrak and a variety of other transportation alternatives serve the area as well. The following table shows the history of passenger travel at Los Angeles International Airport.

Los Angeles International Airport Passenger Counts 2004 – 2015			
Year	Domestic	International	Total
2004	44,200,000	16,500,000	60,700,000
2005	44,000,000	17,500,000	61,500,000
2006	44,100,000	16,900,000	61,000,000
2007	45,200,000	17,200,000	62,400,000
2008	43,100,000	16,700,000	59,800,000
2009	41,400,000	15,100,000	56,500,000
2010	43,100,000	15,900,000	59,100,000
2011	45,100,000	16,700,000	61,800,000
2012	46,500,000	17,200,000	63,700,000
2013	48,800,000	17,900,000	66,700,000
2014	51,600,000	19,100,000	70,700,000
2015	54,200,000	20,700,000	74,900,000
CAAG	1.87%	2.08%	1.93%

Source: Los Angeles World Airports and CBRE Hotels

Following two years of decline (2008 and 2009), passenger travel at LAX began to grow in 2010 and reached record levels in 2015. Overall, from 2004 to 2015, total passenger counts increased by an aggregate of 1.87 percent, and recently reached a record level of more than 70 million passengers. In addition, Los Angeles World Airports (LAWA) is in the midst of a multi-billion dollar development program for Los Angeles International Airport (LAX), including recently completed upgrades to Tom Bradley International Terminal.

The primary form of transportation in and around Beverly Hills is the automobile. An extensive network of interstate highways, state highways, and arterial streets service the area. Most areas of the Los Angeles metropolitan area are less than four miles by major

streets from the interstate network. The network of highways requires careful watching and map reading for those from out of town and first time drivers in the area; however, multiple exits and well-signed highways make travel relatively easy. There are numerous limousine, charter and public transportation alternatives.

Tourism

The tourism market in Beverly Hills is strong as the City maintains its place as one of the most attractive destinations in Southern California. Recognized as a shopping hub in Southern California, its international allure attracts a very specific, elite, and affluent niche of visitors from throughout the country and around the world. Its reputation for high-end retail brings over five million visitors to the area annually. This affluent community is home to the most prestigious hotels, designer and luxury department stores, well-known museums and galleries, and libraries. Growth is driven by increases in international arrivals, including continued increases in travel originating from Asia.

The Visa Waiver program continues to induce visitation from Asia to the United States. Luxury markets such as Beverly Hills are one of the primary benefactors of this increase in travel, and the traveler type is more lucrative with a longer average length of stay and higher daily visitor spending. The U.S. government also increased visa validity for Chinese travelers from one year to ten years, resulting in a 50 percent increase in visa demand by Chinese citizens; the number of Chinese visitors is expected to reach over 5.0 million per year by 2020. Chinese travelers are the largest international inbound market for Los Angeles with 686,000 visitors in 2014, or 10.5 percent of international inbound travel.

According to Los Angeles Tourism & Convention Board, total visitation to Los Angeles County in 2015 was 45.3 million people, including over 30 million overnight visitors, reflective of a 2.5 percent increase over 2014, marking the fifth consecutive year of record-breaking tourism. International visitors made one of the largest impacts on Los Angeles' tourism with 6.7 million visitors to the city, a 3.1 percent increase over 2014. Visitors from China drove international tourist numbers with a July 2015 year-to-date growth of 26.5 percent. Travelers from South Korea also grew by double digits, up 23.2 percent July 2015 YTD.

In 2014, the most recent data available, direct tourism spending rose with visitors accounting for \$19.6 billion in expenditures, a 6.8 percent increase over 2013. The tourism board notes that nearly one-third of the total was spent by foreign visitors since they tend to stay longer and spend more per person. These numbers represent an all-time high for both visitors and spending in the history of the county.

In 2015, hotels in LA County set records for total number of room nights sold, topping out at 28.4 million, a 1.3 percent increase over 2014. Average daily rate for the hotels in the county also climbed to record highs. These metrics, combined with the LA Tourism

and Convention Board's continued marketing efforts, indicate that Los Angeles should be able to meet its goal of 50 million visitors by 2020.

The overall increase in visitation stems from Los Angeles Tourism & Convention Board's successful digital, television, and online advertising campaigns launched in multiple domestic feeder cities such as San Francisco, San Diego, Phoenix, New York City coupled with improvements made to the city's tourism website, discoverLosAngeles.com. Furthermore, to spread awareness abroad, the tourism board operates two tourism offices in the cities of Shanghai and Beijing in China. The following table summarizes the number of overnight visitors to Los Angeles County and their direct spending between 2004 and 2015. According to the Los Angeles Tourism & Convention Board, the total overnight visitor count in 2015 ranked fourth in the nation at 30.2 million visitors. International visitors achieved 6.8 million visitors, a new record, driven by additional visitation from China and South Korea.

Overnight Visitor Volumes and Expenditures Los Angeles County				
Year	Overnight Visitation (Millions)	Percent Change	Direct Spending (Billions)	Percent Change
2004	24.3	9.5%	\$12.0	9.1%
2005	25.0	2.9	12.9	7.7
2006	25.7	2.8	13.6	5.4
2007	25.9	0.8	14.2	4.4
2008	25.7	(1.2)	13.8	(2.8)
2009	23.9	(7.0)	11.8	(14.5)
2010	26.1	8.4	14.1	19.5
2011	27.0	4.2	15.2	7.8
2012	27.9	3.7	16.5	7.1
2013	28.5	4.5	17.5	6.1
2014	29.5	3.5	18.6	4.4
2015	30.2	2.4	20.6	10.8

Source: CIC Research and Los Angeles Tourism & Convention Board

According to a statewide report released by Visit California, tourism in L.A. County is the largest contributor of direct visitor spend in the Southern California region and all of California, contributing more than 21 percent of the state's overall direct spend total.

Conclusions

In summary, the Los Angeles and Beverly Hills markets are strong and diverse. The area's economic base is expected to maintain Beverly Hills' position as a center for the entertainment industry, tourism, and retail trade. Since Los Angeles is one of the most prominent gateways serving the Pacific Basin, its allure to domestic and international leisure travelers is expected to continue to grow with the help of development happening in Beverly Hills and the greater Los Angeles area. The combined effect of these characteristics has a positive impact on the future outlook for Los Angeles' hospitality industry and Beverly Hills' hotel market.

HOTEL MARKET ANALYSIS

COMPETITIVE SUPPLY

Presented in the following text is an overview of the Beverly Hills luxury hotel market. This overview includes a summary of hotels in the competitive market, occupancy characteristics, average daily rate (ADR) characteristics, and performance projections for the future.

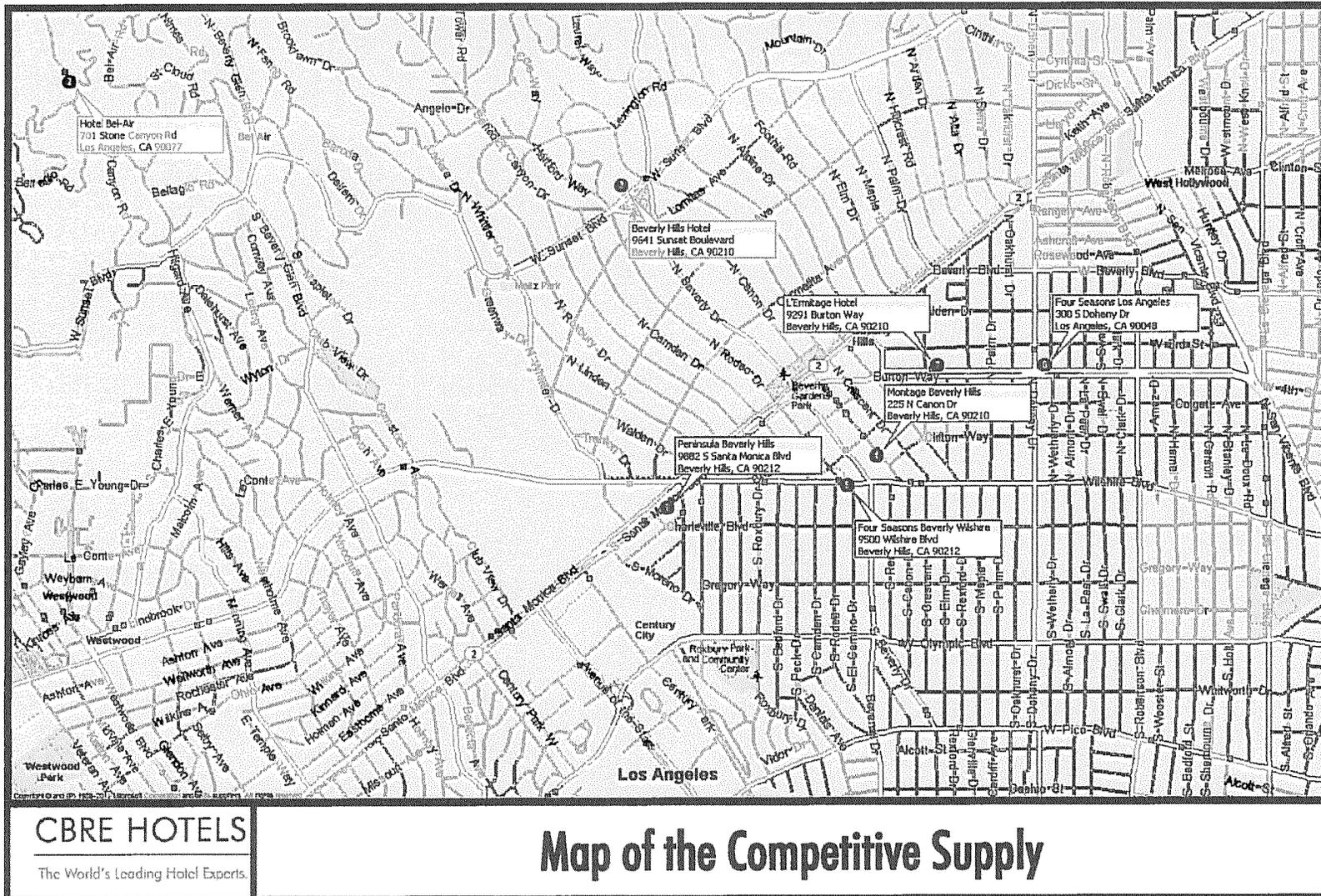
We have reviewed the existing luxury hotel supply in Beverly Hills and West Los Angeles including Bel-Air. The hotels in the competitive market and their room counts are presented in the table below.

Competitive Set	
Property	Rooms
Peninsula Beverly Hills	194
Hotel Bel-Air	103
Beverly Hills Hotel	203
Montage Beverly Hills	201
Four Seasons Beverly Wilshire	395
Four Seasons Los Angeles	285
L'Ermitage Hotel	124
Total	1,505

It should be noted that there are other lodging facilities within the market that may be considered secondarily competitive to the subject and have not been included in our analysis due to facilities, market orientation, average rate, and/or location.

Except for the potential addition of the subject, and the addition of the under construction 170-room Waldorf Astoria in 2017 (which will replace the same number of rooms in the Beverly Hilton Hotel), we are not aware of any other definitive changes or additions to the competitive supply in the Beverly Hills luxury hotel area.

The following map indicates the location of various properties which comprise the competitive set.



Competitive Lodging Supply

Historical Market Performance

The following table presents a summary of the historical market performance of the competitive set.

Historical Performance of the Competitive Market									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	ADR	Percent Change	RevPAR	Percent Change
2005	471,215	N/A	354,747	N/A	75.3%	\$439.57	N/A	\$330.93	N/A
2006	471,215	0.0%	348,465	-1.8%	74.0	499.61	13.7%	369.46	11.6%
2007	471,215	0.0	363,201	4.2	77.1	552.71	10.6	426.01	15.3
2008	471,215	0.0	337,810	-7.0	71.7	588.46	6.5	421.86	-1.0
2009	536,550	13.9	305,979	-9.4	57.0	523.16	-11.1	298.35	-29.3
2010	511,365	-4.7	323,520	5.7	63.3	499.10	-4.6	315.76	5.8
2011	519,030	1.5	368,681	14.0	71.0	536.89	7.6	381.36	20.8
2012	548,960	5.8	403,463	9.4	73.5	558.46	4.0	410.44	7.6
2013	549,325	0.1	416,477	3.2	75.8	599.31	7.3	454.38	10.7
2014	549,325	0.0	428,744	2.9	78.0	641.72	7.1	500.86	10.2
2015	549,325	0.0	430,239	0.3	78.3	664.76	3.6	520.65	4.0
CAGR	1.5%	-	1.9%	-	-	4.2%	-	4.6%	-

Source: CBRE Hotels

As indicated in the table above, changes in supply occurred in 2009 with the opening of the Montage Beverly Hills and the temporary closing of the Hotel Bel-Air due to renovation. Positive changes in supply were recorded in 2011 as the Hotel Bel-Air reopened after completion of its renovation, which resulted in positive change in 2012 also as the remaining rooms were annualized into the market. Supply increased marginally in 2013 due to a one-room addition at the Peninsula Beverly Hills. Demonstrated demand increased at an average rate of 1.9 percent from 2005 through 2015, greater than the average annual increase in supply of 1.5 percent over the same period. As a result, occupancy increased from 75.3 percent in 2005 to 78.3 percent in 2015, the best year ever. The competitive market experienced a sharp decline due to the recession in 2008, resulting in declines in occupancy for 2008 and 2009. Since 2010 market occupancy has been growing steadily, ending 2015 with a period high occupancy of 78.3 percent, which was the best year on record.

The average daily rate of the competitive market has fluctuated over the historical period, with 2009 and 2010 reflecting the impact of the recession and 2011 and 2012 the recovery therefrom. The competitive market finished 2015 at \$664.76, or a 3.6 percent growth over 2014 and the best year ever. Over the observed period, from 2005 through 2015, average daily rate has grown at an average annual rate of 4.2 percent, nearly 17 percent above the long term average of Los Angeles County.

Demand Segmentation

Presented in the following table is our estimate of the mix of demand for the market for year-end 2015.

Competitive Market 2015 Mix of Demand		
Market Segment	Room Nights	Ratio
Commercial	221,300	52%
Leisure	139,100	32
Group	68,300	16
Total	428,700	100%
Source: CBRE Hotels		

Commercial Segment

As outlined in the previous table, corporate demand represents the single largest demand source for the competitive supply, with 52 percent of the total occupied rooms in 2015. This equates to approximately 221,300 room nights of captured demand in the competitive set. The commercial demand in the competitive market generally is derived from conventional commercial demand, generated largely by the financial services, real estate, and law firms located in Beverly Hills, Century City, Downtown, Westwood, and West Los Angeles. These travelers appear to select hotels based on the proximity of the property to their office and usually have a shorter length of stay. We note increases in inbound travel from Australia, Asia, and Europe have increased significantly in recent years, resulting in additional commercial and leisure demand

In addition, this competitive market also has strong demand from entertainment-related businesses. The demand from entertainment and creative industries is generated by the motion picture, recording and related technology, advertising and design and fashion industries. Entertainment-related commercial travelers appear to select a hotel based on its location relative to area amenities such as restaurants and shopping or location and setting rather than its proximity to the company's office. The entertainment and creative industry traveler typically has a longer length of stay. We have estimated demand in the corporate segment to increase 3.0 percent (the industry standard for long-term economic growth) in 2016 and for the remainder of the projection period. Based on the facilities, amenities, branding and nature of the planned Waldorf Astoria and subject hotel we have conservatively induced approximately 10,000 commercial room nights during the projection period.

Leisure Segment

The leisure segment consists of pleasure travelers to and within Southern California for mostly recreational reasons. This segment is comprised of both domestic weekend travelers, as well as international travelers. In 2015, the leisure tourist market segment is estimated to have accounted for 32 percent of total demand, or approximately 139,100 room nights of captured demand. The competitive properties' location within Beverly Hills, Century City, Downtown, and Santa Monica, and the available entertainment, shopping, and tourism attractions generate the majority of leisure demand in the area. International tourists make up a significant (and growing) portion of this demand. We have estimated demand in the leisure segment to increase 3.0 percent in 2016 and thereafter throughout the projection period. Based on the exciting nature of the planned

Waldorf Astoria and subject hotel we have conservatively induced approximately 6,000 leisure room nights during the projection period.

Group Segment

The group market represented 16 percent of the market demand for the competitive supply in 2015 with approximately 68,300 group room nights. Within the competitive market, the group segment comprises various types of group demand categorized as follows:

- Traditional group business, such as executive corporate meetings and other high-end retreats; and,
- Catering-based social group business, such as wedding parties, which primarily utilize the hotels during weekends.

As the commercial base grows in the area, commercial group demand is expected to grow. Based on trends in group-meeting activity in the competitive market, we have estimated annual growth of 3.0 percent per year throughout the projection period. Based on the available meeting facilities of the planned Waldorf Astoria and subject hotel we have conservatively induced approximately 4,000 group room nights during the projection period.

Summary of Demand Growth and Market Occupancies

Based on the foregoing analysis, future demand growth is projected to be driven by increases in corporate, leisure, and group room nights. Although both supply and demand are expected to continue to grow, we have capped the market occupancy at 78 percent, due to the highly corporate nature of this market and the rate structure within this market. While the market will perform at occupancies above and below this level, the stabilized rate of occupancy is an average based on the historical performance of the competitive market as well as the market orientations of the individual properties.

Market Demand Analysis

Projected Market Performance of the Competitive Supply

With regard to growth in demand in future years, overall demand is expected to increase as the overall market recovery continues and economic conditions continue to improve. The following tables present our estimated performance of the competitive market, which assumes the addition of the subject in 2020.

In the following table is our analysis of the projected market occupancy performance for the competitive market.

Projected Performance of the Competitive Market									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	ADR	Percent Change	RevPAR	Percent Change
2016	549,325	N/A	428,600	N/A	78%	\$691.00	N/A	\$539.14	N/A
2017	611,375	11.3%	476,900	11.3%	78%	\$732.00	5.9%	\$570.99	5.9%
2018	611,375	0.0%	476,900	0.0%	78%	\$754.00	3.0%	\$588.15	3.0%
2019	611,375	0.0%	476,900	0.0%	78%	\$777.00	3.1%	\$606.09	3.1%
2020	660,285	8.0%	515,000	8.0%	78%	\$817.00	5.1%	\$637.23	5.1%
2021	660,285	0.0%	515,000	0.0%	78%	\$842.00	3.1%	\$656.73	3.1%
2022	660,285	0.0%	515,000	0.0%	78%	\$867.00	3.0%	\$676.23	3.0%
2023	660,285	0.0%	515,000	0.0%	78%	\$893.00	3.0%	\$696.51	3.0%
2024	660,285	0.0%	515,000	0.0%	78%	\$920.00	3.0%	\$717.57	3.0%
CAGR	2.3%	-	2.3%	-	-	3.6%	-	3.6%	-

Source: CBRE Hotels

As can be noted, the opening of the subject hotel in 2020 does not cause any negative impact to market occupancy. Furthermore the opening of the subject hotel, and its projected high average daily rate, results in an increase in market average ADR of 5.1 percent; more than the inflationary rate of 3.0 percent.

Unsatisfied Demand Analysis

As shown in the preceding table and extrapolated below, there is projected to be a significant amount of unsatisfied or unaccommodated demand in the local competitive hotel market for the duration of the projection period.

PROJECTED DEMAND									
	2016	2017	2018	2019	2020	2021	2022	2023	2024
Corporate (Unsatisfied)	(13,616)	4,160	(8,244)	(15,870)	(4,690)	(16,881)	(25,338)	(34,049)	(43,022)
Leisure (Unsatisfied)	(8,562)	2,472	(5,179)	(9,970)	(2,459)	(10,634)	(15,962)	(21,450)	(27,102)
Group (Unsatisfied)	(4,203)	1,741	(2,560)	(4,928)	(698)	(5,289)	(7,938)	(10,667)	(13,478)
Total (Unsatisfied)	(26,381)	(1,628)	(15,983)	(30,768)	(16,848)	(32,804)	(49,239)	(66,166)	(83,602)

Given our supply and demand projections for the competitive market and the subject hotel, as well as the other addition to supply, the preceding table clearly highlights the fact that a significant amount of unsatisfied demand is projected to exist in the local market, even considering the openings of the additions to supply, including the Waldorf Astoria and the proposed Wanda Hotel. As noted the amount of unsatisfied demand present in the market is anticipated to decline as the subject hotel comes online in 2020, although not to such a level that it is anticipated to cannibalize existing demand in the immediate area. Further with increase leisure, business, and group activity, even with the opening of the two proposed hotel projects, unmet demand in total is anticipated to reach more than 83,600 unaccommodated room nights by the end of 2024,

demonstrating the projected supply and demand imbalance will continue to exist in the local market going forward.

Induced Demand Analysis

In addition to current and future projected unsatisfied demand in the local market, we are also of the opinion that given the unique attributes of the proposed Wanda project and the Waldorf Astoria Hotel, a potential exists for these hotels to induce a significant amount of room nights to the competitive market. Induced demand refers to the additional room nights that the entrance of a new demand generator is expected to bring to a market. A new hotel acts as a demand generator for the market, bringing in new business through its brand affiliation, reservation system, sales team, and unique facilities and amenities. Moreover, new hotels potentially increase the exposure and awareness of a market and open up new sources of potential demand. This is especially true in the case of the hotels that are slated to open in the Beverly Hills luxury market in the foreseeable future. The proposed facilities and Wanda branding, all of which are new to the market are likely to induced new demand into the market, especially from Asia. Similarly, there are no Waldorf Astoria hotels in the greater Los Angeles area, and only one affiliated hotel in the entire State of California. Thus like the proposed Wanda Hotel, the under construction Waldorf Astoria Hotel is anticipated to induce leisure and corporate guests from across the world to the property. Further, new available meeting and event space at both luxury hotels will allow these hotels to induce group meeting and social catering room nights from groups or companies currently holding their events elsewhere.

Projected Market Performance of the Subject

The following tables present our estimated performance of the subject for its first five years of operation.

Projected Performance of the Subject										
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Occupancy Percentage	Market Penetration	ADR	Percent Change	RevPAR	Percent Change
2020	48,910	N/A	34,300	N/A	70%	90%	\$858.00	N/A	\$601.71	N/A
2021	48,910	0.0%	36,500	6.4%	75	96	884.00	3.0%	659.70	9.6%
2022	48,910	0.0	38,900	6.6	80	102	911.00	3.0	638.87	9.8
2023	48,910	0.0	38,900	0.0	80	102	938.00	3.0	700.00	3.0
2024	48,910	0.0	38,900	0.0	80	102	966.00	3.0	768.30	3.0
CAGR	0.0%	-	3.2%	-	-	-	3.0%	-	6.3%	-

Source: CBRE Hotels

Due to the subject's planned high quality build, luxury facilities and amenities, and unique positioning as previously stated in this report, we project the subject to command a rate above the market average in its first year of operation and onwards.

CONCLUSION - IMPACT ANALYSIS

Based on our analysis of the competitive market and experience with hotels, we are of the opinion that the opening of the subject will not impact the Beverly Hills luxury hotel market, both in terms of occupancy and rate. As can be seen in the preceding tables, there is no impact to market occupancy and in fact, we project that the market average daily rate will increase at a rate above the rate of inflation in the subject's year of opening due to its higher rated positioning. The following list summarizes factors we have taken into account when analyzing the impact.

- **Overall market strength:** The Beverly Hills hotel submarket is part of the larger Los Angeles hotel market and as such enjoys a very strong level of economic activity that correlates directly to the demand for room nights. While the competitive market's revenue per available room (RevPAR) was negatively affected by the recession, current and projected economic indicators foretell continued economic growth for the region.
- **Limited impact to supply:** As noted later in this report, the proposed subject's 134 rooms are projected to be absorbed into the market during its first year of operation and, apart from the opening of the 170-room Waldorf Astoria in 2017, there are no other anticipated competitive additions to the luxury market supply.
- **Significant unsatisfied demand:** Given historically high levels of occupancy and lack of new supply in the marketplace, there has been and continues to be a significant level of unsatisfied demand. At 78 percent occupancy hotels in the local market are effectively at capacity every 5.5 days of the week. Thus with projected continued growth in demand and even considering the introduction of two new hotels in the future, the market could accommodate additional hotel rooms beyond what is forecast in this report.
- **Induced demand:** Given the unique and high quality branding of the additions to supply not currently found in the local hotel market, as well as the planned facilities, amenities, and service levels of each, the proposed hotels are anticipated to induce a total of approximately 20,000 room nights during the projection period from guests not currently frequenting the local market.
- **High barriers to entry:** The Beverly Hills luxury hotel market has had minimal additions to supply. The most recent addition to supply was the Montage Beverly Hills in 2009 and prior to that was the Peninsula Beverly Hills in 1991. The entitlement process in the City of Beverly Hills is lengthy and securing approvals for development continues to be challenging. Furthermore, there are very few suitable sites left in the market for hotel development.

- **Strong overnight visitation to Los Angeles:** According to the Los Angeles Tourism & Convention Board (LATCB) estimates overnight visitation to Los Angeles reached over 30 million people in 2015, comprised of over 23 million domestic visitors and 6.8 million international visitors. The U.S. government is taking several steps to attract more international visitors including: expanding the Visa Waiver Program, decreasing visa wait times, and increasing the number of countries with preclearance. The LATCB forecasts overnight visitation to increase to 33.5 million and total to more than 50 million visitors by 2019.
- **Internationally recognized luxury destination:** Beverly Hills offers some of the finest hotels in the world, providing luxurious accommodations and unparalleled service set within a glamorous enclave in the center of Los Angeles. Beverly Hills boasts one of the largest concentrations of Forbes Five Star and AAA Five Diamond properties in the United States.

TERMS AND CONDITIONS

1. The Terms and Conditions herein are part of an agreement for consulting services (the "Agreement") between CBRE, Inc. (the "Consultant") and the client signing this Agreement, and for whom the consulting services will be performed (the "Client"), and shall be deemed a part of such Agreement as though set forth in full therein. The Agreement shall be governed by the laws of the state where the consulting office is located for the Consultant executing this Agreement.
2. Client shall be responsible for the payment of all fees stipulated in the Agreement. Payment of the consulting fee and preparation of an consulting report (the "Consulting Report, or the "report") are not contingent upon any predetermined value or on an action or event resulting from the analyses, opinions, conclusions, or use of the Consulting Report. Final payment is due as provided in the Proposal Specifications Section of this Agreement. If a draft report is requested, the fee is considered earned upon delivery of the draft report. It is understood that the Client may cancel this assignment in writing at any time prior to delivery of the completed report. In such event, the Client is obligated only for the prorated share of the fee based upon the work completed and expenses incurred (including travel expenses to and from the job site), with a minimum charge of \$500. Additional copies of the Consulting Reports are available at a cost of \$250 per original color copy and \$100 per photocopy (black and white), plus shipping fees of \$30 per report.
3. If Consultant is subpoenaed or ordered to give testimony, produce documents or information, or otherwise required or requested by Client or a third party to participate in meetings, phone calls, conferences, litigation or other legal proceedings (including preparation for such proceedings) because of, connected with or in any way pertaining to this engagement, the Consulting Report, the Consultant's expertise, or the Property, Client shall pay Consultant's additional costs and expenses, including but not limited to Consultant's attorneys' fees, and additional time incurred by Consultant based on Consultant's then-prevailing hourly rates and related fees. Such charges include and pertain to, but are not limited to, time spent in preparing for and providing court room testimony, depositions, travel time, mileage and related travel expenses, waiting time, document review and production, and preparation time (excluding preparation of the Consulting Report), meeting participation, and Consultant's other related commitment of time and expertise. Hourly charges and other fees for such participation will be provided upon request. In the event Client requests additional consulting services beyond the scope and purpose stated in the Agreement, Client agrees to pay additional fees for such services and to reimburse related expenses, whether or not the completed report has been delivered to Client at the time of such request.
4. Consultant shall have the right to terminate this Agreement at any time for cause effective immediately upon written notice to Client on the occurrence of fraud or the willful misconduct of Client, its employees or agents, or without cause upon 30 days written notice.
5. In the event Client fails to make payments when due then, from the date due until paid, the amount due and payable shall bear interest at the maximum rate permitted in the state where the office is located for the Consultant executing the Agreement. In the event either party institutes legal action against the other to enforce its rights under this Agreement, the prevailing party shall be entitled to recover its reasonable attorney's fees and expenses. Each party waives the right to a trial by jury in any action arising under this Agreement.
6. Consultant assumes there are no major or significant items or issues affecting the Property that would require the expertise of a professional building contractor, engineer, or environmental consultant for Consultant to prepare a valid report. Client acknowledges that such additional expertise is not covered in the Consulting fee and agrees that, if such additional expertise is required, it shall be provided by others at the discretion and direction of the Client, and solely at Client's additional cost and expense.
7. In the event of any dispute between Client and Consultant relating to this Agreement, or Consultant's or Client's performance hereunder, Consultant and Client agree that such dispute shall be resolved by means of binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association, and judgment upon the award rendered by an arbitrator may be entered in any court of competent jurisdiction. Depositions may be taken and other discovery obtained during such arbitration proceedings to the same extent as authorized in civil judicial proceedings in the state where the office of the Consultant executing this Agreement is located. The arbitrator shall be limited to awarding compensatory damages and shall have no authority to award punitive, exemplary or similar damages. The prevailing party in the arbitration proceeding shall be entitled to recover its expenses from the losing party, including costs of the arbitration proceeding, and reasonable attorney's fees. Client acknowledges that Consultant is being retained hereunder as an independent contractor to perform the services described herein and nothing in this Agreement shall be deemed to create any other relationship between Client and Consultant. This engagement shall be deemed concluded and the services hereunder completed upon delivery to Client of the Consulting Report discussed herein.
8. All statements of fact in the report which are used as the basis of the Consultant's analyses, opinions, and conclusions will be true and correct to Consultant's actual knowledge and belief. Consultant does not make any representation or warranty, express or implied, as to the accuracy or completeness of the information or the

TERMS AND CONDITIONS

(continued)

condition of the Property furnished to Consultant by Client or others. The conclusions and any permitted reliance on and use of the Consulting Report shall be subject to the assumptions, limitations, and qualifying statements contained in the report.

9. Consultant shall have no responsibility for legal matters, including zoning, or questions of survey or title, soil or subsoil conditions, engineering, or other similar technical matters. The report will not constitute a survey of the Property analyzed.
10. Client shall provide Consultant with such materials with respect to the assignment as are requested by Consultant and in the possession or under the control of Client. Client shall provide Consultant with sufficient access to the Property to be analyzed, and hereby grants permission for entry unless discussed in advance to the contrary.
11. The data gathered in the course of the assignment (except data furnished by Client) and the report prepared pursuant to the Agreement are, and will remain, the property of Consultant. With respect to data provided by Client, Consultant shall not violate the confidential nature of the Consultant-Client relationship by improperly disclosing any proprietary information furnished to Consultant. Notwithstanding the foregoing, Consultant is authorized by Client to disclose all or any portion of the report and related data as may be required by statute, government regulation, legal process, or judicial decree, including to appropriate representatives of the Appraisal Institute if such disclosure is required to enable Consultant to comply with the Bylaws and Regulations of such Institute as now or hereafter in effect.
12. Unless specifically noted, in preparing the Consulting Report the Consultant will not be considering the possible existence of asbestos, PCB transformers, or other toxic, hazardous, or contaminated substances and/or underground storage tanks (collectively, "Hazardous Material") on or affecting the Property, or the cost of encapsulation or removal thereof. Further, Client represents that there is no major or significant deferred maintenance of the Property that would require the expertise of a professional cost estimator or contractor. If such repairs are needed, the estimates are to be prepared by others, at Client's discretion and direction, and are not covered as part of the Consulting fee.
13. In the event Client intends to use the Consulting Report in connection with a tax matter, Client acknowledges that Consultant provides no warranty, representation or prediction as to the outcome of such tax matter. Client understands and acknowledges that any relevant taxing authority (whether the Internal Revenue Service or any other federal, state or local taxing authority) may disagree with or reject the Consulting Report or otherwise disagree with Client's tax position, and further understands and acknowledges that the taxing authority may seek to collect additional taxes, interest, penalties or fees from Client beyond what may be suggested by the Consulting Report. Client agrees that Consultant shall have no responsibility or liability to Client or any other party for any such taxes, interest, penalties or fees and that Client will not seek damages or other compensation from Consultant relating to any such taxes, interest, penalties or fees imposed on Client, or for any attorneys' fees, costs or other expenses relating to Client's tax matters.
14. Consultant shall have no liability with respect to any loss, damage, claim or expense incurred by or asserted against Client arising out of, based upon or resulting from Client's failure to provide accurate or complete information or documentation pertaining to an assignment ordered under or in connection with this Agreement, including Client's failure, or the failure of any of Client's agents, to provide a complete copy of the Consulting Report to any third party.

LIMITATION OF LIABILITY. EXCEPT TO THE EXTENT ARISING FROM SECTION 16 BELOW, OR SECTION 17 IF APPLICABLE, IN NO EVENT SHALL EITHER PARTY OR ANY OF ITS AFFILIATE, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, OR CONTRACTORS BE LIABLE TO THE OTHER, WHETHER BASED IN CONTRACT, WARRANTY, INDEMNITY, NEGLIGENCE, STRICT LIABILITY OR OTHER TORT OR OTHERWISE, FOR ANY SPECIAL, CONSEQUENTIAL, PUNITIVE, INCIDENTAL OR INDIRECT DAMAGES AND AGGREGATE DAMAGES IN CONNECTION WITH THIS AGREEMENT FOR EITHER PARTY (EXCLUDING THE OBLIGATION TO PAY THE FEES REQUIRED HEREUNDER) SHALL NOT EXCEED THE GREATER OF THE TOTAL FEES PAYABLE TO CONSULTANT UNDER THIS AGREEMENT OR TEN THOUSAND DOLLARS (\$10,000). THIS LIABILITY LIMITATION SHALL NOT APPLY IN THE EVENT OF A FINAL FINDING BY AN ARBITRATOR OR A COURT OF COMPETENT JURISDICTION THAT SUCH LIABILITY IS THE RESULT OF A PARTY'S FRAUD OR WILLFUL MISCONDUCT.

15. Client shall not disseminate, distribute, make available or otherwise provide any Consulting Report prepared hereunder to any third party (including without limitation, incorporating or referencing the Consulting Report, in whole or in part, in any offering or other material intended for review by other parties) except to (i) any third party expressly acknowledged in a signed writing by Consultant as an "Intended User" of the Consulting Report provided that either Consultant has received an acceptable release from such third party with respect to such Consulting Report or Client provides acceptable indemnity protections to Consultant against any claims resulting from the distribution of the Consulting Report to such third party, (ii) any third party service provider (including rating agencies and Client's auditors) using the Consulting Report in the course of providing services for the sole benefit of Client, or (iii) as required by statute, government regulation, legal process, or judicial decree. In the event Consultant consents, in writing, to Client incorporating or referencing the Consulting Report in any offering

TERMS AND CONDITIONS

(continued)

or other materials intended for review by other parties, Client shall not distribute, file, or otherwise make such materials available to any such parties unless and until Client has provided Consultant with complete copies of such materials and Consultant has approved all such materials in writing. Client shall not modify any such materials once approved by Consultant. In the absence of satisfying the conditions of this paragraph with respect to a party who is not designated as an Intended User, in no event shall the receipt of an Consulting Report by such party extend any right to the party to use and rely on such report, and Consultant shall have no liability for such unauthorized use and reliance on any Consulting Report. In the event Client breaches the provisions of this paragraph, Client shall indemnify, defend and hold Consultant, and its affiliates and their officers, directors, employees, contractors, agents and other representatives (Consultant and each of the foregoing an "Indemnified Party" and collectively the "Indemnified Parties"), fully harmless from and against all losses, liabilities, damages and expenses (collectively, "Damages") claimed against, sustained or incurred by any Indemnified Party arising out of or in connection with such breach, regardless of any negligence on the part of any Indemnified Party in preparing the Consulting Report.

16. In the event Client incorporates or references the Consulting Report, in whole or in part, in any offering or other material intended for review by other parties, Client shall indemnify, defend and hold each of the Indemnified Parties harmless from and against any Damages in connection with (i) any transaction contemplated by this Agreement or in connection with the consulting or the engagement of or performance of services by any Indemnified Party hereunder, (ii) any actual or alleged untrue statement of a material fact, or the actual or alleged failure to state a material fact necessary to make a statement not misleading in light of the circumstances under which it was made with respect to all information furnished to any Indemnified Party or made available to a prospective party to a transaction, or (iii) an actual or alleged violation of applicable law by Client (including, without limitation, securities laws) or the negligent or intentional acts or omissions of Client (including the failure to perform any duty imposed by law); and will reimburse each Indemnified Party for all reasonable fees and expenses (including fees and expenses of counsel) (collectively, "Expenses") as incurred in connection with investigating, preparing, pursuing or defending any threatened or pending claim, action, proceeding or investigation (collectively, "Proceedings") arising therefrom, and regardless of whether such Indemnified Party is a formal party to such Proceeding. Client agrees not to enter into any waiver, release or settlement of any Proceeding (whether or not any Indemnified Party is a formal party to such Proceeding) without the prior written consent of Consultant (which consent will not be unreasonably withheld or delayed) unless such waiver, release or settlement includes an unconditional release of each Indemnified Party from all liability arising out of such Proceeding.
17. Time Period for Legal Action. Unless the time period is shorter under applicable law, except in connection with paragraphs 16 and 17 above, Consultant and Client agree that any legal action or lawsuit by one party against the other party or its affiliates, officers, directors, employees, contractors, agents, or other representatives, whether based in contract, warranty, indemnity, negligence, strict liability or other tort or otherwise, relating to (a) this Agreement or the Consulting Report, (b) any services or studies under this Agreement or (c) any acts or conduct relating to such services or studies, shall be filed within two (2) years from the date of delivery to Client of the Consulting Report to which the claims or causes of action in the legal action or lawsuit relate. The time period stated in this section shall not be extended by any incapacity of a party or any delay in the discovery or accrual of the underlying claims, causes of action or damages.

One Beverly Hills

October 20, 2015

Mr. Mahdi Aluzri
City Manager
City of Beverly Hills
455 N Rexford Drive
Beverly Hills, CA 90210

Re: One Beverly Hills
PKF Report

Dear Mr. Aluzri,

I am pleased to enclose the Analysis of the Fiscal Impact of the Proposed One Beverly Hills (Formerly 9900 Wilshire Boulevard) Development to the City of Beverly Hills, dated September 30, 2015, and prepared by PKF Consulting. As you know, PKF Consulting is one of the most well-respected hospitality consulting firms both domestically and internationally.

Based upon their findings, the proposed One Beverly Hills project will be very compelling economically and the projected direct annual economic returns will be more than \$8.7 million per year in today's dollars which represents an increase of approximately \$6.0 million per year from the currently entitled residential project. And, over the first ten years of the project's operation, the projected direct economic benefits will be over \$113 million which is an increase of over \$80 million in today's dollars from the currently entitled residential project.

Most importantly, there will not be any negative impacts to the other luxury hotels in the Beverly Hills market.

If you have any questions or would like to discuss this report and its findings further, please do not hesitate to contact me or Jay Newman.

Sincerely,



David Shu
Wanda Beverly Hills Properties LLC

cc: Susan Healy Keene, Director of Community Development
Ryan Gohlich, Assistant Director of Community Development
Jay Newman

**ANALYSIS OF THE FISCAL IMPACT
OF THE PROPOSED ONE BEVERLY
HILLS (FORMERLY 9900 WILSHIRE
BOULEVARD) DEVELOPMENT
TO THE CITY OF
BEVERLY HILLS**

Prepared for:

Mr. David Shu
General Manager
Wanda Beverly Hills Properties, LLC
2029 Century Park East
Suite 400
Los Angeles, California 90067

Prepared by:

PKF Consulting
Los Angeles, California

September 2015

September 30, 2015



Mr. David Shu
General Manager
Wanda Beverly Hills Properties, LLC
2029 Century Park East
Suite 400
Los Angeles, California 90067

Dear Mr. Shu:

In accordance with your request, we have determined the fiscal impact of the proposed project to the City of Beverly Hills, both as currently entitled and assuming the successful amended entitlement of the site to a higher and better use. In comparing the two scenarios, we have been able to determine the incremental economic benefits of the amended entitlement plan to the City of Beverly Hills. Our previously completed analysis of potential market demand and statement of estimated operating results, communicated to you in a draft report dated March 27, 2015, has been utilized as a significant component of our analysis. As will be shown herein, we are of the opinion that proposed hotel component will not have a negative impact on the performance of existing Beverly Hills luxury hotels. The additional analysis and data collection for this study were undertaken in June and August 2015.

Based on discussions with you and review of the development plans, we have analyzed the potential fiscal impact of the following scenarios as summarized in the table below:

- 1) The subject site is currently entitled for 235 luxury residential units and approximately 16,000 square feet of retail.
- 2) As amended, the subject site entitlements would include a reduction to 193 luxury residential units, the development of a 134-room luxury hotel, and elimination of the third-party retail component in its entirety.

Summary of Scenarios		
	Program As Currently Entitled	Amended Entitlement Program
Hotel Guestrooms:	None	134
Restaurant/Retail Space (SF):	None	20,448
Meeting Space (SF):	None	7,942
Retail Space (SF):	15,856	None
Spa/Fitness (SF):	None	14,435
Residential Units:	235	193
Sellable Residential Area (SF):	713,916	587,817
Total Floor Area (SF):	901,514	901,514
Parking Spaces Required	876	1,105

It is important to note that the Floor to Area Ratio will remain the same in each scenario.

The scope of our work included an analysis of the following:

- Review of the development program as entitled and for the proposed redevelopment plan, assuming an amendment to the existing entitlements.
- Review of comparable residential sales data relative to the plan as entitled and a review of our previously prepared revenue projections for the hotel component, as proposed under the entitlement plan as amended.
- Identification of fiscal impacts of the existing plan as entitled, and proposed development plan assuming an amendment to the existing entitlements, to the City of Beverly Hills.
- An analysis of the potential impact of the opening of the proposed hotel on the Beverly Hills luxury lodging market.

It should be noted that this analysis of the tax revenues was limited to impact to the City of Beverly Hills, as opposed to the larger market of Los Angeles County or the State of California. Furthermore, we have included in our analysis only the direct impact of spending at the redevelopment, and have not incorporated (i) the direct impact of spending at other Beverly Hills businesses, (ii) the indirect impact, or "multiplier effect", or (iii) the impact of the construction of the redevelopment plan.

We thank you for the opportunity to conduct this study and look forward to discussing our findings with you.

Sincerely,

PKF Consulting USA
a Subsidiary of CBRE, Inc.



Bruce Baltin
Managing Director

EXECUTIVE SUMMARY

INTRODUCTION

PKF Consulting USA has been asked by Wanda Beverly Hills Properties, LLC to assist in analyzing the fiscal impact with respect to a proposed amendment of the existing entitlements relative to a site located at 9900 Wilshire Boulevard to the City of Beverly Hills. Based on our knowledge of the local luxury market and understanding of the potential hotel component, we have also considered any impact the hotel would have on Beverly Hills hotels.

Current Program - As Entitled (9900 Wilshire Project)

Located at 9900 Wilshire Boulevard, Beverly Hills, California, 90210, the approximately 7.95-acre site was approved by the City for the redevelopment of the former Robinsons-May property in May 2008. The entitlements as originally approved, allow for the development of 235 luxury residential units, 15,856 square feet of retail space, and an 876 space below ground parking structure.

Scenarios

The subject site is located in the prestigious City of Beverly Hills, California. The area surrounding the site is a highly commercial and residential environment with numerous retail shops, office, restaurants, and luxury residential. Our conclusion is that 9900 Wilshire represents a high-profile condominium development opportunity which benefits from an appealing and internationally-recognized Beverly Hills location. We envision the condominiums ranking among the most prestigious for-sale condominium units in Los Angeles County and achieving sales prices near the top of the local area. However, we are of the opinion that the proposed development as currently entitled does not represent the highest and best use of the subject site. We note that hotels in the vicinity of the subject are considered to be among the highest quality properties in the greater Los Angeles area and many are consistently ranked among the most prestigious in the nation. Further, these luxury hotels generate some of the highest average daily rates in the United States. Therefore, to amend the existing entitlements to allow for the development of a luxury hotel and a reduction in residential units represents the highest and best use to current ownership, and to the City of Beverly Hills as will be shown herein, given the substantial incremental fiscal impact of the amended entitlement plan.

Development Program - Entitlements as Amended (One Beverly Hills Project)

Amending the existing entitlements of the subject site is expected to create one of the premier properties in California, redefining the terms of present day standards of luxury for hotel and residential development. The subject's location is arguably one of the most desired addresses in the Western United States in the prestigious City of Beverly Hills, which should support a proposed redevelopment plan of mixed-use hotel and residential.

As amended, the entitlements pertaining to the subject site would reduce the number of for-sale luxury condominiums by 42 units (from 235 units to 193 units) and eliminate the approximately 16,000 square feet of proposed retail space. Doing so would allow for the development of a new 134-room luxury hotel, all while maintaining the original Floor to Area Ratio (FAR), resulting in a development of 901,514 square feet as dictated by the current entitlement plan. Thus there will be no additional density added to the site assuming the construction of the project per the amended entitlements.

An aerial of the subject site relative to its surrounds is presented below.



SUMMARY OF FINDINGS

The following tables summarize our findings for a representative year and a 10-year period. The representative year assumes a stabilized year of impact in 2015 dollars. Please note, our analysis incorporates only on-site direct fiscal impact and does not factor in any offsite direct impacts or, indirect fiscal impact as a result of the multiplier effect. A multiplier is used to estimate the impact that the visitor dollar makes beyond the initial goods/services purchased. For example, visitor spending collected "directly" within a hotel restaurant also "indirectly" supports food and beverage suppliers and delivery services. Moreover, the direct and indirect spending induces further spending in the community by employees of the benefiting businesses. In our experience, a typical "multiplier" for a project of this nature would be in the range of 1.3 to 1.5 times greater than the "direct impact" determined.

Summary of Fiscal Impacts for a Representative Year 2015\$								
	TOT	City TOT Surcharge	Sales Tax	Business Tax	Residential Room Rental	Real Estate (Hotel)	Real Estate (Residential)	Total
Current Program (As Entitled)	\$0	\$0	\$29,000	\$4,000	\$0	\$0	\$2,697,000	\$2,730,000
Entitlements (As Amended)	\$4,054,000	\$1,448,000	\$186,000	\$59,000	\$347,000	\$401,000	\$2,244,000	\$8,739,000
Incremental	\$4,054,000	\$1,448,000	\$157,000	\$55,000	\$347,000	\$401,000	(\$453,000)	\$6,009,000

Summary of Fiscal Impacts for a Representative Year 2027\$								
	TOT	City TOT Surcharge	Sales Tax	Business Tax	Residential Room Rental	Real Estate (Hotel)	Real Estate (Residential)	Total
Current Program (As Entitled)	\$0	\$0	\$41,000	\$5,000	\$0	\$0	\$3,421,000	\$3,938,000
Entitlements (As Amended)	\$5,779,000	\$2,604,000	\$265,000	\$85,000	\$495,000	\$508,000	\$2,846,000	\$12,402,000
Incremental	\$5,779,000	\$2,604,000	\$224,000	\$80,000	\$495,000	\$508,000	(\$575,000)	\$8,104,000

- In a representative year, the existing residential and retail development, i.e., the development plan as currently entitled, is projected to have a total fiscal impact of \$2,730,000 (rounded).
- Under the amended entitlement scenario, the mixed-use hotel and residential development is projected to have a representative year impact of \$8,739,000 (rounded), an increase of approximately \$6.0 million, or more than 220 percent from the current program as entitled. At stabilization in 2027 dollars the incremental annual fiscal impact is approximately \$8.1 million.

The City of Beverly Hills will also receive documentary transfer taxes and environmental mitigation and sustainability fees in both development scenarios, however it is not possible to establish a representative year given the varied payment schedule over the projection period. They are, however, included in the ten year estimates.

The table on the following page presents the projected stream of incremental fiscal impact of the proposed entitlement plan as amended over the current program as entitled during its first ten years of operation. Note, we have assumed that both scenarios would open in

January 2020. As shown in the following, we project total incremental revenue to the City of Beverly Hills of approximately \$80.1 million over a ten-year period beginning in 2020.

Incremental Fiscal Impact for 10 Year Period Beginning 2020										
	TOT	City TOT Surcharge	Sales Tax	Business Tax	Residential Room Rental	Real Estate (Hotel)	Real Estate (Residential)	Document. Transfer Tax	EMS Fee	Total
2015 Rep	\$4,054,000	\$1,448,000	\$157,000	\$55,000	\$347,000	\$401,000	(\$453,000)	-	-	\$6,009,000
2020	\$4,113,000	\$1,469,000	\$156,000	\$56,000	\$353,000	\$400,000	-	-	-	6,547,000
2021	4,540,000	1,621,000	174,000	63,000	389,000	451,000	-	-	-	7,238,000
2022	4,985,000	1,780,000	194,000	69,000	427,000	460,000	-	-	-	7,915,000
2023	5,133,000	1,833,000	199,000	70,000	440,000	469,000	-	-	-	8,144,000
2024	5,292,000	1,890,000	205,000	73,000	454,000	479,000	-	-	-	8,393,000
2025	5,445,000	1,945,000	211,000	75,000	467,000	488,000	(94,000)	(1,000)	(221,000)	8,315,000
2026	5,610,000	2,003,000	217,000	77,000	481,000	498,000	(430,000)	(6,000)	(908,000)	7,542,000
2027	5,779,000	2,064,000	224,000	80,000	495,000	508,000	(575,000)	(3,000)	(468,000)	8,104,000
2028	5,955,000	2,127,000	231,000	82,000	510,000	518,000	(586,000)	-	-	8,837,000
2029	6,130,000	2,189,000	237,000	85,000	525,000	529,000	(598,000)	-	-	9,097,000
									Total	\$80,132,000

Our analysis of the total tax revenues for the City of Beverly Hills is limited to measurable tax revenues which include direct sales tax, business tax, transient occupancy tax (TOT), surcharge TOT, residential room rental taxes, property tax revenues, documentary transfer tax, and environmental mitigation and sustainability fee at the subject site. Furthermore, we have included in our analysis only the direct impact of on-site spending, and have not incorporated (i) the direct impact of spending at other Beverly Hills businesses, (ii) the indirect impact, or "multiplier effect", or (iii) the impact of the construction of the proposed development plan.

Our analysis excludes the following:

- The potential direct tax impacts of spending at other Beverly Hills businesses;
- The potential indirect tax impacts as a consequence of the economic multiplier effect;
- Developer's estimate of permit fees to the City, likely in excess of \$20 million based on estimated construction costs, as part of the development process;
- One-time public benefit contribution;
- The upside for a potential condominium rental pool program which is not currently in the operating model;
- Any re-sales of the condominiums, which would likely result in additional real estate tax revenue to the City as real estate prices escalate;
- Fiscal impacts during the construction period; and finally,

- The incremental impact from the eventual sale by Wanda Beverly Hills Properties, LLC of the proposed hotel (assuming an amendment to the existing entitlements), which would also likely result in a significantly higher assessed value.

It is our opinion that the proposed development plan, as amended, would bring significant incremental fiscal impact to the City of Beverly Hills.

In addition to providing significant fiscal impact to the City of Beverly Hills, we also made a determination of the impact, if any, on the proposed hotel's opening on the local competitive set of luxury hotels in the City. Based on our knowledge and expertise as hotel consultants, including numerous previous engagements completed, we are of the opinion that the proposed 134-room luxury hotel would not have a negative impact on the future operating performance other competitive luxury hotel properties located in the City, and therefore the incremental fiscal impact calculated herein to the City of Beverly Hills would be additive, rather than cannibalizing future revenue streams to the General Fund.

Our findings regarding the anticipated lack of impact to the local Beverly Hills luxury hotel market assuming the opening of the proposed 134-room Wanda hotel are based on, but not limited to the following factors:

- The regional, national and international appeal of Beverly Hills as one of the most desirable destinations in the United States;
- The subject hotel is well-located in Beverly Hills, with numerous commercial, leisure, and group demand generators located within the immediate area;
- The historical and projected occupancy, average daily rate, and revenue per available room levels of the luxury Beverly Hills competitive hotel set, which are among the highest in the nation;
- The subject is anticipated to be a unique, five-diamond, luxury hotel property;
- The subject is anticipated to offer an array of very high quality facilities, including multiple dining outlets and an above average level of meeting space that is planned to feature a large, iconic ballroom;
- The subject will feature a number of desirable amenities including a highly amenitized luxury spa, swimming pool, fitness center, as well as substantial open spaces offering for a tranquil guest experience; and,
- The subject will be developed in conjunction with an anticipated 193 luxury residences on site as part of the overall larger mixed-use development, which are anticipated to positively benefit the hotel's operations.

METHODOLOGY - AS ENTITLED AND ENTITLEMENTS AS AMENDED

DEVELOPMENT PROGRAM AS ENTITLED

As currently entitled, the 7.95-acre subject site located at 9900 Wilshire Boulevard in Beverly Hills, California can be developed with 235 residential units, 15,856 square feet of retail space, and a 876 space below ground parking structure. Therefore, to determine the fiscal impact to the City of Beverly Hills we have determined the amount of residential and retail sales that will be generated by the project per the existing entitlements. We have first provided an analysis of the 235 for-sale luxury condominiums, followed by an estimate of retail sales generated by the approximately 16,000 square feet of retail space.

Residential Sales Pricing and Absorption

Projected sales prices for the proposed condominiums are presented in the table on the following page and are expected to average about \$6.1 million per unit, in current (2015) dollars. This equates to approximately \$2,000 per square foot in current value dollars, with individual units averaging slightly more than 3,000 square feet per unit. Assuming that the number of income qualified households moving in the primary market area each year is equivalent to the number of home sales in the corresponding price ranges, we have allocated a portion of these sales to condominiums based on historical trends. We varied the turnover rate and subject site capture to produce a conservative, mid-range, and aggressive forecast.

The mid-range forecast, yields an annual demand of approximately 15 to 18 units. The aggressive forecast yields an annual range of approximately 24 to 30 sales annually. Therefore, placing primary reliance on the historical sales model, we have estimated that roughly 24 units could be sold on an annual basis beginning January 2020. We assumed that there would be greater interest in the initial years given the aggressive presales process and national and international publicity associated with the opening of the project. Additionally, we have assumed that a modest approximately 20 percent of the units would be pre-sold beginning in January 2018, and the project would require seven and a half years to sell out. The table on the following page further details the anticipated sales and pricing of the proposed development as currently entitled for 235 luxury residences. It should be noted that the upon completion of construction and opening, the first year (2020) includes the closings of two years of pre-sales.

Program As Currently Entitled				
Proposed Luxury RESIDENCES Beverly Hills				
Year	Units Sold	\$/Unit	Total Sales	Cumulative Sales
2015	N/A	\$6,076,000	N/A	N/A
2016	N/A	6,258,280	N/A	N/A
2017	N/A	6,446,028	N/A	N/A
2018	N/A	6,639,409	N/A	N/A
2019	N/A	6,838,592	N/A	N/A
2020	78	7,043,749	\$533,963,866	\$533,963,866
2021	25	7,255,062	181,376,544	715,340,410
2022	24	7,472,714	179,345,127	894,685,536
2023	24	7,696,895	184,725,480	1,079,411,017
2024	24	7,927,802	190,267,245	1,269,678,262
2025	24	8,165,636	195,975,262	1,465,653,524
2026	24	8,410,605	201,854,520	1,667,508,044
2027	12	8,662,923	103,955,078	1,771,463,121
2028	0	N/A	\$0	1,771,463,121
2029	0	N/A	\$0	1,771,463,121
Total Units Sold	235			

Property Taxes

Based on discussions with City of Beverly Hills officials and those familiar with the local tax structure, the City receives 17.42 percent of the total property tax paid by property owners. Therefore, based on the sales pricing and absorption we have calculated the City of Beverly Hills' portion of property taxes that will be retained over the 10-year projection period as shown in the table below.

Property Taxes As Currently Entitled			
Year	Condominium Valuation	Total Property Tax	Amount to Beverly Hills (rounded)
2015 Rep	\$1,171,145,812	\$15,483,910	\$2,697,000
2020	\$533,963,866	\$5,919,192	\$1,031,000
2021	715,340,410	7,929,820	1,381,000
2022	894,685,536	9,917,929	1,728,000
2023	1,079,411,017	11,965,681	2,084,000
2024	1,269,678,262	14,074,866	2,452,000
2025	1,465,653,524	16,247,326	2,830,000
2026	1,667,508,044	18,484,960	3,220,000
2027	1,771,463,121	19,637,342	3,421,000
2028	1,806,892,384	20,030,089	3,489,000
2029	1,843,030,231	20,430,690	3,559,000

Documentary Transfer Tax

The County of Los Angeles assesses a documentary transfer tax on the consideration or value of the interest or real property conveyed (exclusive of the value of any lien or encumbrance remaining thereon at the time of sale) at the rate of \$1.10 per \$1,000. The City of Beverly Hills receives half of the transfer tax, or \$0.55 per \$1,000. Based on the information presented in the preceding table, the City's share of the documentary transfer tax is shown in the table on the following page. It should be noted that the first year includes the closings of two years of pre-sales.

Documentary Transfer Taxes As Currently Entitled			
Year	Annual Condo Sales	Total Documentary Transfer Tax	Amount to Beverly Hills (rounded)
2015 Rep	N/A	N/A	N/A
2020	\$533,963,866	\$29,368	\$15,000
2021	181,376,544	9,976	5,000
2022	179,345,127	9,864	5,000
2023	184,725,480	10,160	5,000
2024	190,267,245	10,465	5,000
2025	195,975,262	10,779	5,000
2026	201,854,520	11,102	6,000
2027	103,955,078	5,718	3,000
2028	-	-	-
2029	-	-	-

Environmental Mitigation and Sustainability Fee

Assuming similar terms as contained within the development agreement made by and between the City of Beverly Hill and Project Lotus, LLC, residential purchases will be subject to an environmental mitigation and sustainability (EMS) fee. The amount of the EMS fee is equal to \$4.50 for each \$1,000 of the consideration or value of the interest or property conveyed. The table below details the anticipated EMS fees payable to the City of Beverly Hills on an annual basis. Again, 2020 includes the closings of two years of pre-sales as well as one year of actual sales.

Environmental Mitigation and Sustainability Fee As Currently Entitled		
Year	Annual Condo Sales	Amount to Beverly Hills (rounded)
2015 Rep	N/A	N/A
2020	\$533,963,866	\$2,403,000
2021	181,376,544	816,000
2022	179,345,127	807,000
2023	184,725,480	831,000
2024	190,267,245	856,000
2025	195,975,262	882,000
2026	201,854,520	908,000
2027	103,955,078	468,000
2028	-	-
2029	-	-

Retail Sales

The planned development as currently entitled allows for the development of approximately 16,000 square feet of retail space. The City of Beverly Hills is internationally recognized as one of the premier shopping destinations in the United States. Retail rents and sales revenues along prestigious Rodeo Drive are among the highest in the nation and among the top 15 in the world. Given these characteristics we have estimated the annual sales volume that will be generated by the project’s approximately 16,000 square feet of retail space. Based on per square foot sales of \$600.00 this yields an approximate revenue of \$2.9 million in current (2015) value dollars, as shown in the table on the following page. We find this reasonable as our estimate is roughly one and a half times that of the national average.

Program As Currently Entitled	
9900 Wilshire Boulevard - Retail Sales	
Retail Space Available (SF)	15,856
Sales/SF	<u>\$600</u>
Total Retail Sales Volume	\$2,879,292
Total Volume (Rounded)	\$2,900,000

Assuming a sales tax of 1.0 percent of retail revenues, the projected sales tax generated to the City of Beverly Hills is as follows over the 10-year projection period.

Sales Taxes As Currently Entitled		
Year	Retail Sales	Sales Tax
2015 Rep	\$2,879,000	\$29,000
2020	\$3,338,000	\$33,000
2021	3,438,000	34,000
2022	3,541,000	35,000
2023	3,647,000	36,000
2024	3,756,000	38,000
2025	3,869,000	39,000
2026	3,985,000	40,000
2027	4,105,000	41,000
2028	4,228,000	42,000
2029	4,355,000	44,000

Business Taxes

The City of Beverly Hills levies a tax on business activity in the City based upon gross receipts or gross revenues. According to Classification B, business taxes are assessed at a rate of \$1.25 per \$1,000 of gross total revenues. As shown in the following table, business taxes are anticipated to contribute only a minimal fiscal benefit to the City.

Business Taxes As Currently Entitled		
Year	Retail Sales	Business Tax
2015 Rep	\$2,879,000	\$4,000
2020	\$3,338,000	\$4,000
2021	3,438,000	4,000
2022	3,541,000	4,000
2023	3,647,000	5,000
2024	3,756,000	5,000
2025	3,869,000	5,000
2026	3,985,000	5,000
2027	4,105,000	5,000
2028	4,228,000	5,000
2029	4,355,000	5,000

Projected Fiscal Benefit to the City of Beverly Hills

Based on the preceding analysis, the fiscal impact of the proposed project as currently entitled to the City of Beverly Hills is approximately \$2.7 million, as stated in current (2015) dollars. Over the 10-year projection period, the projected fiscal impact of the project is approximately \$33.6 million as shown in the table on the following page.

Current Entitlement Program Fiscal Impact to the City of Beverly Hills						
Taxes						
	Sales	Business	Real Estate (Residential)	Document Transfer	Ems Fee	Total
2015 Rep	\$29,000	\$4,000	\$2,697,000	-	-	\$2,730,000
2020	\$33,000	\$4,000	\$1,031,000	\$15,000	\$2,403,000	\$3,486,000
2021	34,000	4,000	1,381,000	5,000	816,000	2,240,000
2022	35,000	4,000	1,728,000	5,000	807,000	2,579,000
2023	36,000	5,000	2,084,000	5,000	831,000	2,961,000
2024	38,000	5,000	2,452,000	5,000	856,000	3,356,000
2025	39,000	5,000	2,830,000	5,000	882,000	3,761,000
2026	40,000	5,000	3,220,000	6,000	908,000	4,179,000
2027	41,000	5,000	3,421,000	3,000	468,000	3,938,000
2028	42,000	5,000	3,489,000	-	-	3,536,000
2029	44,000	5,000	3,559,000	-	-	3,608,000
					Total	\$33,644,000

DEVELOPMENT PROGRAM AS AMENDED

As amended, the entitlements pertaining to the subject site would reduce the number of for-sale luxury condominiums by 42 units (from 235 units to 193 units) and eliminate the approximately 16,000 square feet of proposed third-party retail space. Doing so would allow for the development of a new 134-room luxury hotel, all while maintaining the original Floor to Area Ratio (FAR) resulting in the development of 901,514 square feet as dictated by the current entitlement plan.

NET FISCAL IMPACT ANALYSIS

Fiscal impact is the amount of tax revenue generated directly to the City of Beverly Hills by spending of guests. This includes an estimation of the associated tax revenues generated during a representative year (2015) and a ten-year period for the facilities as currently entitled and the proposed redevelopment plan, which assumes an amendment to the existing entitlements. This net result is the incremental fiscal impact to the City of Beverly Hills.

Taxes and Other City Revenues

Tax collections represent a relatively large source of revenue generated by facilities for the City of Beverly Hills. Potential government revenues drawn from development and tourism-related projects include:

- Sales Tax
- Transient Occupancy Tax (TOT)
- Property Tax
- Documentary Transfer Tax

Our analysis of the total tax revenues is for the City of Beverly Hills as opposed to the larger market of Los Angeles County or the State of California, and is limited to measurable tax revenues which include direct sales tax, business tax, transient occupancy tax (TOT),

residential room rental tax, property tax revenues (hotel and residential), documentary transfer tax, and environmental mitigation and sustainability fee.

Residential Sales Pricing and Absorption

Similar to the preceding analysis of the project as currently entitled, we have first projected the sales pricing and absorption of the for-sale luxury condominium units. Our assumptions have remained consistent with the prior scenario, save for the fact that with 42 less units for sale, the project would achieve a sell-out in 2025, or nearly two years earlier than the 235-unit scenario.

Entitlements As Amended				
Proposed Luxury RESIDENCES Beverly Hills				
Year	Units Sold	\$/Unit	Total Sales	Cumulative Sales
2015	N/A	\$6,076,000	N/A	N/A
2016	N/A	6,258,280	N/A	N/A
2017	N/A	6,446,028	N/A	N/A
N/A	N/A	6,639,409	N/A	N/A
N/A	N/A	6,838,592	N/A	N/A
2020	26	7,043,749	\$183,137,481	\$533,963,866
2021	25	7,255,062	181,376,544	715,340,410
2022	24	7,472,714	179,345,127	894,685,536
2023	24	7,696,895	184,725,480	1,079,411,017
2024	24	7,927,802	190,267,245	1,269,678,262
2025	18	8,165,636	146,981,447	1,416,659,708
2026	0	N/A	\$0	1,416,659,708
2027	0	N/A	\$0	1,416,659,708
2028	0	N/A	\$0	1,416,659,708
2029	0	N/A	\$0	1,416,659,708
Total Units Sold	193			

Property Taxes (Residential)

Based on discussions with City of Beverly Hills officials and those familiar with the local tax structure, the City receives 17.42 percent of the total property tax paid by property owners. Therefore, based on the sales pricing and absorption we have calculated the City of Beverly Hills' portion of property taxes that will be retained over the 10-year projection period as shown in the following table.

Property Taxes Entitlements As Amended			
Year	Condominium Valuation	Total Property Tax	Amount to Beverly Hills (rounded)
2015 Rep	\$936,578,958	\$12,882,923	\$2,244,000
2020	\$533,963,866	\$5,919,192	\$1,031,000
2021	715,340,410	7,929,820	1,381,000
2022	894,685,536	9,917,929	1,728,000
2023	1,079,411,017	11,965,681	2,084,000
2024	1,269,678,262	14,074,866	2,452,000
2025	1,416,659,708	15,704,211	2,736,000
2026	1,444,992,902	16,018,295	2,790,000
2027	1,473,892,760	16,338,661	2,846,000
2028	1,503,370,616	16,665,435	2,903,000
2029	1,533,438,028	16,998,743	2,961,000

Documentary Transfer Tax

The County of Los Angeles assesses a documentary transfer tax on the consideration or value of the interest or real property conveyed (exclusive of the value of any lien or encumbrance remaining thereon at the time of sale) at the rate of \$1.10 per \$1,000. The City of Beverly Hills receives half of the transfer tax, or \$0.55 per \$1,000. Based on the information presented in the preceding table, the City's share of the documentary transfer tax is shown below. It should be noted that the first year includes the closings of two years of pre-sales.

Documentary Transfer Taxes As Amended			
Year	Annual Condo Sales	Total Documentary Transfer Tax	Amount to Beverly Hills (rounded)
2015 Rep	N/A	N/A	N/A
2020	\$533,963,866	\$29,368	\$15,000
2021	181,376,544	9,976	5,000
2022	179,345,127	9,864	5,000
2023	184,725,480	10,160	5,000
2024	190,267,245	10,465	5,000
2025	146,981,447	8,084	4,000
2026	-	-	-
2027	-	-	-
2028	-	-	-
2029	-	-	-

Environmental Mitigation and Sustainability Fee

Assuming similar terms as contained within the development agreement made by and between the City of Beverly Hill and Project Lotus, LLC, residential purchases will be subject to an environmental mitigation and sustainability (EMS) fee. The amount of the EMS fee is equal to \$4.50 for each \$1,000 of the consideration or value of the interest or property conveyed. The table below details the anticipated EMS fees payable to the City of Beverly Hills on an annual basis. Again, 2020 includes the closings of two years of pre-sales as well as one year of actual sales.

Environmental Mitigation and Sustainability Fee As Amended		
Year	Annual Condo Sales	Amount to Beverly Hills (rounded)
2015 Rep	N/A	N/A
2020	\$533,963,866	\$2,403,000
2021	181,376,544	816,000
2022	179,345,127	807,000
2023	184,725,480	831,000
2024	190,267,245	856,000
2025	146,981,447	661,000
2026	-	-
2027	-	-
2028	-	-
2029	-	-

Proposed Hotel Redevelopment - Impact on the Local Hotel Market

In order to identify the competitive market of the proposed subject, we have analyzed the overall Beverly Hills and West Los Angeles hotel markets and have selected seven properties that we feel will offer competition to the subject hotel. We find that these properties offer competition due to their location, market orientation, amenities offered, and rate structures. The hotels in the competitive market primarily represent small to mid-sized luxury, full-service facilities that cater to the area's transient and group demand. These seven hotels represent some of the highest-rated urban hotels in Southern California and the United States, and are reflective of the luxury tier within which the subject will compete. The following chart presents the competitive supply for the subject.

Competitive Supply	
Property	Number of Rooms
Proposed Luxury Hotel Beverly Hills	136
Hotel Bel-Air	103
Beverly Hills Hotel	203
L'Ermitage	124
Beverly Wilshire, a Four Seasons Hotel	395
Four Seasons Los Angeles	285
Peninsula Beverly Hills	194
Montage Beverly Hills	201
Competitive Market Total (not including the subject)	1,505

Presented in the table below is a summary of the historical performance of the competitive market from 2010 to 2014.

Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2010	511,365	N/A	339,454	N/A	66.4%	\$499.10	N/A	\$331.31	N/A
2011	519,030	1.5%	365,876	7.8%	70.5	537.39	7.7%	378.82	14.3%
2012	548,960	5.8	400,767	9.5	73.0	565.66	5.3	412.96	9.0
2013	549,325	0.1	416,499	3.9	75.8	599.43	6.0	454.49	10.1
2014	549,325	0.0	428,739	2.9	78.0	642.96	7.3	501.82	10.4
CAAG	1.8%		6.0%			6.5%		10.9%	

Source: PKF Consulting USA

As noted in the preceding table, the supply within the competitive fluctuated over the five-year period as the Hotel Bel-Air closed in 2008 and re-opened in 2011. During the five-year period identified above, demand, as measured in occupied room nights, increased at a compound annual growth rate (CAAG) of 6.0 percent. The competitive market ended 2010 with a composite occupancy of 66.4 percent, which was during the market's continued recovery from the economic downturn. The competitive market then experienced four years of growth in occupied rooms even with the re-opening of the Hotel Bel-Air, indicating that there was pent-up demand in the marketplace. The set finished 2014 at a 78.0 percent occupancy, well above the 75.8 percent achieved in the prior year.

Between 2010 and 2014, average daily rates experienced positive above inflationary growth, resulting in an annualized increase of 6.5 percent. As hoteliers attempted to maintain occupancy levels with promotions in 2011, they were also able to capture higher ADR with an increase of 7.7 percent in 2011. As the market continued to accelerate, rates increased by 5.3 percent in 2012. As demand has continued to recover and strengthen, average daily rates increased by a further 6.0 percent in 2013 and by 7.3 percent last year. Revenue per available room (RevPAR), a combination of occupancy and average daily room rate, increased at an average of 10.9 percent annually over the five-year period, with a RevPAR of \$501.82 in 2014.

Based on our analysis, future demand growth is projected to be driven by increases in corporate, leisure, and group room nights. Although both supply and demand are expected to continue to grow, we have capped the market occupancy at 78.0 percent, due to the highly corporate nature of this market and the rate structure within this market. While the market will perform at occupancies above and below this level, the stabilized rate of occupancy is an average based on the historical performance of the competitive market as well as the market orientations of the individual properties. As is shown in the table below, the market has achieved this stabilized rate of occupancy in 2014 and is projected to remain at the stabilized rate of occupancy for the remainder of our projections.

Based on the average rates achieved historically and our interviews with hoteliers involved in the Los Angeles area luxury hotel market, we have estimated future growth in average daily rate. The average daily rate of the competitive market is expected to increase 4.2 percent in 2015, followed by 5.1 percent growth in 2016, 4.0 percent in 2017 and 2018, and attain future increases approximating inflationary levels thereafter. The following table illustrates the projected average daily rate of the competitive market. It should be noted that all figures are rounded to the nearest dollar.

Projected Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average		REVPAR	Percent Change
						Daily Rate	Percent Change		
2015	549,325	0.0%	428,600	0.0%	78%	\$670.00	4.2%	\$522.75	4.2%
2016	549,325	0.0	428,600	0.0	78	704.00	5.1	549.28	5.1
2017	611,375	11.3	476,900	11.3	78	732.00	4.0	570.99	4.0
2018	611,375	0.0	476,900	0.0	78	761.00	4.0	593.61	4.0
2019	611,375	0.0	476,900	0.0	78	784.00	3.0	611.56	3.0
2020	661,015	8.1	515,500	8.1	78	810.00	3.3	631.69	3.3
2021	661,015	0.0	515,500	0.0	78	835.00	3.1	651.18	3.1
2022	661,015	0.0	515,500	0.0	78	860.00	3.0	670.68	3.0
2023	661,015	0.0	515,500	0.0	78	886.00	3.0	690.96	3.0
2024	661,015	0.0	515,500	0.0	78	913.00	3.0	712.01	3.0
CAAG	2.1%		2.1%			3.5%		3.5%	

Source: PKF Consulting USA

As shown in the preceding table, it is our professional opinion that the luxury market will absorb the openings of the Waldorf Astoria and subject hotel without any negative impact to the performance of the existing hotels in the competitive set. The market has been and will continue to operate at a stabilized occupancy of 78 percent. This market is one of the premier hotel submarkets in the country and the demand for luxury hotel rooms in the Beverly Hills area is anticipated to continue to outpace the supply of new hotel rooms based on the amount of unsatisfied and growing levels of demand in the marketplace. Therefore there is no anticipated negative impact to local market attributable to the addition of the subject hotel to the competitive market.

Utilizing the amended entitlement plan as summarized herein, we have reviewed our prior projections for the proposed facilities. The following presents the subject's projected performance following its opening in 2020.

Hotel Projected Performance Entitlement Program As Amended			
Year	Occupancy	ADR	Rooms Revenue
2020	70.0%	\$858.00	\$29,378,000
2021	75.0	884.00	32,425,000
2022	80.0	910.00	35,608,000
2023	80.0	937.00	36,665,000
2024	80.0	966.00	37,800,000
2025	80.0	994.00	38,895,000
2026	80.0	1,024.00	40,069,000
2027	80.0	1,055.00	41,282,000
2028	80.0	1,087.00	42,534,000
2029	80.0	1,119.00	43,786,000
Stabilized (2015\$)	80.0%	\$740.00	\$28,955,000

PKF Consulting USA

ADR (Average Daily Rate) – The subject's stabilized ADR of \$740 in 2015 dollars positions it above the average of the overall Beverly Hills hotel market, but within the range, or below that of luxury Beverly Hill properties such as the Peninsula, Beverly Hills Hotel, and Bel Air Hotel. With a redeveloped program, and supported by the historical

performance of newer luxury hotels such as Peninsula, Montage, and the expanded and renovated Hotel Bel Air, we find this rate positioning reasonable.

Occupancy – The subject’s occupancy at 80 percent stabilized is seen as reasonable given the long term average for the luxury segment in Beverly Hills.

The table on the following page presents the projected revenues for the subject over the ten year operational period beginning January 1, 2020.

Entitlement Program As Amended Fiscal Impact to the City of Beverly Hills			
Hotel Operations			
	Total Revenue	Rooms Expenditure	Other Expenditures
2015 Rep	\$47,541,000	\$28,955,000	\$18,586,000
2020	\$48,232,000	\$29,378,000	\$18,854,000
2021	53,229,000	32,425,000	20,804,000
2022	58,467,000	35,608,000	22,859,000
2023	60,210,000	36,665,000	23,545,000
2024	62,052,000	37,800,000	24,252,000
2025	63,874,000	38,895,000	24,979,000
2026	65,798,000	40,069,000	25,729,000
2027	67,782,000	41,282,000	26,500,000
2028	69,829,000	42,534,000	27,295,000
2029	71,900,000	43,786,000	28,114,000

PKF Consulting USA

Transient Occupancy Tax (TOT)

The current TOT rate in the City of Beverly Hills is 14.0 percent. Based on the projected room revenues, as shown in the table at the beginning of the page, we have projected the TOT to the City of Beverly Hills over the 10-year projection period in the following table and representative year of operation.

Entitlement Program As Amended Fiscal Impact to the City of Beverly Hills		
Transient Occupancy Tax (14.0%)		
	Total Rooms Revenue	TOT to the City of Beverly Hills
2015 Rep	\$28,955,000	\$4,054,000
2020	\$29,378,000	\$4,113,000
2021	32,425,000	4,540,000
2022	35,608,000	4,985,000
2023	36,665,000	5,133,000
2024	37,800,000	5,292,000
2025	38,895,000	5,445,000
2026	40,069,000	5,610,000
2027	41,282,000	5,779,000
2028	42,534,000	5,955,000
2029	43,786,000	6,130,000

PKF Consulting USA

City Hotel Tax Surcharge

In addition to transient occupancy taxes, based on recently constructed hotels in the City of Beverly Hills, we have assumed that the City would assess an additional surcharge of 5.0 percent of rooms revenue, as was with case with the Montage Beverly Hills and has been codified in the development agreement with the owners of the under construction Waldorf Astoria Hotel. The table on the following page presents our estimates of the fiscal impact to the City relative to the hotel surcharge.

Entitlement Program As Amended Fiscal Impact to the City of Beverly Hills		
City Hotel Tax Surcharge (5.0%)		
	Total Rooms Revenue	Tax to the City of Beverly Hills
2015 Rep	\$28,955,000	\$1,448,000
2020	\$29,378,000	\$1,469,000
2021	32,425,000	1,621,000
2022	35,608,000	1,780,000
2023	36,665,000	1,833,000
2024	37,800,000	1,890,000
2025	38,895,000	1,945,000
2026	40,069,000	2,003,000
2027	41,282,000	2,064,000
2028	42,534,000	2,127,000
2029	43,786,000	2,189,000
PKF Consulting USA		

Residential Room Rental Tax

The City of Beverly Hills levies a tax on business activity in the City based upon gross receipts. According to Classification E, residential room rental taxes for hotels are assessed at a rate of \$12.00 per \$1,000 of gross room revenues. As shown in the following table, residential room rental taxes are anticipated to contribute a significant fiscal benefit to the City.

Entitlement Program As Amended Fiscal Impact to the City of Beverly Hills		
Residential Room Rental (1.2%)		
	Total Rooms Revenue	Tax to the City of Beverly Hills
2015 Rep	\$28,955,000	\$347,000
2020	\$29,378,000	\$353,000
2021	32,425,000	389,000
2022	35,608,000	427,000
2023	36,665,000	440,000
2024	37,800,000	454,000
2025	38,895,000	467,000
2026	40,069,000	481,000
2027	41,282,000	495,000
2028	42,534,000	510,000
2029	43,786,000	525,000
PKF Consulting USA		

Sales Tax

Food and Beverage and other Spend - Based on our understanding of the project and prior market demand study completed earlier this year, hotel operations and other expenditure are projected to be approximately \$18.6 million for a representative year, largely driven by food and beverage spend of nearly \$375 per occupied room and additional revenues captured by the spa, retail, and other facilities at the subject. We find this reasonable as it is in line with the range of luxury Beverly Hills properties. The table on the following page presents a projection of revenues captured directly by the hotel and the anticipated sales tax revenue to the City of Beverly Hills.

Proposed Luxury Hotel Beverly Hills Projected Operating Results Calendar Years		2020		2021		2022		2023		2024	
Number of Units:		134		134		134		134		134	
Number of Annual Rooms Available:		48,910		48,910		48,910		48,910		48,910	
Number of Rooms Occupied:		34,240		36,680		39,130		39,130		39,130	
Annual Occupancy:		70.0%		75.0%		80.0%		80.0%		80.0%	
Average Daily Rate:		\$858.00		\$884.00		\$910.00		\$937.00		\$966.00	
Revenue Per Available Room:		\$600.60		\$663.00		\$728.00		\$749.60		\$772.80	
		Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Revenues											
Rooms		\$29,378,000	60.9%	\$32,425,000	60.9%	\$35,608,000	60.9%	\$36,665,000	60.9%	\$37,800,000	60.9%
Food & Beverage		14,885,000	30.9%	16,424,000	30.9%	18,047,000	30.9%	18,588,000	30.9%	19,146,000	30.9%
Other Operated Departments		3,969,000	8.2%	4,380,000	8.2%	4,812,000	8.2%	4,957,000	8.2%	5,106,000	8.2%
Total Revenues		48,232,000	100%	53,229,000	100%	58,467,000	100%	60,210,000	100%	62,052,000	100%
Source: PKF Consulting USA		Full Year of Operation									

Entitlement Program As Amended Fiscal Impact to the City of Beverly Hills		
Sales Tax (1.0%)		
	Other Expenditures	Sales Tax to the City of Beverly Hills
2015 Rep	\$18,586,000	\$186,000
2020	\$18,854,000	\$189,000
2021	20,804,000	208,000
2022	22,859,000	229,000
2023	23,545,000	235,000
2024	24,252,000	243,000
2025	24,979,000	250,000
2026	25,729,000	257,000
2027	26,500,000	265,000
2028	27,295,000	273,000
2029	28,114,000	281,000
PKF Consulting USA		

Property Taxes (Hotel)

Based on discussions with City of Beverly Hills officials and those familiar with the local tax structure, the City receives 17.42 percent of the total property tax paid by hotel ownership. Therefore, based on the anticipated prospective market value of the proposed hotel upon opening, we have calculated the City of Beverly Hills' portion of property taxes

that will be retained over the 10-year projection period as shown in the table on the following page.

Property Taxes - Entitlement Program As Amended		
Year	Hotel Total Property Tax	Amount to Beverly Hills
2020	\$2,300,000	\$400,000
2021	2,590,000	451,000
2022	2,642,000	460,000
2023	2,695,000	469,000
2024	2,749,000	479,000
2025	2,804,000	488,000
2026	2,860,000	498,000
2027	2,917,000	508,000
2028	2,976,000	518,000
2029	3,035,000	529,000

Business Taxes

The City of Beverly Hills levies a tax on business activity in the City based upon gross receipts or gross revenues. According to Classification B, business taxes for hotels are assessed at a rate of \$1.25 per \$1,000 of gross total revenues. As shown in the following table, business taxes are anticipated to contribute a moderate fiscal benefit to the City.

Business Taxes - Entitlement Program As Amended		
Year	Total Hotel Revenues	Business Tax
2015 Rep	\$47,541,000	\$59,000
2020	\$48,232,000	\$60,000
2021	53,229,000	67,000
2022	58,467,000	73,000
2023	60,210,000	75,000
2024	62,052,000	78,000
2025	63,874,000	80,000
2026	65,798,000	82,000
2027	67,782,000	85,000
2028	69,829,000	87,000
2029	71,900,000	90,000

Projected Fiscal Benefit to the City of Beverly Hills

Based on the preceding analysis, the fiscal impact of the proposed project assuming an amendment to the existing entitlements to the City of Beverly Hills is approximately \$8.4 million, as stated in current (2015) dollars. Over the 10-year projection period, the projected fiscal impact of the project is approximately \$113.8 million as shown in the table on the following page.

Entitlement Program As Amended Fiscal Impact to the City of Beverly Hills										
Taxes										
	Sales	Business	TOT	TOT Surcharge	Residential Room Rental	Real Estate (Hotel)	Real Estate (Residential)	Document Transfer	Ems Fee	Total
2015 Rep	\$186,000	\$59,000	\$4,054,000	\$1,448,000	\$347,000	\$401,000	\$2,244,000	-	-	\$8,739,000
2020	\$189,000	\$60,000	\$4,113,000	\$1,469,000	\$353,000	\$400,000	\$1,031,000	\$15,000	\$2,403,000	\$10,033,000
2021	208,000	67,000	4,540,000	1,621,000	389,000	451,000	1,381,000	5,000	816,000	9,478,000
2022	229,000	73,000	4,985,000	1,780,000	427,000	460,000	1,728,000	5,000	807,000	10,494,000
2023	235,000	75,000	5,133,000	1,833,000	440,000	469,000	2,084,000	5,000	831,000	11,105,000
2024	243,000	78,000	5,292,000	1,890,000	454,000	479,000	2,452,000	5,000	856,000	11,749,000
2025	250,000	80,000	5,445,000	1,945,000	467,000	488,000	2,736,000	4,000	661,000	12,076,000
2026	257,000	82,000	5,610,000	2,003,000	481,000	498,000	2,790,000	-	-	11,721,000
2027	265,000	85,000	5,779,000	2,064,000	495,000	508,000	2,846,000	-	-	12,042,000
2028	273,000	87,000	5,955,000	2,127,000	510,000	518,000	2,903,000	-	-	12,373,000
2029	281,000	90,000	6,130,000	2,189,000	525,000	529,000	2,961,000	-	-	12,705,000
									Total	\$113,776,000

The table below presents the tax revenues to the City of Beverly Hills for the project under the current entitlement plan and as amended.

Operational Phase Measurable Tax Revenues Current Entitlement Program Versus Amended Entitlement Program - Representative Year in 2015 Dollars			
	Current Program (2015 as stabilized)	Entitlement Plan As Amended (2015 as stabilized)	Incremental
Rooms Revenue	N/A	\$28,955,000	\$28,955,000
TOT Rate	14.0%	14.0%	14.0%
TOT Generated (rounded)	N/A	\$4,054,000	\$4,054,000
Rooms Revenue	N/A	\$28,955,000	\$28,955,000
City TOT Surcharge Rate	5.0%	5.0%	5.0%
TOT Surcharge Generated (rounded)	N/A	\$1,448,000	\$1,448,000
Rooms Revenue	N/A	\$28,955,000	\$28,955,000
Tax Rate	\$12.00/\$1,000	\$12.00/\$1,000	\$12.00/\$1,000
Residential Room Rental Tax	N/A	\$347,000	\$347,000
Sales Revenue (Meals & Beverages, Non-Food Retail, Entertainment, Transportation, Other)	\$2,879,000	\$18,586,000	\$15,707,000
Tax Rate	1.0%	1.0%	1.0%
Sales Tax Generated (rounded)	\$29,000	\$186,000	\$157,000
Total Operating Revenues	\$2,879,000	\$47,541,000	\$44,662,000
Tax Rate	\$1.25/\$1,000	\$1.25/\$1,000	\$1.25/\$1,000
Business Tax Generated (rounded)	\$4,000	\$59,000	\$55,000
Residential Assessed Value 2015 Rep	\$1,171,146,000	\$936,579,000	(\$234,567,000)
Representative Year RE Tax Based on 1.10854% Percent to City of Beverly Hills	\$15,484,000 17.42%	\$12,883,000 17.42%	(\$2,601,000) 17.42%
Residential Property Taxes Generated to the City (rounded)	\$2,697,000	\$2,244,000	(\$453,000)
Hotel Property Taxes Generated to the City (rounded)	N/A	\$401,000	\$401,000
TOTAL MEASURABLE TAX REVENUES TO THE CITY OF BEVERLY HILLS (ROUNDED)	\$2,730,000	\$8,739,000	\$6,009,000

- Assuming an amendment to the existing entitlements, based on the assumptions of occupancy and average daily rate upon stabilization, we have estimated transient occupancy tax for the proposed hotel of approximately \$4,054,000 in a representative year, all of which is considered to be incremental. Further, assuming a hotel tax surcharge is assessed by the City, an additional

approximately \$1,448,000 would be generated in a representative year. Additionally, incremental residential room rental taxes of approximately \$347,000 will be generated in a representative year.

- In addition to TOT, the City of Beverly Hills is estimated to receive 1.0 percent of the sales tax generated from meals and beverages, transportation, non-food retail, entertainment, personal care, and other expenses. We estimate that approximately \$29,000 in sales tax revenue will be generated by the approximately 16,000 square feet of retail space in a representative year. Under the entitlement plan as amended, we estimate a sales tax generation of approximately \$186,000, or incremental tax revenue of approximately \$157,000.
- The proposed project is also anticipated to generate incremental business taxes to the City of Beverly Hills. Based on our estimates of revenues generated at the project site, an additional approximately \$55,000 in business taxes assuming an amendment to the entitlements.
- We have included in our analysis the property taxes that the City of Beverly Hills will receive. We have estimated property tax revenues on the assumed assessment amount based on the projected value upon completion of the hotel and projected residential sales pricing and absorption. The City of Beverly Hills collects 17.42 percent of the property tax collected. The fiscal impact of property tax revenue to the City of Beverly Hills in a representative year of operation of the 235-unit luxury condominium development is approximately \$2,697,000.

Using similar methodology, we estimate a representative year tax stream to the City of approximately \$2,244,000 for the amended entitlement plan that allows for 193 luxury residential condominiums, or reduction of 42 units. This equates to approximately \$453,000 less in incremental property tax revenue.

- The City of Beverly Hills will also receive property taxes from the hotel component, assuming an amendment to the existing entitlements. Based upon the estimated value of the hotel upon completion and the City's property tax share of 17.42 percent, the incremental hotel tax contribution to the City is approximately \$401,000.
- The total fiscal impact associated with a representative year of the current program as entitled is estimated at approximately \$2,730,000. Assuming an amendment to the existing entitlements, we estimate a total fiscal impact of approximately \$8,739,000 in a representative year, or an incremental fiscal impact of approximately \$6,009,000 assuming an amendment to the existing entitlements.

As noted herein, the City of Beverly Hills will also receive documentary transfer taxes and environmental mitigation and sustainability fees in both development scenarios, however it is not possible to establish a representative year given the varied payment schedule over the projection period. They are, however, included in the ten year estimates.

In addition, we have also calculated the tax revenue to the City of Beverly Hills for a 10-year period beginning in 2020, both for the site as entitled and assuming an amendment to the existing entitlements to determine the incremental fiscal impact of proposed project to the City assuming a successful amendment to the existing entitlements. The tables below and on the following page detail our findings.

Current Entitlement Program Fiscal Impact to the City of Beverly Hills						
Taxes						
	Sales	Business	Real Estate (Residential)	Document Transfer	Ems Fee	Total
2015 Rep	\$29,000	\$4,000	\$2,697,000	-	-	\$2,730,000
2020	\$33,000	\$4,000	\$1,031,000	\$15,000	\$2,403,000	\$3,486,000
2021	34,000	4,000	1,381,000	5,000	816,000	2,240,000
2022	35,000	4,000	1,728,000	5,000	807,000	2,579,000
2023	36,000	5,000	2,084,000	5,000	831,000	2,961,000
2024	38,000	5,000	2,452,000	5,000	856,000	3,356,000
2025	39,000	5,000	2,830,000	5,000	882,000	3,761,000
2026	40,000	5,000	3,220,000	6,000	908,000	4,179,000
2027	41,000	5,000	3,421,000	3,000	468,000	3,938,000
2028	42,000	5,000	3,489,000	-	-	3,536,000
2029	44,000	5,000	3,559,000	-	-	3,608,000
Total						\$33,644,000

Entitlement Program As Amended Fiscal Impact to the City of Beverly Hills										
Taxes										
	Sales	Business	TOT	City TOT Surcharge	Residential Room Rental	Real Estate (Hotel)	Real Estate (Residential)	Document Transfer Tax	Ems Fee	Total
2015 Rep	\$186,000	\$59,000	\$4,054,000	\$1,448,000	\$347,000	\$401,000	\$2,244,000	-	-	\$8,739,000
2020	\$189,000	60,000	\$4,113,000	\$1,469,000	\$353,000	\$400,000	\$1,031,000	\$15,000	\$2,403,000	\$10,033,000
2021	208,000	67,000	4,540,000	1,621,000	389,000	451,000	1,381,000	5,000	816,000	9,478,000
2022	229,000	73,000	4,985,000	1,780,000	427,000	460,000	1,728,000	5,000	807,000	10,494,000
2023	235,000	75,000	5,133,000	1,833,000	440,000	469,000	2,084,000	5,000	831,000	11,105,000
2024	243,000	78,000	5,292,000	1,890,000	454,000	479,000	2,452,000	5,000	856,000	11,749,000
2025	250,000	80,000	5,445,000	1,945,000	467,000	488,000	2,736,000	4,000	661,000	12,076,000
2026	257,000	82,000	5,610,000	2,003,000	481,000	498,000	2,790,000	-	-	11,721,000
2027	265,000	85,000	5,779,000	2,064,000	495,000	508,000	2,846,000	-	-	12,042,000
2028	273,000	87,000	5,955,000	2,127,000	510,000	518,000	2,903,000	-	-	12,373,000
2029	281,000	90,000	6,130,000	2,189,000	525,000	529,000	2,961,000	-	-	12,705,000
Total										\$113,776,000

Incremental Fiscal Impact for 10 Year Period Beginning 2020										
	Sales	Business	TOT	City TOT Surcharge	Residential Room Rental	Real Estate (Hotel)	Real Estate (Residential)	Document Transfer Tax	EMS Fee	Total
2015										
Rep	\$157,000	\$55,000	\$4,054,000	\$1,448,000	\$347,000	\$401,000	(\$453,000)	-	-	\$6,009,000
2020	\$156,000	\$56,000	\$4,113,000	\$1,469,000	\$353,000	\$400,000	-	-	-	\$6,547,000
2021	174,000	63,000	4,540,000	1,621,000	389,000	451,000	-	-	-	7,238,000
2022	194,000	69,000	4,985,000	1,780,000	427,000	460,000	-	-	-	7,915,000
2023	199,000	70,000	5,133,000	1,833,000	440,000	469,000	-	-	-	8,144,000
2024	205,000	73,000	5,292,000	1,890,000	454,000	479,000	-	-	-	8,393,000
2025	211,000	75,000	5,445,000	1,945,000	467,000	488,000	(94,000)	(1,000)	(221,000)	8,315,000
2026	217,000	77,000	5,610,000	2,003,000	481,000	498,000	(430,000)	(6,000)	(908,000)	7,542,000
2027	224,000	80,000	5,779,000	2,064,000	495,000	508,000	(575,000)	(3,000)	(468,000)	8,104,000
2028	231,000	82,000	5,955,000	2,127,000	510,000	518,000	(586,000)	-	-	8,837,000
2029	237,000	85,000	6,130,000	2,189,000	525,000	529,000	(598,000)	-	-	9,097,000
									Total	\$80,132,000

CONCLUSIONS

The estimated fiscal impact of the proposed project as amended to the City of Beverly Hills is expected to be significantly material. We have estimated a total impact of approximately \$8,739,000 in a representative year in 2015 dollars. This equates to an increase of more than 220 percent from the in-place development plan, assuming that the current entitlements are amended. As summarized in the preceding chart, the estimated incremental fiscal impact for the 10-year period from 2020 to 2029 for the amended entitlement plan is approximately \$80,132,000.

Our analysis of the total tax revenues for the City of Beverly Hills is limited to measurable tax revenues which include direct sales tax, business tax, transient occupancy tax (TOT), hotel surcharge tax, residential room rental tax, property tax revenues, documentary transfer tax, and environmental mitigation and sustainability fees, at the 9900 Wilshire Boulevard development site.

Our analysis excludes the following:

- The potential direct tax impacts of spending at other Beverly Hills businesses;
- The potential indirect tax impacts as a consequence of the economic multiplier effect;
- Developer's estimate of permit fees to the City, likely in excess of \$20 million based on estimated construction costs, as part of the development process;
- One-time public benefit contribution;
- The upside for a potential condominium rental pool program which is not currently in the operating model;

- Any re-sales of the condominiums, which would likely result in additional real estate tax revenue to the City as real estate prices escalate;
- Fiscal impacts during the construction period; and finally,
- The incremental impact from the eventual sale by Wanda Beverly Hills Properties, LLC of the proposed hotel (assuming an amendment to the existing entitlements), which would also likely result in a significantly higher assessed value.

It is our opinion that the proposed development plan, assuming an amendment to the existing entitlement plan, would bring significant incremental fiscal impact to the City of Beverly Hills.

Statement of Terms and Conditions

TERMS AND CONDITIONS

1. The Terms and Conditions herein are part of an agreement for consulting services (the "Agreement") between CBRE, Inc. (the "Consultant") and the client signing this Agreement, and for whom the consulting services will be performed (the "Client"), and shall be deemed a part of such Agreement as though set forth in full therein. The Agreement shall be governed by the laws of the state where the Consultant's office is located for the Consultant executing this Agreement.
2. Client shall be responsible for the payment of all fees stipulated in the Agreement. Payment of the engagement fee and preparation of a report (the "Report") are not contingent upon any predetermined value or on an action or event resulting from the analyses, opinions, conclusions, or use of the Consulting Report. Final payment is due as provided in the Proposal Specifications Section of this Agreement. If a draft report is requested, the fee is considered earned upon delivery of the draft report. It is understood that the Client may cancel this assignment in writing at any time prior to delivery of the completed report. In such event, the Client is obligated only for the prorated share of the fee based upon the work completed and expenses incurred (including travel expenses to and from the job site), with a minimum charge of \$500. Additional copies of the Reports are available at a cost of \$250 per original color copy and \$100 per photocopy (black and white), plus shipping fees of \$30 per report.
3. If Consultant is subpoenaed to give testimony or otherwise required or requested by Client or a third party to participate in meetings, phone calls, conferences, litigation or other legal proceedings (including preparation for such proceedings) because of, connected with or in any way pertaining to this engagement, the Report, the Consultant's expertise, or the Property, Client shall pay Consultant's additional costs and expenses based on Consultant's then-prevailing hourly rates and related fees. Such charges include and pertain to time spent in preparing for and providing court room testimony, depositions, travel time, mileage and related travel expenses, waiting time, document review and preparation time (excluding preparation of the Report), meeting participation, and Consultant's other related commitment of time and expertise. Hourly charges and other fees for such participation will be provided upon request. In the event Client requests additional consulting services beyond the scope and purpose stated in the Agreement, Client agrees to pay additional fees for such services and to reimburse related expenses, whether or not the completed report has been delivered to Client at the time of such request.
4. Consultant shall have the right to terminate this Agreement at any time for cause effective immediately upon written notice to Client on the occurrence of fraud or the willful misconduct of Client, its employees or agents.
5. In the event Client fails to make payments when due then, from the date due until paid, the amount due and payable shall bear interest at the maximum rate permitted in the state where the office is located for the Consultant executing the Agreement. In the event either party institutes legal action against the other to enforce its rights under this Agreement, the prevailing party shall be entitled to recover its reasonable attorney's fees and expenses. Each party waives the right to a trial by jury in any action arising under this Agreement.
6. Consultant assumes there are no major or significant items or issues affecting the Property that would require the expertise of a professional building contractor, engineer, or environmental consultant for Consultant to prepare a valid report. Client acknowledges that such additional expertise is not covered in the engagement fee and agrees that, if such additional expertise is required, it shall be provided by others at the discretion and direction of the Client, and solely at Client's additional cost and expense.
7. In the event of any dispute between Client and Consultant relating to this Agreement, or Consultant's or Client's performance hereunder, Consultant and Client agree that such dispute shall be resolved by means of binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association, and judgment upon the award rendered by an arbitrator may be entered in any court of competent jurisdiction. Depositions may be taken and other discovery obtained during such arbitration proceedings to the same extent as authorized in civil judicial proceedings in the state where the office of the Consultant executing this Agreement is located. The arbitrator shall be limited to awarding compensatory

damages and shall have no authority to award punitive, exemplary or similar damages. The prevailing party in the arbitration proceeding shall be entitled to recover its expenses from the losing party, including costs of the arbitration proceeding, and reasonable attorney's fees. Client acknowledges that Consultant is being retained hereunder as an independent contractor to perform the services described herein and nothing in this Agreement shall be deemed to create any other relationship between Client and Consultant. This engagement shall be deemed concluded and the services hereunder completed upon delivery to Client of the Report discussed herein.

8. All statements of fact in the report which are used as the basis of the Consultant's analyses, opinions, and conclusions will be true and correct to the best of the Consultant's knowledge and belief. Consultant does not make any representation or warranty, express or implied, as to the accuracy or completeness of the information or the condition of the Property furnished to Consultant by Client or others.
9. Consultant shall have no responsibility for legal matters, including zoning, or questions of survey or title, soil or subsoil conditions, engineering, or other similar technical matters. The report will not constitute a survey of the Property analyzed.
10. Client shall provide Consultant with such materials with respect to the assignment as are requested by Consultant and in the possession or under the control of Client. Client shall provide Consultant with sufficient access to the Property to be analyzed, and hereby grants permission for entry unless discussed in advance to the contrary.
11. The data gathered in the course of the assignment (except data furnished by Client) and the report prepared pursuant to the Agreement are, and will remain, the property of Consultant. With respect to data provided by Client, Consultant shall not violate the confidential nature of the Consultant-Client relationship by improperly disclosing any proprietary information furnished to Consultant. Notwithstanding the foregoing, Consultant is authorized by Client to disclose all or any portion of the report and related data as may be required by statute, government regulation, legal process, or judicial decree, including to appropriate representatives of the Appraisal Institute if such disclosure is required to enable Consultant to comply with the Bylaws and Regulations of such Institute as now or hereafter in effect.
12. Unless specifically noted, in preparing the Report the Consultant will not be considering the possible existence of asbestos, PCB transformers, or other toxic, hazardous, or contaminated substances and/or underground storage tanks (collectively, "Hazardous Material") on or affecting the Property, or the cost of encapsulation or removal thereof. Further, Client represents that there is no major or significant deferred maintenance of the Property that would require the expertise of a professional cost estimator or contractor. If such repairs are needed, the estimates are to be prepared by others, at Client's discretion and direction, and are not covered as part of the engagement fee.
13. In the event Client intends to use the Report in connection with a tax matter, Client acknowledges that Consultant provides no warranty, representation or prediction as to the outcome of such tax matter. Client understands and acknowledges that any relevant taxing authority (whether the Internal Revenue Service or any other federal, state or local taxing authority) may disagree with or reject the Report or otherwise disagree with Client's tax position, and further understands and acknowledges that the taxing authority may seek to collect additional taxes, interest, penalties or fees from Client beyond what may be suggested by the Report. Client agrees that Consultant shall have no responsibility or liability to Client or any other party for any such taxes, interest, penalties or fees and that Client will not seek damages or other compensation from Consultant relating to any such taxes, interest, penalties or fees imposed on Client, or for any attorneys' fees, costs or other expenses relating to Client's tax matters.
14. Consultant shall have no liability with respect to any loss, damage, claim or expense incurred by or asserted against Client arising out of, based upon or resulting from Client's failure to provide accurate or complete information or documentation pertaining to an assignment ordered under or in connection with this Agreement, including Client's failure, or the failure of any of Client's agents, to provide a complete copy of the Report to any third party.

15. LIMITATION OF LIABILITY. EXCEPT TO THE EXTENT ARISING FROM SECTION 16 BELOW, OR SECTION 17 IF APPLICABLE, IN NO EVENT SHALL EITHER PARTY OR ANY OF THEIR OFFICERS, DIRECTORS, EMPLOYEES OR CONTRACTORS BE LIABLE TO THE OTHER, WHETHER BASED IN CONTRACT, WARRANTY, INDEMNITY, NEGLIGENCE, STRICT LIABILITY OR OTHER TORT OR OTHERWISE, FOR (I) ANY SPECIAL, CONSEQUENTIAL, PUNITIVE, INCIDENTAL OR INDIRECT DAMAGES AND (II) AGGREGATE DAMAGES IN CONNECTION WITH THIS AGREEMENT (EXCLUDING THE OBLIGATION TO PAY THE FEES REQUIRED HEREUNDER) IN EXCESS OF THE GREATER OF THE AMOUNT OF THE TOTAL FEES PAID TO CONSULTANT UNDER THIS AGREEMENT OR TEN THOUSAND DOLLARS (\$10,000). THIS LIABILITY LIMITATION SHALL NOT APPLY IN THE EVENT OF A FINAL FINDING BY AN ARBITRATOR OR A COURT OF COMPETENT JURISDICTION THAT SUCH LIABILITY IS THE RESULT OF A PARTY'S GROSS NEGLIGENCE, FRAUD OR WILLFUL MISCONDUCT.
16. Client shall not disseminate, distribute, make available or otherwise provide any Report prepared hereunder to any third party (including without limitation, incorporating or referencing the Report, in whole or in part, in any offering or other material intended for review by other parties) except to (i) any third party approved in writing by Consultant and identified herein as an "Intended User" of the Report, (ii) any third party service provider (including rating agencies and Client's auditors) using the Report in the course of providing services for the sole benefit of Client, or (iii) as required by statute, government regulation, legal process, or judicial decree. In the event Consultant consents, in writing, to Client incorporating or referencing the Report in any offering or other materials intended for review by other parties, Client shall not distribute, file, or otherwise make such materials available to any such parties unless and until Client has provided Consultant with complete copies of such materials and Consultant has approved all such materials in writing. Client shall not modify any such materials once approved by Consultant. In the absence of satisfying the conditions of this paragraph with respect to a party who is not designated as an Intended User, in no event shall the receipt of a Report by such party extend any right to the party to use and rely on such report, and Consultant shall have no liability for such unauthorized use and reliance on any Report. In the event Client breaches the provisions of this paragraph, Client shall indemnify, defend and hold Consultant, and its affiliates and their officers, directors, employees, contractors, agents and other representatives (Consultant and each of the foregoing an "Indemnified Party" and collectively the "Indemnified Parties"), fully harmless from and against all losses, liabilities, damages and expenses (collectively, "Damages") claimed, sustained or incurred by any party arising out of or in connection with such breach, regardless of any negligence on the part of any Indemnified Party in preparing the Report.
17. In the event Client incorporates or references the Report, in whole or in part, in any offering or other material intended for review by other parties, Client shall indemnify, defend and hold each of the Indemnified Parties harmless from and against any Damages in connection with (i) any transaction contemplated by this Agreement or in connection with the engagement of or performance of services by any Indemnified Party hereunder, (ii) any actual or alleged untrue statement of a material fact, or the actual or alleged failure to state a material fact necessary to make a statement not misleading in light of the circumstances under which it was made with respect to all information furnished to any Indemnified Party or made available to a prospective party to a transaction, or (iii) an actual or alleged violation of applicable law by Client (including, without limitation, securities laws) or the negligent or intentional acts or omissions of Client (including the failure to perform any duty imposed by law); and will reimburse each Indemnified Party for all reasonable fees and expenses (including fees and expenses of counsel) (collectively, "Expenses") as incurred in connection with investigating, preparing, pursuing or defending any threatened or pending claim, action, proceeding or investigation (collectively, "Proceedings") arising there from, and regardless of whether such Indemnified Party is a formal party to such Proceeding. Client agrees not to enter into any waiver, release or settlement of any Proceeding (whether or not any Indemnified Party is a formal party to such Proceeding) without the prior written consent of Consultant (which consent will not be unreasonably withheld or delayed) unless such waiver, release or settlement includes an unconditional release of each Indemnified Party from all liability arising out of such Proceeding.