

# C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

December 11, 2007

Mr. Brian Krippner  
Vice President  
UMB Bank  
2 South Broadway  
St. Louis, Missouri 63102

Dear Mr. Krippner:

Pursuant to our contract with UMB Bank & Trust, N.A., as Master Trustee (Master Trustee) in connection with the St. Louis Renaissance Hotel (St. Louis Renaissance or Hotel), C.H. Johnson Consulting, Inc. (Johnson Consulting) has updated our operations review of the Hotel dated November 15, 2006 and its ability to pay debt service on its Series A Notes. This letter explains the methods used to conduct this evaluation and discusses the results and recommendations.

Operating estimates presented in this study are based on trends, assumptions, and current market factors, which usually result in differences between the projected results and actual performance. As events and circumstances often do not occur as expected, those differences may be material. The financial projections in this report assume that on average there will be relatively reasonable economic growth and that recessions will be offset by periods of economic prosperity.

Johnson Consulting has no responsibility to update this report for events and circumstances that occur after the date of this report. The findings presented herein reflect analysis of primary and secondary sources of information. Johnson Consulting utilized sources deemed to be reliable but cannot guarantee their accuracy.

## Updated Analysis

This operations review is an update of the evaluation that was completed and documented in Johnson Consulting's Operations Review of St. Louis Renaissance Hotel submitted to the Master Trustee in November 2006. Leading to the operations review was the fact that St. Louis Renaissance had experienced financial difficulty and had failed to generate enough cash to adequately meet its debt service.

While a myriad of internal and external factors had contributed to the financial woes of the property, Johnson Consulting observed that the bigger issues are structural. The Hotel is undersized in terms of meeting and ballroom space. America's Center also has not been improved cosmetically or physically, while its competitors have experienced continual upgrades and refinements. In its November

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2006 report, Johnson Consulting proposed several potential solutions which will serve as a catalyst to help get the Hotel to a self-sustaining state. These recommendations were presented in three separate scenarios.

*Scenario A* - This scenario assumes that merely aesthetic changes were done to the America's Center, which for the short term appears to be the expected case, as far as action on either of these fronts has been identified. From November 2006 until the present, the America's Center repainted, added new floor coverings and an art gallery, as well as put in an indoor café with an outdoor theme that consisted of large plants all on the first floor. It was indicated to Johnson Consulting that no additional meeting and ballroom space will be added at either location, continuing the structural demand problem at the Hotel. Based on this limitation, the Hotel can only achieve modest ADR and occupancy growth rates. As a result, Johnson Consulting estimates that occupancy at the Hotel will peak at 71 to 72 percent. Unless the America's Center is upgraded, the convention demand was expected to be static, even with the expected improved efforts at the St. Louis Convention and Visitors Commissions (SLCVC). Given the improved product in competitor markets, the America's Center will be fortunate just to keep the demand it currently has.

*Scenario B* - This scenario assumes that the much-needed ballroom/ meeting space will be added under the control of the Hotel, which will balance out the Hotel with its peers analyzed for our November 2006 analysis. There would be a substantial gain in food and beverage sales and rate and occupancy can achieve levels of occupancy and ADR growth higher than in Scenario A.

*Scenario C* - As revealed in the 2006 competitor analysis, the America's Center's ballroom space is smaller than its competitive peers. The Center has not had any material improvement for several years and is falling behind other venues. Scenario C assumes that the America's Center will soon add additional space and conduct a face-lift, which would help both the Center and the Hotel perform better. Under this case, the Hotel will increase its ADR and occupancy at a rate greater than in Scenario A, but will not get the food and beverage sales it would see in a Scenario B because the additional space will draw people primarily to the Center, not to the Hotel, and the Hotel will principally benefit only from the additional room sales.

In the November 2006 report, Johnson Consulting developed five-year projections for the three scenarios (through 2011). Among others, the projections estimated 68 percent occupancy and a \$124.50 average daily rate (ADR) for 2007, as well as \$300,000 cost savings from consolidated reporting between the St. Louis Renaissance Grand and Suites Hotels.

However, in the year that has passed, the Hotel has not performed as expected: occupancy was 65.1 percent, ADR was \$123.96. Although, a total of \$475,000 in cost

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savings were realized: \$400,000 from consolidating the St. Louis Renaissance Grand and Suites Hotel, and \$75,000 from sharing the leadership positions related to Human Resource and Payroll functions with the St. Louis Airport Marriott. Table 1 compares the projected and actual financial statements of 2007.

**Table 1**

<b>St. Louis Renaissance - Operating Proforma</b>						
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007 Projected</b>	<b>2007* Actual</b>
<b>Occupancy</b>		52.0%	62.0%	67.0%	68.0%	65.1%
<b>Average Daily Rate</b>		\$113.50	\$117.44	\$121.75	\$124.50	\$123.96
Total Sales (Revenue)	\$31,599,318	\$38,610,091	\$46,037,284	\$52,103,718	\$54,865,541	\$50,527,000
Total Department Cost	19,083,183	20,413,655	23,252,859	24,788,116	26,275,403	24,406,000
Total Support Cost (SG&A)	11,776,551	14,117,224	14,848,755	14,871,123	14,914,679	13,723,000
House Profit	\$739,584	\$4,079,212	\$7,935,670	\$12,444,479	\$13,675,459	\$12,398,000
Other Deductions						
Base Mgmt Fee	\$920,670	\$1,126,512	\$1,341,992	\$1,480,714	\$1,645,966	\$1,515,810
FF&E Escrow	345,122	747,606	1,298,277	1,480,714	1,645,966	1,515,810
Other	2,013,646	3,645,602	3,690,038	4,213,115	4,200,847	3,940,380
Subtotal Other Deductions	\$3,279,438	\$5,519,720	\$6,330,307	\$7,174,543	\$7,492,779	\$6,972,000
Cash Available after Total Deductions	(\$2,539,854)	(\$1,440,508)	\$1,605,363	\$5,269,936	\$6,182,680	\$5,426,000
+ 1/2 FF&E**	172,561	373,823	649,139	754,752	795,550	758,000
<b>Cash Available for Debt Service</b>	<b>(\$2,367,293)</b>	<b>(\$1,066,685)</b>	<b>\$2,254,502</b>	<b>\$6,024,688</b>	<b>\$6,978,230</b>	<b>\$6,184,000</b>
<b>Required Debt Service</b>	<b>\$7,018,665</b>	<b>\$7,018,665</b>	<b>\$7,018,665</b>	<b>\$7,018,665</b>	<b>7,018,665</b>	<b>\$7,018,665</b>
<b>Principal Payment on Debt</b>						
<b>Net Income (Loss) After Debt Service</b>	<b>(\$9,385,958)</b>	<b>(\$8,085,350)</b>	<b>(\$4,764,164)</b>	<b>(\$993,978)</b>	<b>(\$40,435)</b>	<b>(\$834,665)</b>
<b>Expected Results with Management's Anticipated Cost Savings in 2007</b>						
Savings from Consolidated Operations					<b>\$300,000</b>	<b>\$400,000</b>
Resource Reduction Savings					<b>0</b>	<b>75,000</b>
<b>Total Cost Savings Expected in 2007</b>					<b>\$300,000</b>	<b>\$475,000</b>

*\*Data through 9/7/2007 and 9/8/2007-12/31/2007 data was projected based on 9/7/2007 data*

*\*\*Half of the FF&E is subordinated to the Debt Service and thus is added back into the cash available.*

*Source: St. Louis Renaissance, Johnson Consulting*

As shown on the table, bottom-line, cash available for debt service was \$6.2 million using data up to 9/7/2007 and estimating the remaining amount in 2007, instead of \$7 million as projected for the year. Therefore, net loss after debt service was \$834,700 in 2007.

In light of this new information, as well as the Hotel proforma developed in-house by the St. Louis Renaissance Hotel Management and our assessments of the Hotel's potential growth, Johnson Consulting updated the five-year proforma for Scenario A, B, and C and added one year into the projections (through 2012).

## In-House Projections

Table 2 shows the Hotel proforma developed in-house by the St. Louis Renaissance, as provided to us by the Hotel Management.

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**Table 2**

<b>St. Louis Renaissance - In-House Projections</b>										
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007*</b>	<b>2008**</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Occupancy</b>		52.0%	62.0%	67.0%	65.1%	64.9%	66.0%	68.0%	70.0%	72.0%
<b>Average Daily Rate</b>		\$113.50	\$117.44	\$121.75	\$123.96	\$125.73	\$129.00	\$134.00	\$139.00	\$145.00
Total Sales (Revenue)	\$31,599,318	\$38,610,091	\$46,037,284	\$52,103,718	\$50,527,000	\$51,986,000	\$54,725,642	\$58,814,501	\$63,102,444	\$67,880,999
Total Department Cost	19,083,183	20,413,655	23,252,859	24,788,116	24,406,000	24,957,000	26,272,224	27,670,466	29,687,815	31,935,982
Total Support Cost (SG&A)	11,776,551	14,117,224	14,848,755	14,871,123	13,723,000	14,102,000	14,845,170	15,954,336	17,117,506	18,413,762
House Profit	\$739,584	\$4,079,212	\$7,935,670	\$12,444,479	\$12,398,000	\$12,927,000	\$13,608,248	\$15,189,699	\$16,297,123	\$17,531,255
Other Deductions										
Base Mgmt Fee	\$920,670	\$1,126,512	\$1,341,992	\$1,480,714	\$1,515,810	\$1,559,580	\$1,641,769	\$1,764,435	\$1,893,073	\$2,036,430
FF&E Escrow***	345,122	747,606	1,298,277	1,480,714	1,515,810	2,079,440	2,189,026	2,352,580	2,524,098	2,715,240
Other	2,013,646	3,645,602	3,690,038	4,213,115	3,940,380	3,900,980	4,106,560	4,413,384	4,735,148	5,093,726
Subtotal Other Deductions	\$3,279,438	\$5,519,720	\$6,330,307	\$7,174,543	\$6,972,000	\$7,540,000	\$7,937,355	\$8,530,399	\$9,152,319	\$9,845,396
Cash Available after Total Deductions	(\$2,539,854)	(\$1,440,508)	\$1,605,363	\$5,269,936	\$5,426,000	\$5,387,000	\$5,670,893	\$6,659,300	\$7,144,804	\$7,685,859
+ 1/2 FF&E****	172,561	373,823	649,139	754,752	758,000	1,040,000	1,094,513	1,176,290	1,262,049	1,357,620
<b>Cash Available for Debt Service</b>	<b>(\$2,367,293)</b>	<b>(\$1,066,685)</b>	<b>\$2,254,502</b>	<b>\$6,024,688</b>	<b>\$6,184,000</b>	<b>\$6,427,000</b>	<b>\$6,765,406</b>	<b>\$7,835,590</b>	<b>\$8,406,853</b>	<b>\$9,043,479</b>
<b>Required Debt Service</b>	\$7,018,665	\$7,018,665	\$7,018,665	\$7,018,665	\$7,018,665	\$7,018,665	\$7,018,665	\$7,018,665	\$6,919,615	\$6,813,566
<b>Principal Payment on Debt</b>								\$1,415,000	\$1,515,000	\$1,620,000
<b>Net Income (Loss) After Debt Service</b>	<b>(\$9,385,958)</b>	<b>(\$8,085,350)</b>	<b>(\$4,764,164)</b>	<b>(\$993,978)</b>	<b>(\$834,665)</b>	<b>(\$591,665)</b>	<b>(\$253,259)</b>	<b>(\$598,075)</b>	<b>(\$27,762)</b>	<b>\$609,913</b>
<b>Expected Results with Management's Anticipated Cost Savings in 2007</b>										
Savings from Consolidated Operations					\$400,000					
Resource Reduction Savings					75,000					
<b>Total Cost Savings Realized in 2007</b>					<b>\$475,000</b>					
*Revenue and expenses in 2007 are actual through 09/07/2007, and the balance was forecasted.										
**2008 will be 53 weeks vs. 52 weeks in 2007.										
***FF&E increases from 3% to 4% in 2008.										
****Half of the FF&E is subordinated to the Debt Service and thus is added back into the cash available.										
Source: St. Louis Renaissance, Johnson Consulting										

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As shown on the Table 2, the Hotel Management expects to see a slight decline in occupancy in 2008, due to the fact that the year will have 53 weeks as opposed to the typical 52 weeks. The Management expects the occupancy to recover to 66 percent in 2009. Going forward, the occupancy is expected to increase by 2 percent annually. Throughout the projection period, the Management expects the ADR to slightly outpace inflation.

As shown on the table, based on these in-house projections, the Hotel will not generate sufficient cash to fulfill its debt requirements until 2012.

## Scenario A

Table 3 shows Johnson Consulting's revision of our Scenario A (As-Is) projections. This scenario assumes that no significant adjustments are made to the Hotel and/ or the America's Center.

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**Table 3**

<b>St. Louis Renaissance - Scenario A (As Is) Proforma</b>										
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007*</b>	<b>2008**</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Occupancy</b>		52.0%	62.0%	67.0%	65.1%	64.9%	66.0%	67.5%	69.0%	70.5%
<b>Average Daily Rate</b>		\$113.50	\$117.44	\$121.75	\$123.96	\$125.73	\$129.00	\$133.52	\$138.19	\$143.02
Total Sales (Revenue)	\$31,599,318	\$38,610,091	\$46,037,284	\$52,103,718	\$50,527,000	\$51,986,000	\$54,725,642	\$58,170,733	\$61,837,631	\$65,564,553
Total Department Cost	19,083,183	20,413,655	23,252,859	24,788,116	24,406,000	24,957,000	26,272,224	27,367,593	29,092,758	30,846,164
Total Support Cost (SG&A)	11,776,551	14,117,224	14,848,755	14,871,123	13,723,000	14,102,000	14,845,170	15,779,704	16,774,406	17,785,391
House Profit	\$739,584	\$4,079,212	\$7,935,670	\$12,444,479	\$12,398,000	\$12,927,000	\$13,608,248	\$15,023,437	\$15,970,467	\$16,932,999
Other Deductions										
Base Mgmt Fee	\$920,670	\$1,126,512	\$1,341,992	\$1,480,714	\$1,515,810	\$1,559,580	\$1,641,769	\$1,745,122	\$1,855,129	\$1,966,937
FF&E Escrow***	345,122	747,606	1,298,277	1,480,714	1,515,810	2,079,440	2,189,026	2,326,829	2,473,505	2,622,582
Other	2,013,646	3,645,602	3,690,038	4,213,115	3,940,380	3,900,980	4,106,560	4,365,076	4,640,238	4,919,902
Subtotal Other Deductions	\$3,279,438	\$5,519,720	\$6,330,307	\$7,174,543	\$6,972,000	\$7,540,000	\$7,937,355	\$8,437,028	\$8,968,872	\$9,509,421
Cash Available after Total Deductions	(\$2,539,854)	(\$1,440,508)	\$1,605,363	\$5,269,936	\$5,426,000	\$5,387,000	\$5,670,893	\$6,586,409	\$7,001,595	\$7,423,578
+ 1/2 FF&E****	172,561	373,823	649,139	754,752	758,000	1,040,000	1,094,513	1,163,415	1,236,753	1,311,291
<b>Cash Available for Debt Service</b>	<b>(\$2,367,293)</b>	<b>(\$1,066,685)</b>	<b>\$2,254,502</b>	<b>\$6,024,688</b>	<b>\$6,184,000</b>	<b>\$6,427,000</b>	<b>\$6,765,406</b>	<b>\$7,749,824</b>	<b>\$8,238,348</b>	<b>\$8,734,869</b>
<b>Required Debt Service</b>	\$7,018,665	\$7,018,665	\$7,018,665	\$7,018,665	\$7,018,665	\$7,018,665	\$7,018,665	\$7,018,665	\$6,919,615	\$6,813,566
<b>Principal Payment on Debt</b>								\$1,415,000	\$1,515,000	\$1,620,000
<b>Net Income (Loss) After Debt Service</b>	<b>(\$9,385,958)</b>	<b>(\$8,085,350)</b>	<b>(\$4,764,164)</b>	<b>(\$993,978)</b>	<b>(\$834,665)</b>	<b>(\$591,665)</b>	<b>(\$253,259)</b>	<b>(\$683,841)</b>	<b>(\$196,267)</b>	<b>\$301,303</b>
<b>Expected Results with Management's Anticipated Cost Savings in 2007</b>										
Savings from Consolidated Operations					\$400,000					
Resource Reduction Savings					75,000					
<b>Total Cost Savings Expected in 2007</b>					<b>\$475,000</b>					
*Revenue and expenses in 2007 are actual through 09/07/2007, and the balance was forecasted.										
**2008 will be 53 weeks vs. 52 weeks in 2007.										
***FF&E increases from 3% to 4% in 2008.										
****Half of the FF&E is subordinated to the Debt Service and thus is added back into the cash available.										
Source: St. Louis Renaissance, Johnson Consulting										

As shown on the Table 3, while Johnson Consulting agrees with in-house projections through 2009, in the long-run we project a more modest growth in the Hotel's occupancy and ADR, with the existing banquet and meeting space at both the Hotel and the America's Center. Going forward, the occupancy is expected to increase by 1.5 percent annually, reaching 70.5 percent in 2012. The ADR is expected to grow by 3.5 percent annually, reaching \$143 in 2012. Similar to the in-house projections, the Hotel will not generate sufficient cash to service its debt until 2012.

### Scenario B

Table 4 shows the Scenario B projections. Scenario B is the "Best Estimate" scenario, in which the Hotel will see the greatest gains in occupancy and ADR. Scenario B assumes that the physical issues are addressed at the Hotel and its meeting space is comparable to similar properties with approximately the same amount of rooms.

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**Table 4**

<b>St. Louis Renaissance - Scenario B (Best Estimate) Proforma</b>										
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007*</b>	<b>2008**</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Occupancy</b>		52.0%	62.0%	67.0%	65.1%	65.4%	67.0%	69.0%	71.1%	73.1%
<b>Average Daily Rate</b>		\$113.50	\$117.44	\$121.75	\$123.96	\$127.59	\$132.82	\$139.46	\$146.44	\$153.76
Total Sales (Revenue)	\$31,599,318	\$38,610,091	\$46,037,284	\$52,103,718	\$50,527,000	\$53,151,693	\$57,189,467	\$62,122,922	\$67,487,586	\$73,124,915
Total Department Cost	19,083,183	20,413,655	23,252,859	24,788,116	24,406,000	25,516,616	27,455,036	29,226,979	31,750,894	34,403,088
Total Support Cost (SG&A)	11,776,551	14,117,224	14,848,755	14,871,123	13,723,000	14,418,212	15,513,520	16,851,796	18,307,043	19,836,255
House Profit	\$739,584	\$4,079,212	\$7,935,670	\$12,444,479	\$12,398,000	\$13,216,865	\$14,220,910	\$16,044,147	\$17,429,650	\$18,885,573
Other Deductions										
Base Mgmt Fee	\$920,670	\$1,126,512	\$1,341,992	\$1,480,714	\$1,515,810	\$1,594,551	\$1,715,684	\$1,863,688	\$2,024,628	\$2,193,747
FF&E Escrow***	345,122	747,606	1,298,277	1,480,714	1,515,810	2,126,068	2,287,579	2,484,917	2,699,503	2,924,997
Other	2,013,646	3,645,602	3,690,038	4,213,115	3,940,380	3,988,452	4,291,443	4,661,645	5,064,205	5,487,225
Subtotal Other Deductions	\$3,279,438	\$5,519,720	\$6,330,307	\$7,174,543	\$6,972,000	\$7,709,071	\$8,294,706	\$9,010,249	\$9,788,336	\$10,605,969
Cash Available after Total Deductions	(\$2,539,854)	(\$1,440,508)	\$1,605,363	\$5,269,936	\$5,426,000	\$5,507,794	\$5,926,205	\$7,033,898	\$7,641,314	\$8,279,604
+ 1/2 FF&E****	172,561	373,823	649,139	754,752	758,000	1,063,320	1,143,790	1,242,458	1,349,752	1,462,498
<b>Cash Available for Debt Service</b>	<b>(\$2,367,293)</b>	<b>(\$1,066,685)</b>	<b>\$2,254,502</b>	<b>\$6,024,688</b>	<b>\$6,184,000</b>	<b>\$6,571,114</b>	<b>\$7,069,994</b>	<b>\$8,276,356</b>	<b>\$8,991,066</b>	<b>\$9,742,102</b>
<b>Required Debt Service</b>	\$7,018,665	\$7,018,665	\$7,018,665	\$7,018,665	\$7,018,665	\$7,018,665	\$7,018,665	\$7,018,665	\$6,919,615	\$6,813,566
<b>Principal Payment on Debt</b>								\$1,415,000	\$1,515,000	\$1,620,000
<b>Net Income (Loss) After Debt Service</b>	<b>(\$9,385,958)</b>	<b>(\$8,085,350)</b>	<b>(\$4,764,164)</b>	<b>(\$993,978)</b>	<b>(\$834,665)</b>	<b>(\$447,551)</b>	<b>\$51,329</b>	<b>(\$157,309)</b>	<b>\$556,451</b>	<b>\$1,308,536</b>
<b>Expected Results with Management's Anticipated Cost Savings in 2007</b>										
Savings from Consolidated Operations					\$400,000					
Resource Reduction Savings					75,000					
<b>Total Cost Savings Expected in 2007</b>					<b>\$475,000</b>					
<b>Scenario B Adjustments: Ballroom and meeting space is added under control of the Hotel.</b>										
<i>*Revenue and expenses in 2007 are actual through 09/07/2007, and the balance was forecasted.</i>										
<i>**2008 will be 53 weeks vs. 52 weeks in 2007.</i>										
<i>***FF&amp;E increases from 3% to 4% in 2008.</i>										
<i>****Half of the FF&amp;E is subordinated to the Debt Service and thus is added back into the cash available.</i>										
<i>Source: St. Louis Renaissance, Johnson Consulting</i>										

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As shown in Table 4, in Scenario B, both occupancy and ADR are expected to increase by a higher rate annually compared to both the in-house proforma and Scenario A. In Scenario B, the Hotel will produce sufficient cash to service its debt in 2009, with excess cash that can cover about one-third of the deficit in 2010. A major driver of new revenue resulting from the increased meeting space will be additional food and beverage sales. In 2011, the Hotel will generate net income after debt service of \$556,500, which will rise to \$1.3 million in 2012.

It should be noted however that the projections do not take into consideration the effect of any capital or other costs associated with additional construction, if borne by the Hotel. Any such costs borne by the Hotel would negatively affect the projections. On the other hand, if such costs were borne by others, e.g. governmental entities, then the foregoing projections would be attainable.

## Scenario C

Table 5 shows Scenario C projections, which produce occupancy and ADR improvements in the middle range of Scenarios A and B. Scenario C assumes that the physical problems at the America's Center Convention Center are addressed and that the Convention Center adds additional ballroom space and conducts a face-lift to the venue.

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**Table 5**

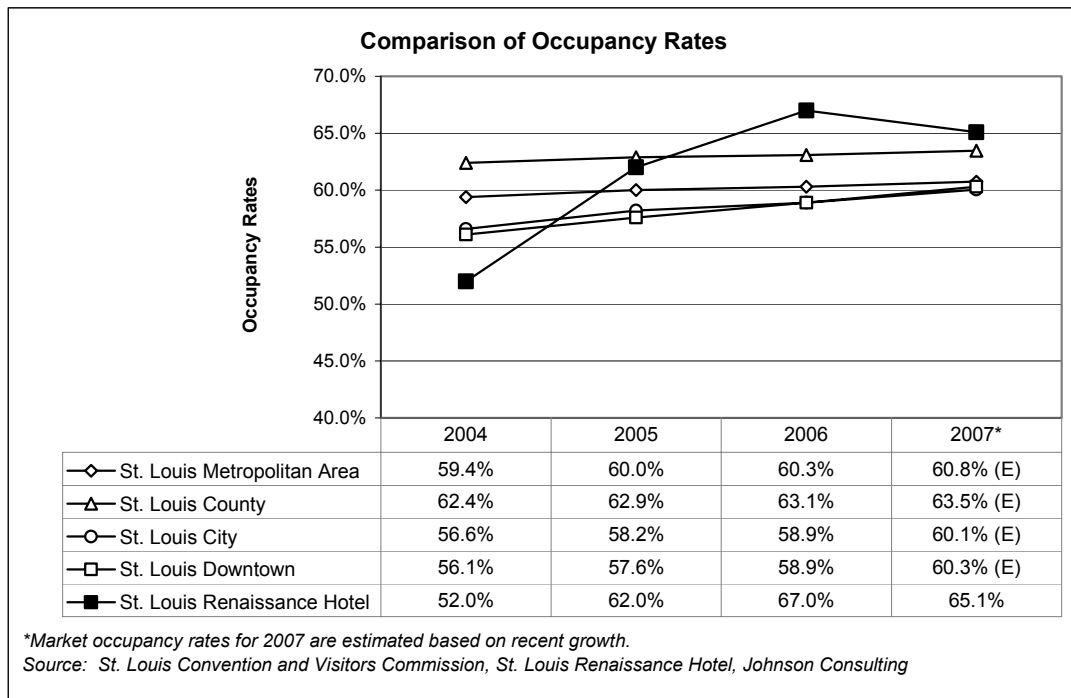
<b>St. Louis Renaissance - Scenario C (Mid-Range Estimate) Proforma</b>										
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007*</b>	<b>2008**</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Occupancy</b>		52.0%	62.0%	67.0%	65.1%	65.2%	66.5%	68.3%	70.1%	71.9%
<b>Average Daily Rate</b>		\$113.50	\$117.44	\$121.75	\$123.96	\$126.97	\$131.54	\$137.46	\$143.65	\$150.11
Total Sales (Revenue)	\$31,599,318	\$38,610,091	\$46,037,284	\$52,103,718	\$50,527,000	\$52,709,183	\$56,248,116	\$60,602,823	\$65,300,002	\$70,178,212
Total Department Cost	19,083,183	20,413,655	23,252,859	24,788,116	24,406,000	25,304,180	27,003,121	28,511,818	30,721,700	33,016,752
Total Support Cost (SG&A)	11,776,551	14,117,224	14,848,755	14,871,123	13,723,000	14,298,174	15,258,164	16,439,446	17,713,627	19,036,916
House Profit	\$739,584	\$4,079,212	\$7,935,670	\$12,444,479	\$12,398,000	\$13,106,829	\$13,986,831	\$15,651,559	\$16,864,674	\$18,124,544
Other Deductions										
Base Mgmt Fee	\$920,670	\$1,126,512	\$1,341,992	\$1,480,714	\$1,515,810	\$1,581,275	\$1,687,443	\$1,818,085	\$1,959,000	\$2,105,346
FF&E Escrow***	345,122	747,606	1,298,277	1,480,714	1,515,810	2,108,367	2,249,925	2,424,113	2,612,000	2,807,128
Other	2,013,646	3,645,602	3,690,038	4,213,115	3,940,380	3,955,247	4,220,805	4,547,578	4,900,051	5,266,107
Total Other Deductions	\$3,279,438	\$5,519,720	\$6,330,307	\$7,174,543	\$6,972,000	\$7,644,890	\$8,158,173	\$8,789,776	\$9,471,051	\$10,178,582
Cash Available after Total Deductions	(\$2,539,854)	(\$1,440,508)	\$1,605,363	\$5,269,936	\$5,426,000	\$5,461,939	\$5,828,658	\$6,861,784	\$7,393,624	\$7,945,962
+ 1/2 FF&E****	172,561	373,823	649,139	754,752	758,000	1,054,468	1,124,962	1,212,056	1,306,000	1,403,564
<b>Cash Available for Debt Service</b>	<b>(\$2,367,293)</b>	<b>(\$1,066,685)</b>	<b>\$2,254,502</b>	<b>\$6,024,688</b>	<b>\$6,184,000</b>	<b>\$6,516,407</b>	<b>\$6,953,620</b>	<b>\$8,073,840</b>	<b>\$8,699,624</b>	<b>\$9,349,526</b>
<b>Required Debt Service</b>	\$7,018,665	\$7,018,665	\$7,018,665	\$7,018,665	\$7,018,665	\$7,018,665	\$7,018,665	\$7,018,665	\$6,919,615	\$6,813,566
<b>Principal Payment on Debt</b>								\$1,415,000	\$1,515,000	\$1,620,000
<b>Net Income (Loss) After Debt Service</b>	<b>(\$9,385,958)</b>	<b>(\$8,085,350)</b>	<b>(\$4,764,164)</b>	<b>(\$993,978)</b>	<b>(\$834,665)</b>	<b>(\$502,258)</b>	<b>(\$65,045)</b>	<b>(\$359,825)</b>	<b>\$265,009</b>	<b>\$915,960</b>
<b>Expected Results with Management's Anticipated Cost Savings in 2007</b>										
Savings from Consolidated Operations					\$400,000					
Resource Reduction Savings					75,000					
<b>Total Cost Savings Expected in 2007</b>					<b>\$475,000</b>					
<b>Scenario C Adjustments: America's Center adds ballroom space and conducts a facelift on the facility - in this scenario the hotel does not see the greater F&amp;B sales as scenario B</b>										
<i>*Revenue and expenses in 2007 are actual through 09/07/2007, and the balance was forecasted.</i>										
<i>**2008 will be 53 weeks vs. 52 weeks in 2007.</i>										
<i>***FF&amp;E increases from 3% to 4% in 2008.</i>										
<i>****Half of the FF&amp;E is subordinated to the Debt Service and thus is added back into the cash available.</i>										
<i>Source: St. Louis Renaissance, Johnson Consulting</i>										

As shown in Table 5, in Scenario C, the Hotel will increase its occupancy and ADR at a greater rate than Scenario A but less than Scenario B. The Hotel is still expected to operate at a loss through 2010, after which net income is projected at \$265,000 and \$916,000 in 2011 and 2012, respectively. Scenario C ensures the Hotel will become a self-sustaining property, but will never capture the incremental revenue from food and beverage sales in Scenario B. The increased food and beverage sales under Scenario C will be captured by the America’s Center as the groups will be using the Convention Center’s new space.

**Other Observations**

Based on the occupancy statistics obtained from the St. Louis Convention & Visitors Commission, it appears that the St. Louis Renaissance Hotel has performed well. Although the Hotel has not performed as expected in the past year, its occupancy in 2007 was still higher than the average rates of the metro area, county, city, and downtown. As shown in Figure 1, in 2007 the Hotel’s occupancy rate was still between 1.7 to 5 percentage points higher than areas’ averages.

**Figure 1**



Despite the above-market performance, however, the Hotel’s 2007 occupancy is almost 2 percent lower than the previous year. It is clear that this declining trend

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has to be reversed, by addressing the bigger issues that have been identified, i.e., the physical limitations in terms of meeting and ballroom space.

We have enjoyed serving you on this engagement and look forward to providing you with continuing service.

Sincerely yours,

*C.H. Johnson Consulting, Inc.*

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