



HOTEL
CONSULTING
INTERNATIONAL


PROPOSAL FOR
COMPLETE SELF-CONTAINED
ECONOMIC STUDY & APPRAISAL REPORT

NO NAME BEACH RESORT
GRAND CAYMAN, BWI

Submitted To:

Owner client
Prior to marketing property for a sale

Prepared By:

 Hotel Consulting International
Division of O&R Valuation Services Inc.
3820 Carole Court
Miami, FL 33133
305-856-7560
305-856-5934

April 28, 2009
Reference #: PR09072

PROPOSAL FOR ECONOMIC STUDY AND APPRAISAL/VALUATION REPORT

COMPLETE SELF CONTAINED APPRAISAL REPORT

Identify and describe the real estate being appraised;

- i. **state** the real property interest being appraised;
- ii. **state** the purpose and intended use of the appraisal;
- iii. **define** the value to be estimated;
- iv. **state** the effective date of the appraisal and the date of the report;
- v. **state** the extent of the process of collecting, confirming, and reporting data;
- vi. **state** all assumptions and limiting conditions that affect the analysis, opinions, and conclusions;
- vii. **describe** the information considered, the appraisal procedures followed, and the reasoning that supports the analyses, opinions, and conclusions
- iii. **describe** the appraiser's opinion of the highest and best use of the real estate, when such an opinion is necessary and appropriate;
- ix. **explain and support** the exclusion of any of the usual valuation approaches;
- x. **describe** any additional information that may be appropriate to show compliance with, or clearly identify and explain permitted departures from the specific guidelines of Standard
- xi. include a signed certification in accordance with Standards Rule 2-3.

Source: Standards of Professional Practice of the Appraisal Institute .

¹ Federal Register, Vol. 55, No. 165, August 24, 1990, p. 34696.

Pursuant to our conversation, we are pleased to submit this proposal for services of **HCI** Hotel Consulting International division of O & R Valuation Services, Inc. in connection with the 300 room No Name Beach Resort, Grand Cayman BWI. In addition to the guestrooms, the resort features ± 4,000 square feet of meeting space, five restaurants and lounges, an outdoor pool, and health club. Golf courses and a full spa are located near the hotel. The hotel is located on the famous Seven Mile Beach, 2 miles from Georgetown on the island of Grand Cayman. This letter sets forth a description of the objectives and scope of the assignments, along with the methodology to be employed, an estimate of the time requirements, and a schedule of professional fees.

Objective and Purpose

□ The objective is to prepare a Complete Economic Study & Appraisal report of the assets comprising the No Name Beach Resort. It is also to communicate the data, market support and reasonable use to formulate the opinion(s) of value to lead the reader(s) to the same or similar conclusions as those presented by the appraiser. The valuation will consist of one overall value incorporating the land, improvements and personal property components. The report will comply with the commercial appraisal guidelines for the Self-Contained Format Report.

Use

This study is being prepared for use by the owner (specified) for collateral evaluation purposes.

Scope

Information will be collected and analyzed by the staff at Hotel Consulting International. We will conduct an onsite inspection of both the subject property, neighborhood, and island(s). The appraiser will personally inspect all of the comparative data in the report unless otherwise noted. We will conduct interviews with hotel operators, developers, real estate companies, lenders, investors, government officials and others so that we may ascertain the status of projects under construction, proposed or rumored which might be competitive with the subject.

Phase One: Fieldwork

In order to accomplish the objective described above, our work will be conducted in three parts, which typically include the following steps:

1. We will meet with you or a representative and gather any information which may assist us in performing this assignment.
2. An on-site - inspection of the subject land and improvements will be made. We will review the supportive nature of the surrounding land.

3. The neighborhood and surrounding market areas will be examined. We will identify and locate on maps, key demand generators, attractions and support facilities.
4. The Competitors will be evaluated. These properties will be examined, to estimate current levels of occupancy, room rates, market segmentation and other pertinent operational characteristics.
5. We will conduct interviews with hotel operators, developers, real estate companies, government officials and others so that we may ascertain the status of projects under construction, proposed or rumored which might be competitive with the subject.
6. We will investigate the market and competitive set in terms of seasonality, weekly demand fluctuations (occupancy, rate and RevPar levels).
7. Statistical data relating to general economic and demographic trends will be analyzed.
8. Expense factors relating to local conditions such as labor, food and beverage costs, energy rates, assessed values and taxes will be researched.

Phase Two: Analysis

1. Based on the data and information gathered during the fieldwork phase, along with our extensive library of actual hotel operating statements, financial statistics, area hotel trends and investor requirements, we will perform a supply and demand analysis for the subject property to determine its future competitive position. This analysis will result in a quantification and documentation of probable future trends in the subject's occupancy, average rate and overall rooms revenue. A similar analysis will be conducted for food and beverage in the subject's restaurants.
2. Using actual income and expense statements from the subject and comparable lodging facilities, we will develop income and expense estimates corresponding to the level of activity and quality of operations indicated by the projected occupancy and rates.
3. A projection of income and expenses representing future expectations of income potential will be made for a ten-year period for the subject property. Our projected income statements conform to the Uniform System of Accounts for Hotels and include a detailed line-by-line account of all revenue sources and expenses.
4. The current market for hotel, residential transfers, mortgage rates and hospitality equity investment requirements will be researched. Using these market indicators as a base and adjusting for potential investment benefits and risks displayed by the property, we will formulate an appropriate capitalization rate.
5. Following the recommended procedures and industry standards an estimate of market value will be developed by the Income Capitalization Approach.

6. The Cost Approach will be analyzed and utilized in the Reconciliation of of the three value indications.
7. The Sales Comparison Approach will be evaluated to provide a valuation range which will be considered in the Reconciliation of the three value indications.

Phase Three: Market/Economic Study and Appraisal Report

Complete documentation of our fieldwork, analyses and value conclusions will be set forth in our written report. Conforming to the standards of The Appraisal Institute (the appraisal will contain the following sections:

1. Purpose of the Market/ Economic Study and Appraisal Report
2. Description of the subject land, physical improvements and amenities.
3. Review of the area and neighborhood (economic and demographic studies and analysis)
4. Zoning Analysis
5. Analysis of the market for accommodations
6. Examination of existing and proposed competition.
7. Projection of Demand and Occupancy and Average Rate Analysis
8. Projection of Income and Expense
9. Development of an appropriate capitalization rate
10. Highest and Best Use
11. Cost Approach (if applicable).
12. Sales Comparison Approach
13. Development of an appropriate capitalization rate
14. Review of other valuation approaches.
15. Value conclusion
16. Signed certificate

When appropriate, we will include graphics such as photographs, maps, surveys, plans and charts to assist visualizing our findings. The final reports will be individually laser printed utilizing a state-of-the-art desktop publishing system.

Requested Information

To aid us in performing this assignment, we request that you provide us with property specific information, a list of which will be prepared upon engagement.

Hotel Software

All of our analyses will be made using sophisticated computerized package of software programs developed for the hospitality industry.

Satisfaction Guaranteed

We are confident that you will find our reports to be comprehensive, thorough and complete. Upon submission of our report, we will incorporate any suggestions that that would enhance the effectiveness of our presentation.

Personalized Support

Upon submission of our study, members of **HCI** Hotel Consulting International will be available to meet with you and/or any third party to go over our analysis and conclusions. This personalized support enhances the credibility of our findings and assists you in achieving your objectives.

Unique Qualification Consulting

Your assignment will be performed by **HCI** associates who specialize exclusively in hospitality-and real estate related consulting. All possess a unique combination of actual industry operating experience and real estate valuation cross training. Most have degrees from leading hotel management schools.

Timing

- ❑ We anticipate that our fieldwork, analysis and preparation of the report can be completed within approximately 45-55 days of execution of this agreement.

Professional Fees

- ❑ Complete Self Contained Appraisal Report
Our fee for the fieldwork, analysis and preparation of the Complete Self Contained Appraisal Report will be \$20,000, payable \$10,000 retainer and the balance due upon delivery of the certified report.

This fee covers all report preparation costs, such as graphics, photographs, typing, proofreading, printing and binding, and includes four copies of the final report that will be delivered to you. Payment must be made in U.S. dollars, using either a check drawn on a U.S. bank or a wire transfer of funds to the account of **HCI** Hotel Consulting International. Wiring information is as follows:

First Union National Bank

To the order of:

O and R Valuation Services, Inc.

First Union National Bank, Miami, Florida 33133

If services beyond the scope of this proposal are required, you agree to pay an hourly professional fee for the additional consulting services. Our current fee schedule is available upon request and is maintained for a period of six months from the date of this proposal.

In addition to our professional fees, you agree to reimburse us any out-of-pocket travel and related expenses incurred while traveling on your behalf. You will be billed periodically for these expenses which will be due and payable upon presentation of our invoice and prior to delivery of the report.

Notwithstanding the fee payment schedule set forth above, if, at any time while performing this assignment, it becomes necessary to suspend work for a period of 30 days or more, then O & R Valuation Services, Inc. will be entitled to bill for the portion of the assignment completed up to the suspension (less any retainer paid) at its current per diem rates.


If payment for professional fees and related expenses is not received within thirty (30) days of the billing date, O & R Valuation Services, Inc. reserves the right to suspend all work until payment is made and apply a service charge of 1.5 percent per month or fraction thereof to the total unpaid sum. It is further agreed that in the event any type of action becomes necessary to enforce collection of bills rendered, that the legal jurisdiction will be Dade County, Florida and that you will be responsible for all collection costs including (but not limited) to court costs, reasonable legal fees and **HCI** collection expenses. It is understood that Hotel Consulting International may extend the time for payment on any part of billings rendered without affecting the understanding outlined above.

It is agreed that the liability of **HCI** /O & R Valuation Services, Inc., its employees and anyone else associated with this assignment is limited to the amount of the fee paid as liquidated damages. You acknowledge that any opinions, recommendations and conclusions expressed during this assignment will be rendered by the staff of **HCI** /O & R Valuation Services, Inc. acting solely as employees and not as individuals. Any responsibility of **HCI** /O & R Valuation Services, Inc. is limited to the client, and use of our product by third parties other than rating agencies and related parties shall be solely at the risk of the client and/or third parties. The study described in this proposal will be made subject to certain assumptions and limiting conditions. A copy of our normal assumptions and limiting conditions will be provided upon request. If in the sole opinion of **HCI** Hotel Consulting International it becomes necessary to add additional assumptions and limiting conditions in order to properly characterize and represent our conclusions, these additional assumptions and limiting conditions will become a part of our final report.

If the foregoing proposal meets with your acceptance, please sign and return one copy of **this agreement together with your retainer of \$10,000.** Your signature beneath the words "Agreed to and Accepted" signify your agreement to employ the **HCI** Hotel Consulting International division of O & R Valuation Services, Inc. for these services. In order to schedule our

assignments and perform your study in accordance with the timing set forth above, we ask that you return an executed copy of this agreement **on or before December 14th 2009.** We appreciate the opportunity of submitting this proposal and look forward to working with you on this assignment.

Very truly yours,

 Hotel Consulting International
Division of O & R Valuation Services, Inc.

Thomas F. O'Neill, CRE, MAI, ISHC, CHA
Managing Director
AGREED TO AND ACCEPTED:

By: _____

Date _____: