

GUEST QUARTERS HOTEL
FORT LAUDERDALE, FLORIDA

Piedmont Realty Advisors
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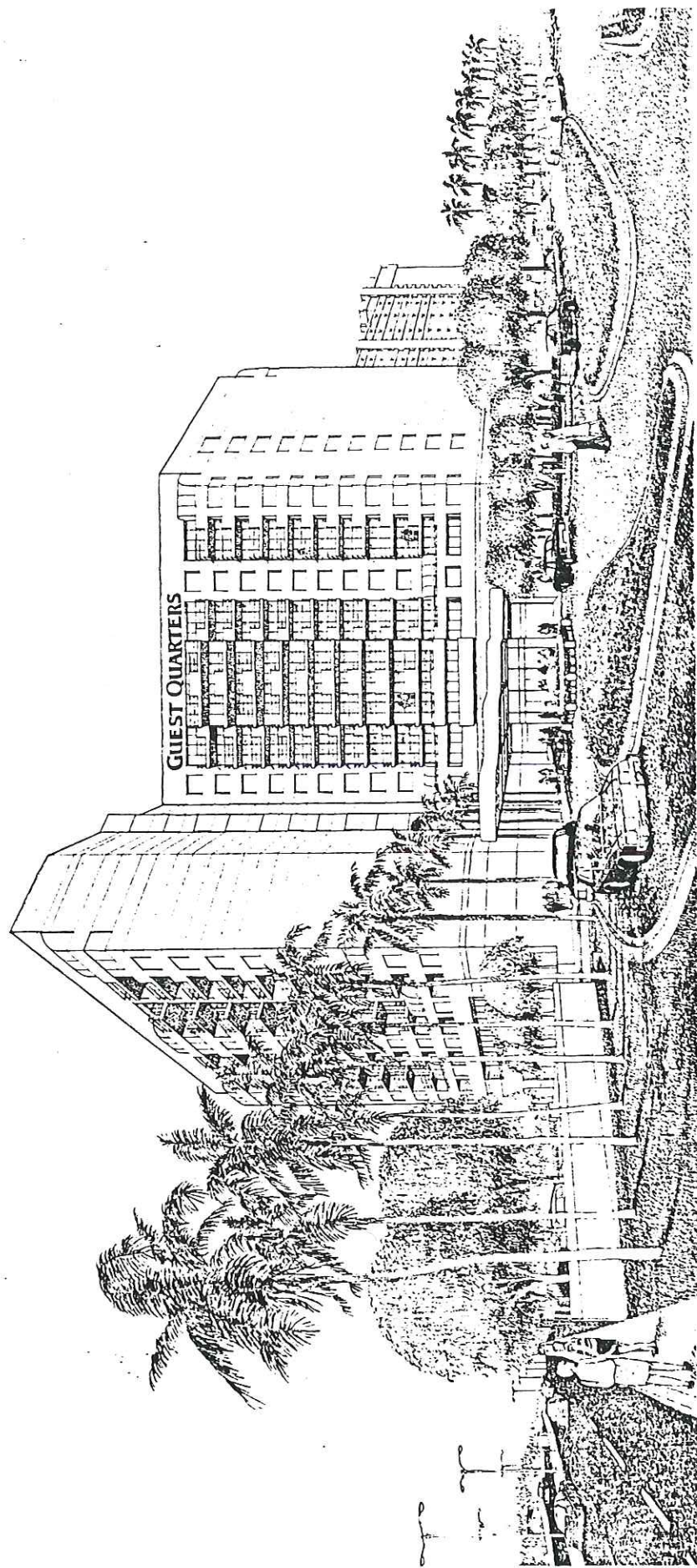


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Appendix A: Average Rate Analysis

Appendix B: Guest Quarters Market Strength

I. INTRODUCTION

PIEDMONT REALTY ADVISORS

1150 CONNECTICUT AVENUE, N. W.

SUITE 705

WASHINGTON, D. C. 20036

202-822-9000

January 17, 1986

Real Estate Investment Committee Members
United States Fidelity and
Guaranty Company
100 Light Street
Baltimore, Maryland 21202

Re: Guest Quarters Hotel
Fort Lauderdale, Florida

Dear Sirs and Madam:

Enclosed for your review is an Investment Report on the Guest Quarters Hotel in Fort Lauderdale, Florida, a proposed all-suite luxury hotel. Piedmont Realty Advisors will review the recommendations outlined in this report with the Real Estate Investment Committee on January 22, 1986. A summary of the proposed investment is presented as Exhibit I-1.

The Property - The hotel will contain 234 suites on 3.4 acres at the southwest corner of the intersection of Sunrise Boulevard and the Intracoastal Waterway in Fort Lauderdale, Florida. The site has excellent locational characteristics. It is within easy walking distance of the Atlantic Ocean beaches and the upscale Galleria Mall. It is only 20 minutes from the airport, accessed by U.S. Route 1 which is one mile east of the site. Interstate Highway 95 is four miles east, and the Florida Turnpike is seven miles east. The Intracoastal Waterway provides a constant stream of sailboats and yachts past the site. In summary, the site has good accessibility and close proximity to the major attractions in Fort Lauderdale.

The 13-story building is designed to maximize the views of the ocean and waterway. There will be 19 one-bedroom and 2 two-bedroom suites per floor. Fourteen of these suites (67%) will have private balconies. The hotel will also feature a 120-seat restaurant with an adjacent cocktail lounge, public meeting rooms, a private yacht marina, a swimming pool and jacuzzi, a fully equipped health spa, and two lighted tennis courts.

A parking structure just north of the site will provide 322 spaces, and 44 surface parking spaces will be around the hotel. The improvements will be constructed on 3.4 acres which is leased for 87 years from the Teachers Annuity and Insurance Association. One-half of the lease payment will be unsubordinated to the mortgage.

The luxury hotel has a development budget of \$26 million dollars of which \$3,828,000 is for operating reserves and working capital. This budget represents a cost of \$111,111 per suite or \$108.33 per square foot.

The Market - The Fort Lauderdale area (all of Broward County) is experiencing good population growth and an increasingly diversified economic and employment base. While tourism remains the dominant industry for the area, Fort Lauderdale is becoming a center for government, trade, and high-technology companies. The hotel market consists of 25,000 rooms in 600 properties, but only 52 of these hotels have over 200 rooms. Most of the larger properties have chain affiliations but are oriented more toward the moderately-price tourist and commercial traveller. A survey of 21 hotel properties indicates a high degree of seasonal occupancy which ranges from 90+% during the height of the tourist season to less than 45% in the off-season. In 1984 these properties experienced 65% annual occupancy while room rates increased 10% in 1985.

The primary competition will come from four hotels: (1) Marriott Harbour Beach (645 rooms); (2) Marriott Hotel and Marina (583 rooms); (3) Pier 66 (256 rooms); and Bahia Mar (297 rooms). At this time there are no existing suite hotels, but two 350-room Embassy Suite hotels are under construction. One is near the Marriott Hotel and Marina, and the other is in the Cypress Creek area. Including the subject property, 1,484 rooms are planned for the area over a five year period which represents an annual increase of 9.2%. Demand for hotel space is expected to increase at an annual rate of 8.8% over the same period so the market should remain near equilibrium. A study by Pannell Kerr Forster of the potential market demand for the hotel by estimates an average daily rate of \$130 in 1988 and a stabilized occupancy of 75% in the fourth year of operations. We concur with these findings.

Real Estate Investment Committee Members
USF&G
January 17, 1986
Page Three

The Borrower/Developer - The borrower is Guest Quarters FTL, Ltd., and the developer is Guest Quarters Interests. Both of these entities are partnerships in which A. James Clark and J. Taylor DeWeese each own 50%. A James Clark is one of the largest builders in the United States with George Hyman and Omni Construction Companies. He is also a substantial real estate developer as he takes an ownership positions in most of the projects he builds. He has a net worth in excess of \$150 million.

Before joining Clark in 1985, J. Taylor DeWeese was a development partner with Guest Quarters and before joining Guest Quarters, he was with Marriott Hotels as Director of Development for the southern United States. He developed eight properties for Marriott and four properties for Guest Quarters. He has a net worth of \$3 million.

The property will be constructed by Clark's George Hyman Construction, and it will be managed by Guest Quarters Hotels, Inc. Guest Quarters Hotels, Inc. has nine properties under management and 15 years of experience in the all-suite hotel business.

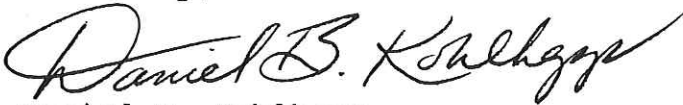
Risk and Return - The proposed participating mortgage provides three sources of annual income to USF&G. First, the borrower pays base debt service of \$2,600,000 (10% interest) each year; next he pays 3% of suite revenues to the extent that cash is available from operations, and finally USF&G receives 40% of all cash flow. USF&G also would receive 50% of cash proceeds from a sale after the mortgage balance and equity contributions have been repaid. The borrower can recover over \$2 million of equity contributed for cash flow deficits only if the lender receives a nominal yield of at least 16%. The experience of the developer and operator minimizes the operational risk, and the credit worthiness of the borrower along with the low base debt payment minimizes the default risk. Consequently, the major risk in this investment is the market risk. However, the robustness of the Flort Lauderdale economy and the competitive advantages of the subject property reduce this risk to an acceptable level.

Real Estate Investment Committee Members
USF&G
January 17, 1986
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The expected yield on the participating mortgage is estimated at 16% under 5% inflation assumptions. Piedmont Realty Advisors believes that this is an attractive return for the risks involved.

Therefore, we recommend that USF&G issue a permanent loan commitment in the amount of \$26,000,000 for the Guest Quarters Hotel in Fort Lauderdale, Florida under the terms and conditions outlined in this report. If you have any questions, please call me.

Sincerely,

A handwritten signature in cursive script, reading "Daniel B. Kohlhepp". The signature is written in dark ink and is positioned above the printed name and title.

Daniel B. Kohlhepp
Vice President

DBK:clg
Enclosures

Exhibit I-1
LETTER OF APPLICATION

PIEDMONT REALTY ADVISORS
1150 CONNECTICUT AVENUE, N.W.
SUITE 705
WASHINGTON, D.C. 20036
202-822-9000

December 13, 1985

Mr. J. Taylor DeWeese
Guest Quarters Interests, FTL Ltd.
c/o Clark Enterprises, Inc.
7500 Old Georgetown Road
Bethesda, Maryland 20814-5122

Re: First Mortgage Financing
Guest Quarters Hotel
Ft. Lauderdale, Florida

Dear Tate:

Piedmont Realty Advisors is prepared to recommend to its client's Investment Committee that it issue a commitment for a participating first mortgage on the above-captioned property subject to the terms and conditions described in this letter:

Property:	<u>Guest Quarters Hotel</u> -- A proposed 235-suite hotel which will also include 8,000 square feet of meeting space, a full service restaurant/lounge, a private yacht marina, swimming pool and outdoor hospitality area, two lighted tennis courts, and a health club.
Site:	3.4 acres leased from Teachers Insurance and Annuity Association for 88 years.
Location:	Sunrise Boulevard at the Intracoastal Waterway, Fort Lauderdale, Florida.
Borrower:	Guest Quarters Interests, FTL Ltd., a partnership composed of A. James Clark and J. Taylor DeWeese.
Lender:	USF&G Realty Company
Loan Amount:	\$26,000,000
Interest Rate:	10%
Term:	20 Years
Amortization:	Not applicable, interest only.

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PBK

Mr. J. Taylor DeWeese
December 13, 1985
Page Two

Call Option: Anytime after the end of the 15th year. Lender will give the borrower 18 months written notice of its intent to call the loan due. The appraisers will appraise the property 12 months before the call date, and these appraisers will update their estimates 3 months before the call date.

Prepayment: * No prepayment through year 10.
* Prepayment fee of 5% in year 11, declining 1% to 1% in year 15 and thereafter.
* No prepayment fee if lender exercises its call option.

Additional Interest:

A. Suite Revenues: To the extent that cash flow (see definition below) is available from operations on a non-cumulative basis, the Lender will receive 3% of suite revenues as additional interest. Additional interest is to be paid quarterly.

B. Cash Flow: Lender receives 40% of annual cash flows, paid quarterly.

C. Sale or Refinancing: In the event of a sale, the determination of the additional interest due to the lender will be calculated as follows:

	Bonafide Sales Price
Less:	Actual Selling Expenses paid to third parties or 3% of the sales price whichever is greater
Equals:	<u>Net Sales Price</u>
Less:	(1) Outstanding Mortgage Balance
Less:	(2) Guaranteed Equity Contributions to cover deficit cash flows up to a maximum of \$2,000,000
Less:	(3) Non-guaranteed Equity Contributions to cover deficit cash flows in excess of \$2,000,000 and accrued but unpaid return on equity contributions to cover deficit cash flows
Equals:	<u>Cash Proceeds from Sale</u>
Times:	50%
Equals:	<u>Lender's Additional Interest at Sale</u>

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Mr. J. Taylor DeWeese
December 13, 1985
Page Three

In the event of refinancing, the determination of the additional interest due the lender is calculated as shown above except that imputed selling expenses of 3% are deducted from the appraised value of the property in arriving at "Net Sales Price".

If the annual internal rate of return including the additional interest from sale or refinancing on lender's \$26,000,000 is less than 16%, then deduction (3) above (Non-guaranteed Equity Contribution) is reduced so that the lender's additional interest from sale is increased to the level that this internal rate of return reaches 16%. Deduction (3) cannot be reduced below zero. Exhibit A attached is a definition of the internal rate of return on \$26,000,000. Exhibit B attached is a schematic diagram of the distribution of cash proceeds from sale, and Exhibit C attached is a numerical example of the distribution of cash proceeds from sale.

Definition of
Cash Flow:

The term annual cash flow shall mean all the receipts received from the operation of the hotel and without limiting the generality of the foregoing, shall include all suite revenues, food and beverage revenues, telephone revenues, concession revenues, (including proceeds from rental or business interruption insurance less the total of the following expenditures incurred by the borrower for the operation of the property:

- a) direct departmental expenses;
- b) real estate taxes and assessments (or payments to the tax escrow account);
- c) cost of utilities;
- d) insurance premiums;
- e) reasonable management fees not to exceed 3% of gross room revenues;
- f) administrative and general expenses;
- g) property operating expenses for maintenance and cleaning;

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- h) cash payments to the reserve account equal to 1% of gross revenues in years 1 and 2, 2% of gross revenues in years 3 and 4, and 3% of gross revenues in years 5-20;
- i) 10% interest payment to the first mortgage amount;
- j) up to 3% of the total suite revenues paid to lender as additional interest;
- k) ground rent;
- l) other reasonable expenses directly attributable to the operations of the property as a suite hotel.
- m) capital expenditures approved by the lender. Lender's approval is not to be unreasonably withheld.
- n) a 10% cumulative preference return on equity contributed by the borrower to cover cash flow deficits. This deduction is to be made only if there is cash available after deductions a) through m) are made.

Deficit Cash Flow
Financing:

The lender has the right to finance deficit cash flows at interest rates below 10%.

Annual Budget
Approval:

Lender will have the right to review and to approve the annual budget. Lender's review will be in a timely fashion and approval will not be unreasonably withheld.

Commitment Fee:

\$520,000; \$260,000 paid in cash which is earned upon acceptance of the commitment and satisfaction of Contingencies A,C,D,E, and H set forth herein; and \$260,000 in an unconditional, irrevocable letter of credit which will be refunded to the borrower at closing. If Contingencies A,C,D,E, and H set forth herein are not satisfied, all funds (and the letter of credit) paid to lender shall be returned to the borrower.

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Mr. J. Taylor DeWeese
December 13, 1985
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Initial Funding: \$24,000,000; to occur upon receipt of the certificate of occupancy. Funding is to occur within 27 months of commitment acceptance.

Cash Flow Deficit Reserve: At initial funding, \$2,000,000 will be deposited into an escrow account. It will be disbursed monthly pursuant to operator's monthly statement with a re-accounting and adjustment monthly. Escrow account will bear interest for the benefit of the borrower. Any outstanding balance will be disbursed to the borrower at the earlier of (1) 36 months from the date of initial funding or (2) the expiration date of the cash flow deficit guarantee period.

Contingencies:

A. Economic Due Diligence: The issuance of the commitment will be contingent upon Piedmont Realty Advisors satisfactorily completing its economic due diligence which will include a market analysis from Pannell Kerr Forster provided by the borrower.

B: Plans and Specifications: The lender reserves the right to approve the plans and specifications for all proposed improvements and to approve changes, modifications, or corrections which increase or decrease the cost of construction by \$50,000 or more individually or \$250,000 or more in the aggregate. Lender's approval will not be unreasonably withheld.

C. Market Value Appraisal: The commitment will be contingent upon the lender receiving a market value estimate of the property from an MAI designated appraiser approved by the lender which is not less than \$31,000,000 within 30 days of the date of issuance of the commitment.

D. Lender Approval: This application must be approved by the lender's Investment Committee.

J.T.D.
ABK

Mr. J. Taylor DeWeese
December 13, 1985
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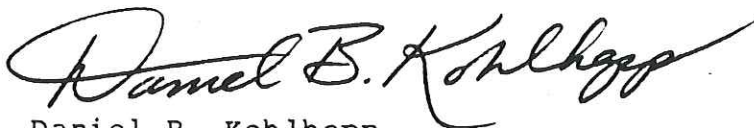
- E. Cash Flow Deficit Guarantee: After the exhaustion of the cash flow deficit reserve, the general partners of the borrower will personally guarantee to cover any cash flow deficits until the earlier of (1) the cash flow before debt payments exceeds \$216,667 per month for six consecutive months, or (2) the cash flow before debt payments exceeds \$2,600,000 for one full calendar year, or (3) 36 months after initial funding. The cash flow deficit guarantee shall be limited to a maximum total amount of \$2,000,000.
- F. Tri-Party Agreement: The commitment is contingent upon the lender, borrower, and the interim lender entering into an acceptable Tri-Party Agreement within 90 days after the commitment is accepted. Lender's approval is not to be unreasonably withheld.
- G. Hotel Management: Guest Quarters, Inc. is to be the hotel manager. Lender reserves the right to approve the management agreement which will provide that in the event of default, the lender has the right to keep the Guest Quarters management and/or the Guest Quarters franchise. The management agreement is to provide that the base management fee is not to exceed 3% of gross receipts and the incentive management is not to exceed 20% of annual cash flow as defined herein. Lender's approval is not to be unreasonably withheld.
- H. Secondary Financing: Lender will not permit secondary financing on the property.

J.T.D.
RAK

Mr. J. Taylor DeWeese
December 13, 1985
Page Seven

If the terms outlined in this letter are acceptable to you, please have the appropriate party sign below and return this letter with an application fee of \$50,000 by December 13, 1985. The application fee will be returned if the lender does not issue a commitment according to the terms of this letter on or before January 31, 1986 or applied to the commitment fee if a commitment is issued on or before such date.

Sincerely,



Daniel B. Kohlhepp
Vice President

J. Taylor DeWeese
SIGNED

General Partner - Guest Quarter, Interests - FTL
TITLE Limited Partnership

Dec 13, 1985
DATE

J.T.D.
DBK

Exhibit A

Calculation of Internal Rate of Return on Lender's Capital

The Internal Rate of Return on Lender's Capital is defined as that rate of discount which equates the present value of all interest and principal payments to \$26,000,000. The calculation is as follows:

$$\text{Original Loan Amount} = \sum_{t=1}^n \frac{C_t + R_t + F_t + P_t}{(1 + \text{IRR})^t} + \frac{\text{UM}_n + \text{AI}_n}{(1 + \text{IRR})^n}$$

where:

C_t = coupon interest paid in loan year t

R_t = up to 3% of suite revenues paid in loan year t

F_t = 40% of cash flows paid in loan year t

P_t = loan principal payments (if any) paid in loan year t

n = loan year of sale or refinancing

UM_n = unpaid mortgage balance in loan year n

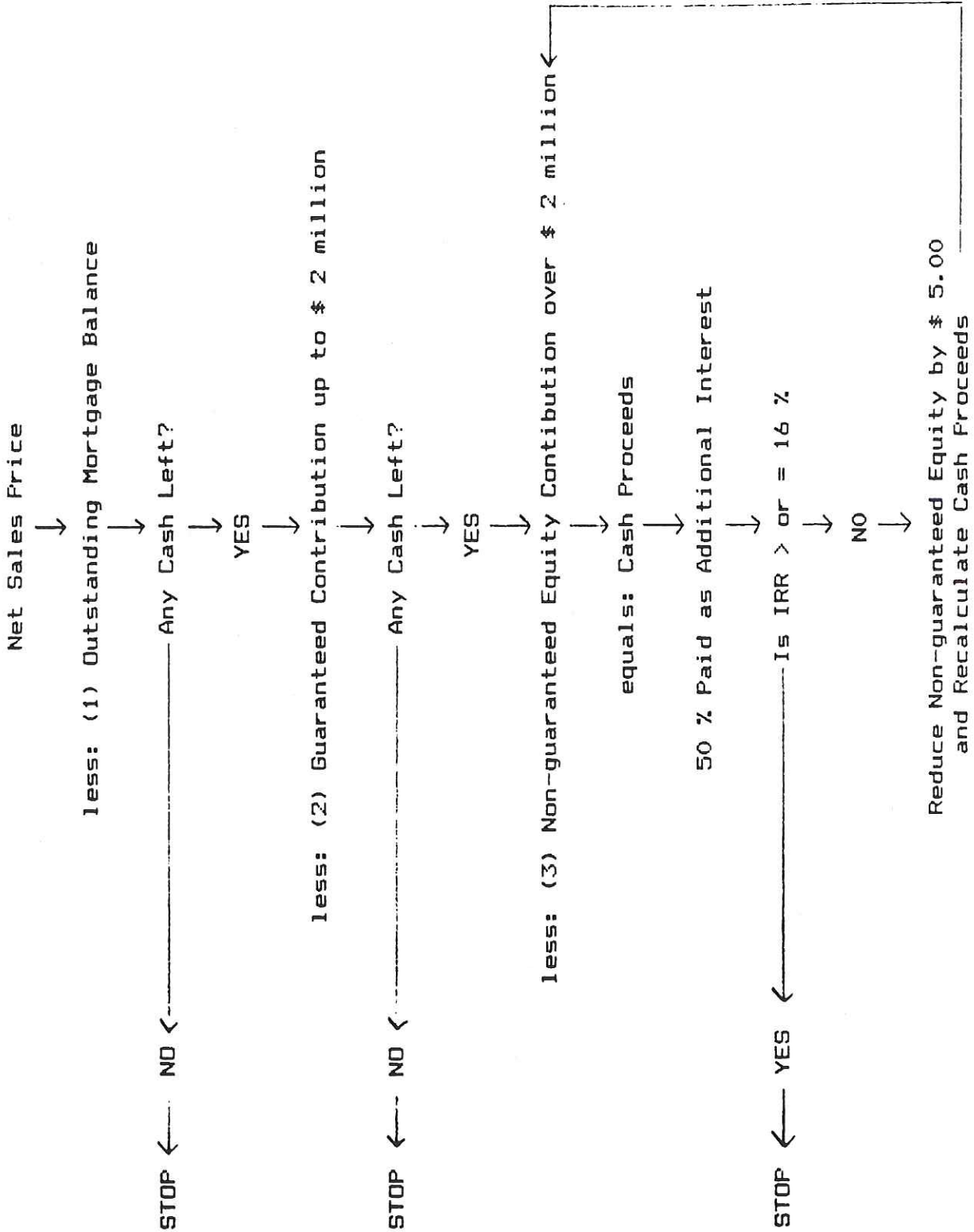
AI = additional interest from sale or refinancing paid
in loan year n

IRR = Internal Rate of Return on Lender's Capital

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Exhibit B

SCHEMATIC DIAGRAM



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EXHIBIT C

ADDITIONAL INTEREST AT SALE Numerical Example

GENERAL ASSUMPTIONS

Loan Amount:	\$26,000,000
Guaranteed Equity Contributions:	\$2,000,000
Non-guaranteed Equity Contributions:	\$3,000,000
Net Sales Price:	\$40,000,000

CALCULATIONS

Net Sales Price	\$40,000,000
less: Loan Amount	\$26,000,000
less: Guaranteed Equity Contributions	\$2,000,000
less: Non-guaranteed Equity Contributions	\$3,000,000
equals: Cash Proceeds	\$9,000,000
times: USF&G's Share	50.00%
equals: Additional Interest At Sale	\$4,500,000

TEST: IS USF&G'S IRR GREATER THAN OR EQUAL TO 16 % ?

Case A: Yes

Then,

Additional Interest At Sale \$4,500,000

Case B: No. An additional \$ 1,000,000 of Additional Interest is needed.
Then,

Non-guaranteed Equity Contributions is reduced by \$ 2,000,000
and the Additional Interest is Recalculated as follows:

Net Sales Price	\$40,000,000
less: Loan Amount	\$26,000,000
less: Guaranteed Equity Contributions	\$2,000,000
less: Non-guaranteed Equity Contributions	\$1,000,000
equals: Cash Proceeds	\$11,000,000
times: USF&G's Share	50.00%
equals: Additional Interest At Sale	\$5,500,000

Case C: No. An additional \$ 4,000,000 of Additional Interest is needed.
Then,

Non-guaranteed Equity Contributions is reduced to 0
and the Additional Interest is Recalculated as follows:

Net Sales Price	\$40,000,000
less: Loan Amount	\$26,000,000
less: Guaranteed Equity Contributions	\$2,000,000
less: Non-guaranteed Equity Contributions	\$0
equals: Cash Proceeds	\$12,000,000
times: USF&G's Share	50.00%
equals: Additional Interest At Sale	\$6,000,000

J.T.D.
DBK

II. THE PROPERTY

II. THE PROPERTY

A. INTRODUCTION

The subject property is a 234-room, all-suite hotel to be built at the intersection of Sunrise Boulevard and the Intracoastal Waterway in Fort Lauderdale, Florida. (See Exhibit II-1.) Construction is scheduled to begin in June 1986, with completion expected by early 1988. The property is centrally located with regard to the area's commercial activity, and it is also less than one mile from the Atlantic Ocean, allowing the hotel to appeal to both business and vacation travelers.

B. LOCATION

1. Accessibility

Visitors arrive in Fort Lauderdale primarily by way of the Fort Lauderdale-Hollywood International Airport or the major north/south highways serving the area. (See Exhibit II-2.) The airport is currently undergoing a \$262 million expansion and renovation that will be completed in early 1987. This expansion will benefit all air passengers to Fort Lauderdale and will serve to increase Fort Lauderdale's presence as a destination in south Florida.

The major roads in Fort Lauderdale parallel the coastline and run north-south. On the coast is Highway 1A, a four-lane surface street that serves as the major artery for beach related activities and developments. One mile inland is U.S. Highway 1, a four-lane surface street that serves a wide variety of strip and free-standing retail and commercial developments. Highway 1 is also used for access to and from the airport. Four miles inland is Interstate 95, and seven miles inland is the Florida Turnpike, both limited access highways. Several east-west surface streets connect these four main highways. Sunrise Boulevard is the most centrally located of these east-west arteries.

The subject site is located on the south side of Sunrise Boulevard at its intersection with the Intracoastal Waterway. Most arriving guests will be traveling east on Sunrise and will have excellent access to the project, requiring only a right turn. (See Exhibit II-3.) When traveling west on Sunrise Boulevard access is also good, requiring a left turn across two lanes of traffic or a U-turn at the signaled intersection of 26th Street.

Upon arrival, the guest may use the valet parking services or self-park in one of the 16 spaces north of the hotel or the 185 spaces on the surface level of the parking structure south of the hotel. Parking valets will have access to 28 spaces immediately south of the hotel and 137 spaces on the

second level of the structure. The 156 spaces located northwest of the hotel belong to the adjacent theater and restaurant and are not a part of the subject site.

When leaving the hotel, eastbound guests may use the main exit and turn right onto Sunrise, Boulevard, westbound guests will proceed through the parking area to 26th Street where the signaled intersection with Sunrise will allow a left turn.

Another item affecting access is the drawbridge crossing the Intracoastal Waterway. It is raised on request two to five times each hour and takes three to five minutes for a complete cycle. Since the hotel is on the inland side of the bridge, guests have unimpeded access to downtown and the airport for timely appointments. The bridge is currently being renovated and raised by ten feet, allowing for increased traffic flow and less frequent raisings. Construction will be completed by late 1987.

Overall access is very good. Due to the waterways and bridges throughout the area, many competitive properties have access problems. Visitors to the area have come to expect this, and the subject site's access is above average for waterfront properties. Thus, the site's superior access is a locational advantage.

2. Adjacent Land Uses

The area surrounding the site contains a wide variety of commercial and residential development. (See Exhibit II-4.) Immediately east of the property is a complex that includes a four-screen cinema, a stock brokerage office, and a McDonald's restaurant. Parking for the 1500-seat cinema may pose a problem. However, the theater site does have 156 spaces, and ample additional parking is available at the Galleria Mall across the street. The Galleria Mall is a major regional mall of 1.2 million square feet with 150 tenants including anchors of Saks Fifth Avenue, Jordan Marsh, Burdines, and Neiman-Marcus. The Galleria Mall is the premier mall for Broward County and will provide a significant attraction and identity for the subject hotel.

Immediately north of the site across Sunrise Boulevard are strip retail and mid-rise office properties which are in fair condition. Further north is a water and boating oriented residential neighborhood of upper-middle income single-family homes.

The Intracoastal Waterway is immediately east of the site, creating a water and yachting orientation for the hotel. On the eastern edge of the waterway is a 20-story condominium which will limit the subject's view of the Atlantic Ocean. (See Exhibit II-5.) Further east are more condominiums, a 242-room Holiday Inn, and the Atlantic Ocean. North of the condominiums is Hugh Birch State Park, a large recreation area. South of the Holiday Inn along Highway 1A is the Fort Lauderdale "strip" of budget beachfront hotels.

Another high-rise condominium is located south of the subject. Further south is an upper-middle income residential area of single-family homes. The downtown Fort Lauderdale business district is 1-1/2 miles southeast of the subject and contains county and federal office buildings as well as several recently developed office towers. Near downtown is Las Olas Boulevard which has some of the most fashionable and exclusive retail shops in south Florida. (See Exhibit II-6.)

C. THE SITE

The subject site is an irregularly shaped parcel of 3.4 acres and subject to a ground lease which expires December 31, 2072 (87 years). The site is outlined in Exhibit II-3 and the lease is summarized in Exhibit II-7.

The site is currently improved with the former Creighton's Restaurant which has been empty for the past eight months. The site is flat and level. The proposed improvements fully conform with zoning regulations.

D. THE IMPROVEMENTS

The site will be improved with a 234-room 13-story all-suite hotel, 44 surface parking spaces, and a 322-stall parking structure (see frontispiece). Parking will total 366 spaces or 1.56 spaces per room. Amenities will include a pool, jacuzzi, two tennis courts, meeting rooms, and an upscale restaurant with cocktail lounge. Construction will be of steel and concrete.

The main entrance will feature a traffic roundabout with a fountain and planter at its center. Part of the roundabout will be covered by a porte cochere which will protect guests from the elements. (See Exhibit II-8.) The ground floor will contain the front desk, lobby area, guest elevators, the restaurant, lounge, a nautical theme meeting and party room, and a curving stairway leading to the second floor meeting areas. While there will be three guest elevator shafts in the structure only two guest elevators will be installed. Two elevators will be adequate since they will be of the high speed electric type, and there will be two additional dedicated service elevators.

The 120-seat restaurant will feature an upscale "Surf and Turf" menu. It will be elevated by ten feet from the lobby to separate the spaces and enhance the restaurant's view of the waterway. Decor will feature wood panelling and live plants. The cocktail lounge will be situated between the restaurant and stairway to serve as both a waiting area and to capture the meeting crowd using the stairs.

The second floor will feature a 3,225 square foot meeting room that can be subdivided in various way, and an 1,100 square foot room that can be divided roughly in half. The meeting space has access to restrooms, public telephones, a coat room, and a generous pre-function area overlooking the terrace and waterway. "Executive Board Suites" will provide additional meeting space. These suites are identical to other suites except that the demising wall is removed, and a murphy-bed arrangement is used. This allows maximum flexibility for the space.

The fully equipped health club will also be located on the second floor next to the stairway which leads down to the outside pool/jacuzzi area. This arrangement will keep workout clothes and wet bathing suits out of the lobby. Storage, administrative and service areas occupy the balance of the second floor.

A typical floor plan is shown in Exhibit II-10. There will be 19 one-bedroom suites and two two-bedroom suites per floor. The floor plan is oriented to maximize available ocean views by facing room windows and balconies between adjacent high-rise condominiums. Fourteen suites per floor (67%) will have private balconies and all suites will have large view windows that may be opened. Two stairwells, two service and two guest elevators will serve each floor. The location of the elevators on each floor will require a walk of 150 feet to the farthest room.

The 13th floor plan is shown in Exhibit II-11. It will be identical to the other guest floors except three of the suites on the water side of the building will be converted into "Executive Board Suites".

Exhibit II-12 is a floor plan for a typical suite. The plan illustrates the Guest Quarters concept of providing essentially a fully-furnished one-bedroom apartment. Each suite includes a full kitchen equipped with all major appliances, cooking and eating utensils, china, flatware and glasses. There is a dining area for four and a living area that features a full-sized sofa (no sofa-beds), chairs, remote-controlled color T.V. and other furnishings. (See Exhibit II-13.) Guest Quarters' suites average approximately 740 square feet, more than double the size of a typical 350 square foot hotel room. Exhibit II-14 provides a breakdown of square footage allocations for the hotel.

E. BUDGET

The project budget is presented in Exhibit II-15. The total budget of \$26,000,000 represents a cost of \$111,111 per suite, or \$108.33 per square foot. Contingencies, and operating reserves total \$3,828,000, or 15% of the budget, which is appropriate in light of the working capital needed during the first years of a hotel's operation.

Due to the similarity between the Guest Quarters Hotel and a luxury apartment complex a cost comparison is appropriate. By eliminating operating reserves and furnishing expenses the total cost is \$20,441,000, or \$87,354 per unit and \$85.17 per square foot. Due to the leasehold on the site an upward adjustment of \$4,000 per unit must be made for a fee interest in the land while a downward adjustment of \$6,000 per unit should be made for the public areas in the building. The net cost of approximately \$85,000 per unit is at the upper end of comparable luxury condominiums. However, the projected costs are in line with recently completed hotels in the area (\$125,000/room for Marriott Harbour Beach) and Guest Quarters in Tampa (\$114,000/room).

F. CONCLUSION

The proposed Guest Quarters has an excellent site in relation to the demand generators in the Fort Lauderdale area. The central business district, the airport and beaches are all readily accessible from the subject site. Additionally, the subject's immediate proximity to the Galleria Mall and the Intracoastal Waterway will enhance the project's image as an upscale, luxury hotel.

Exhibit II-1
REGIONAL LOCATION MAP
FORT LAUDERDALE GUEST QUARTERS

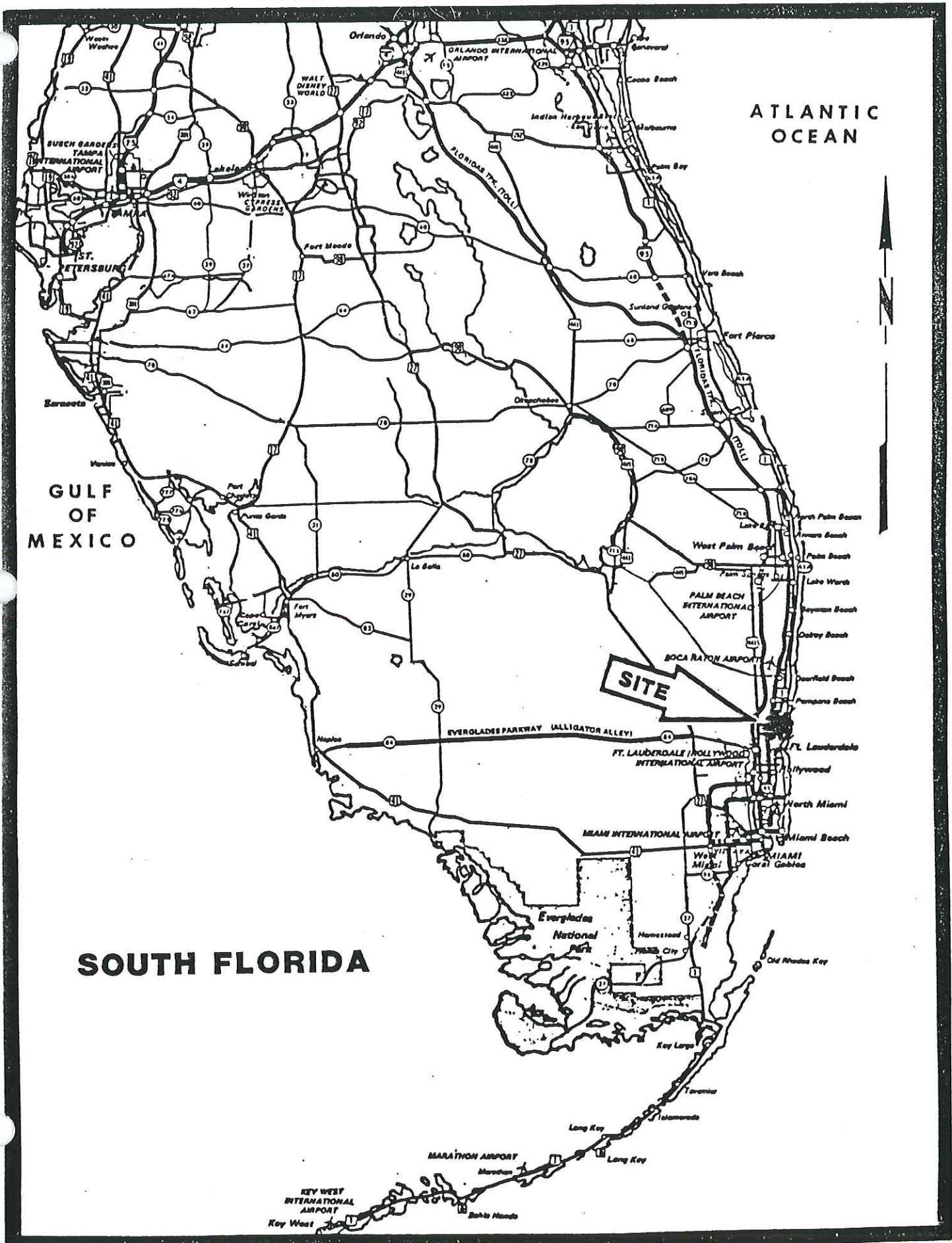


Exhibit II-2
SITE LOCATION MAP
FORT LAUDERDALE GUEST QUARTERS'

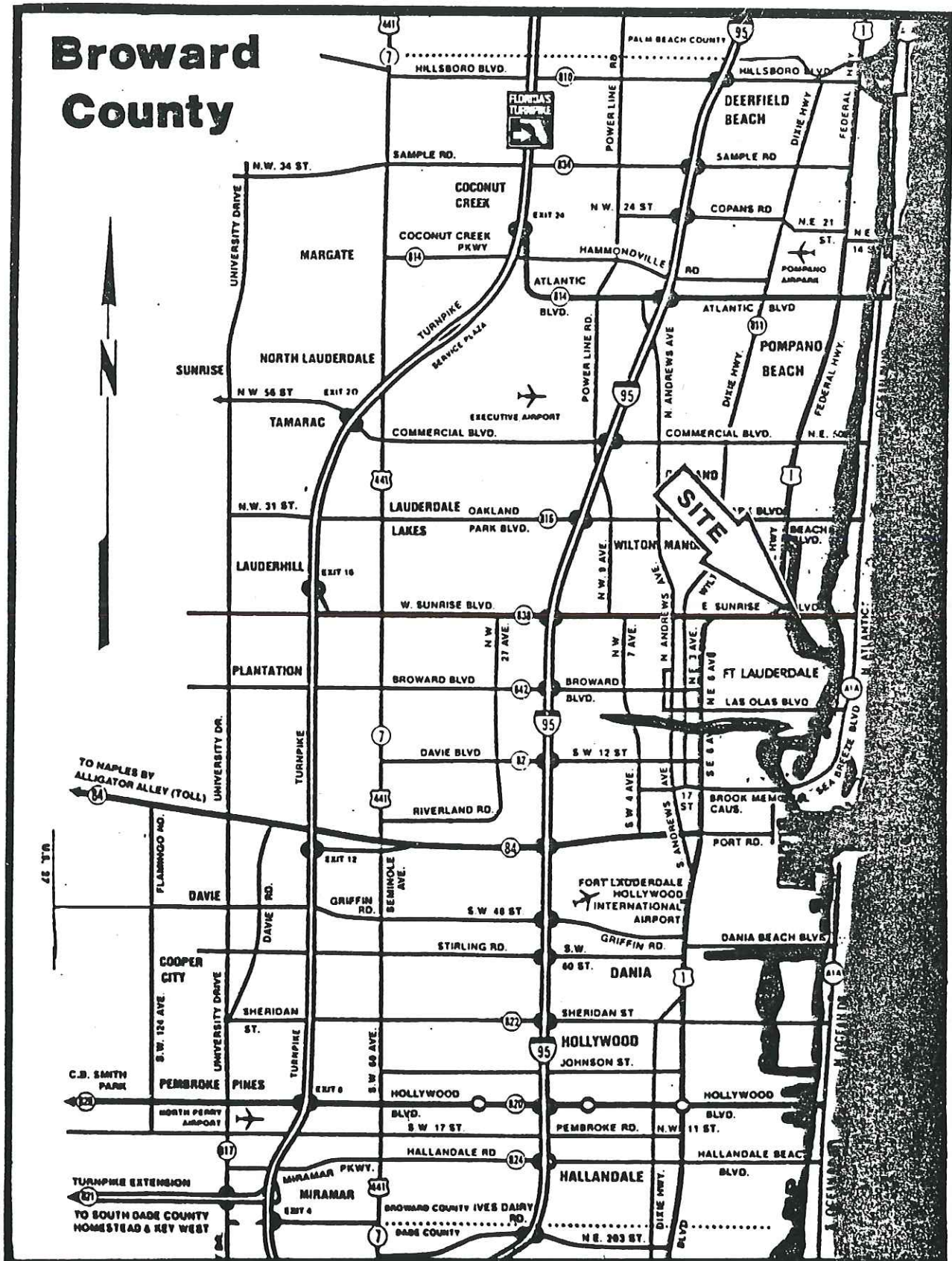
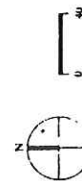
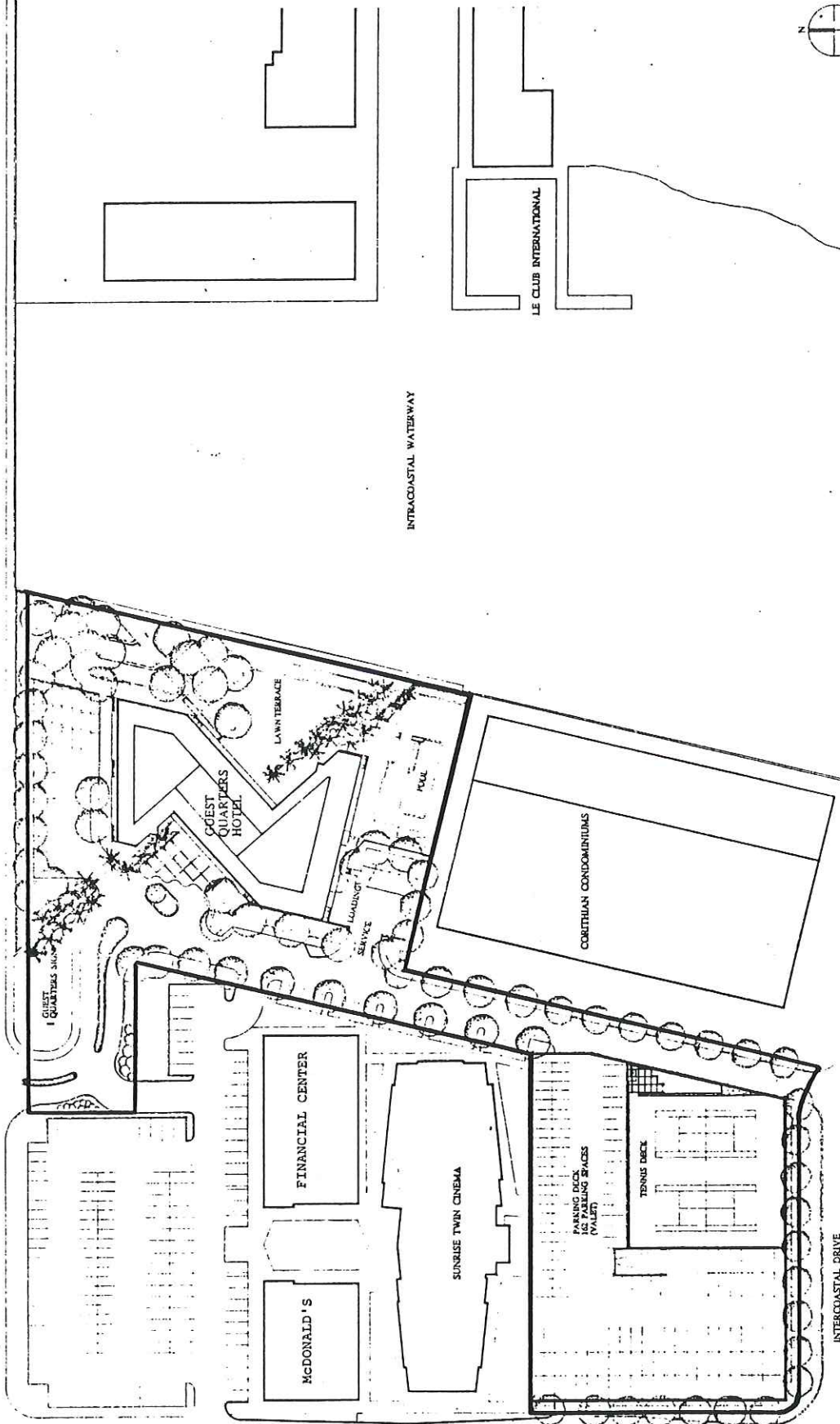


Exhibit II-3 SITE ACCESS



TRAFFIC
SIGNAL

SUNRISE BOULEVARD



26th AVENUE

GUEST QUARTERS / GALLERIA

GUEST QUARTERS
INTRINSICS

Oldham & Seitz

SITE PLAN

Exhibit II-4
AERIAL PHOTOGRAPH
LOOKING SOUTHWEST

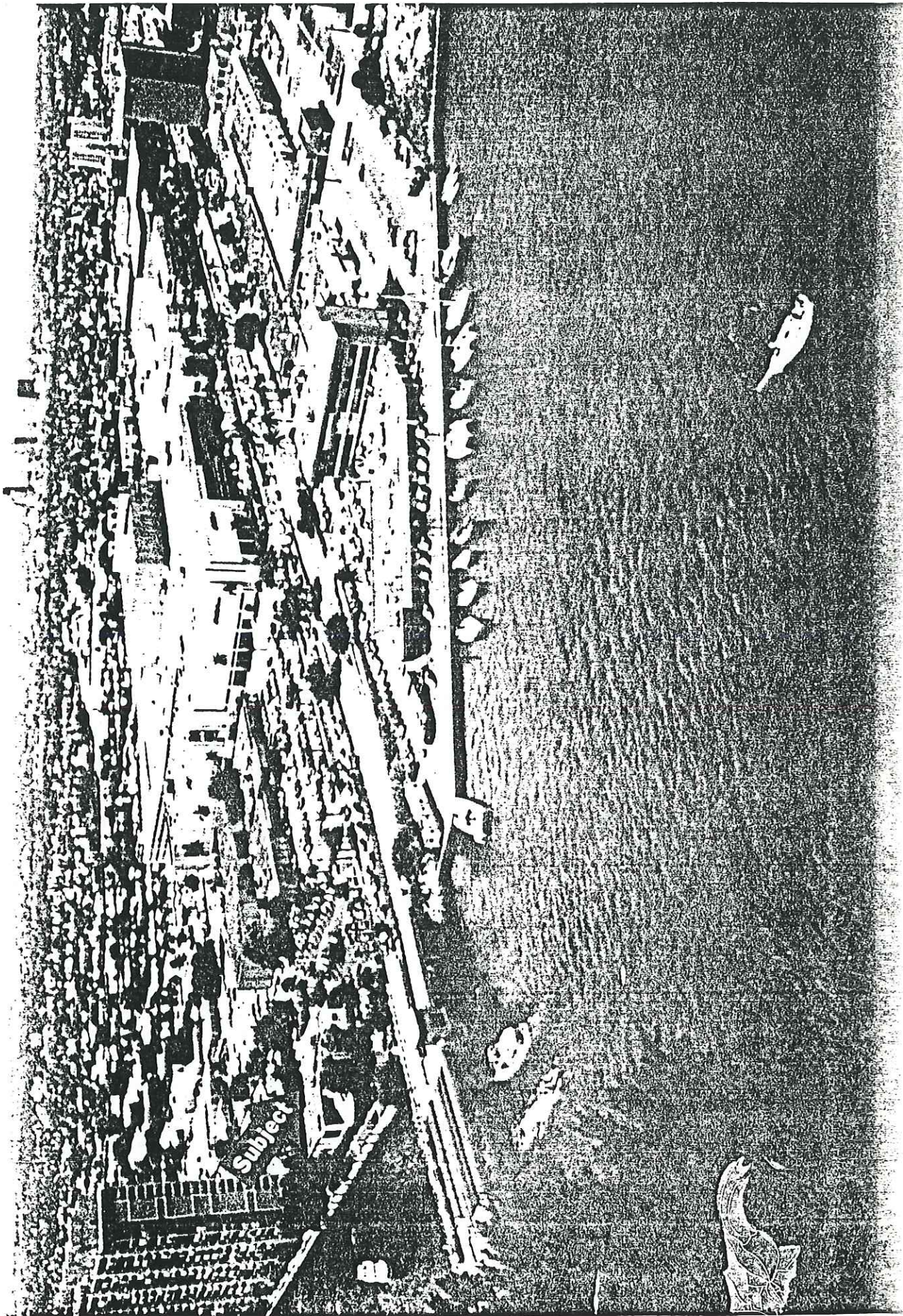


Exhibit II-4B

HOTELS INCLUDED IN FIVE-YEAR SURVEY

Bahia Mar
Best Western - Fort Lauderdale
Bonaventure
Day's Inn - Land Surf
Day's Inn - Fort Lauderdale
Hilton at Galt Ocean
Hilton - Hollywood Beach
Holiday Inn - Oceanside
Holiday Inn - Coral Springs
Holiday Inn - Plantation
Howard Johnsons By The Sea
Howard Johnsons Hollywood Beach
Howard Johnsons Pompano
Lago Mar
Marina Bay
Oakland Park Inn
Pier 66
Sheraton Yankee Trader
Sheraton Yankee Clipper
World of Palm Aire

21 Properties/Appx. 5,500 Rooms

Source: Pannell Kerr Forster and
Piedmont Realty Advisors

Exhibit II-5
AERIAL PHOTOGRAPH
LOOKING SOUTHEAST

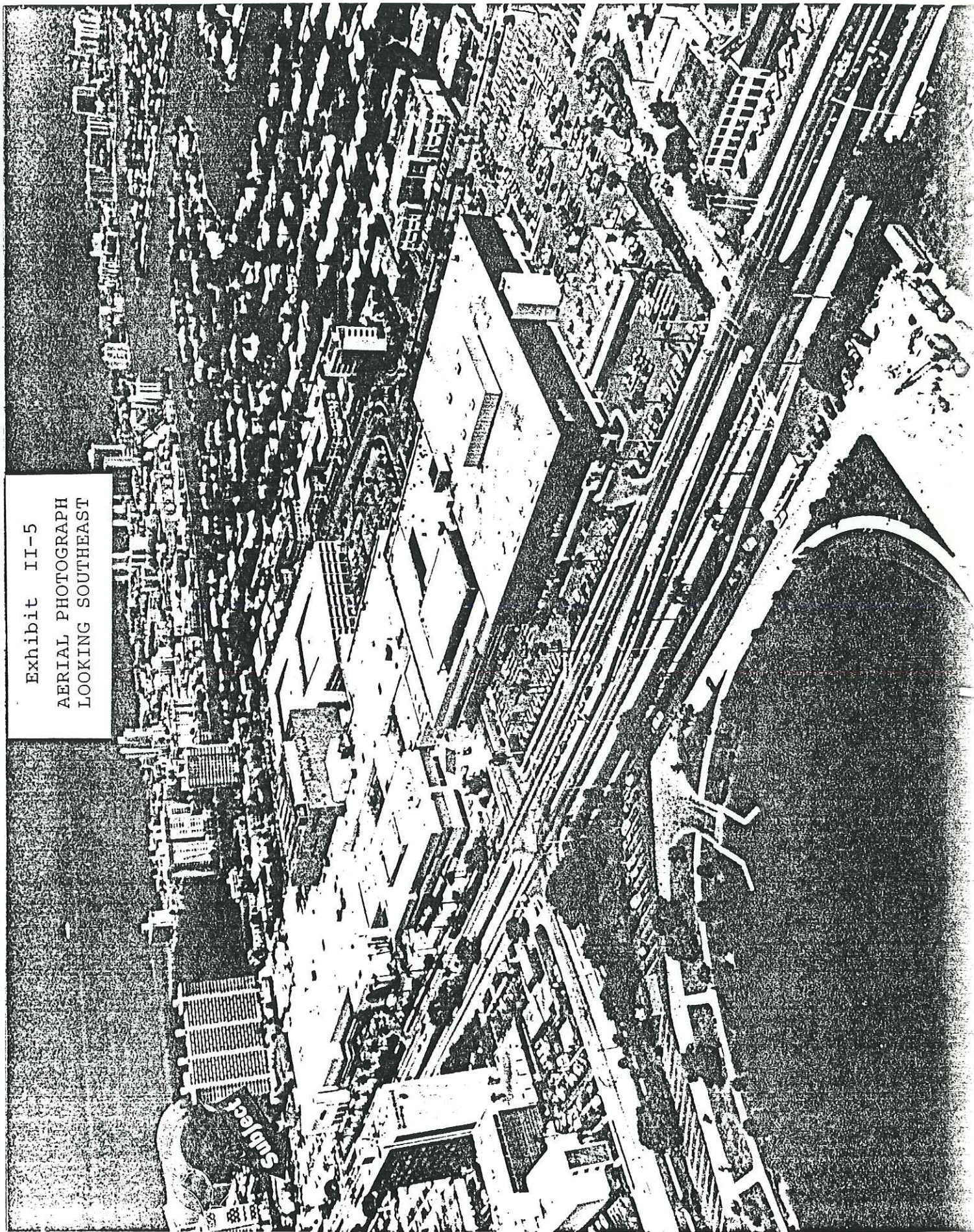


Exhibit II-6
ADJACENT LAND USES

RESIDENTIAL
SUBJECT SITE
GALLERIA MALL
FORT LAUDERDALE 'STRIP'
RESIDENTIAL
FINE RETAIL
AIRPORT
CENTRAL BUSINESS DISTRICT

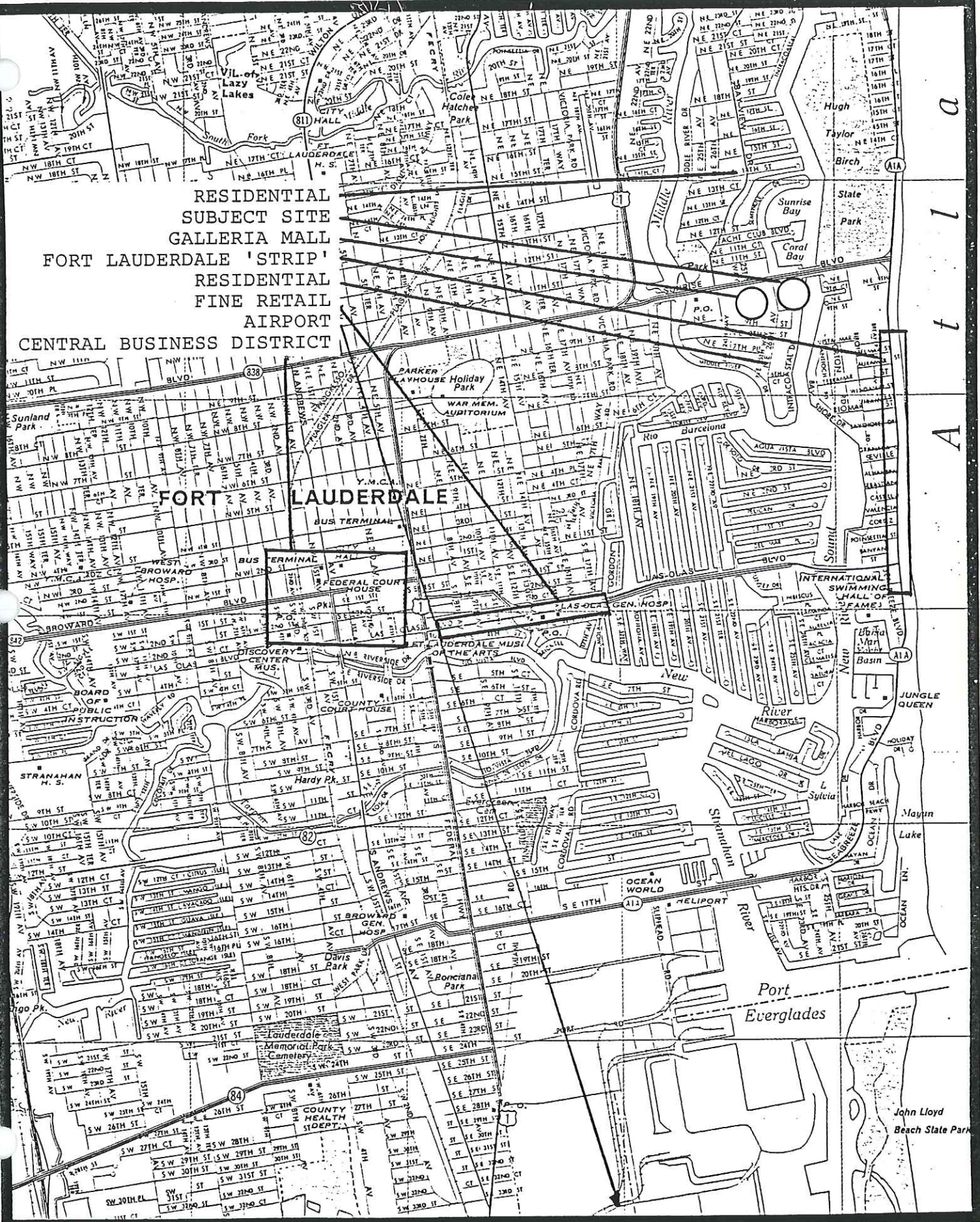


Exhibit II-7

FORT LAUDERDALE GUEST QUARTERS
LAND LEASE SUMMARY

Fee Owner: Teachers Insurance and Annuity

Term: 88 Years

Rent: A. Base Rent

1. \$ 50,000/ year to June 30, 1986
2. \$125,000/year to April 30, 1988
3. \$200,000/year to Termination

B. Additional Rent - The greater of Participation Rent (2% of increases in room revenue above third year base) or Fixed Escalations as follows:

1. Years 4-6 \$ 10,000/year
2. Years 7-9 \$ 20,000/year
3. Years 10-14 \$ 60,000/year
4. Years 15-19 \$ 80,000/year
5. Years 20-24 \$100,000/year
6. Years 25-29 \$120,000/year
7. Years 30-34 \$140,000/year
8. Years 35-39 \$160,000/year
9. Same rate of increase through expiration
10. Years 79-88 \$340,000/year

Leasehold Mortgagee: Lease contains all rights and privileges in favor of first mortgagee that are reasonably and customarily required by a mortgagee for projects of this nature.

Subordination: Fifty percent of all rent payments are subordinated so that a mortgagee in possession would be responsible for one-half of the rent payments set forth above.



Oldham & Seltz

GUEST QUARTERS INTERESTS

GUEST QUARTERS / GALLERIA

Exhibit II-9
SECOND FLOOR PLAN

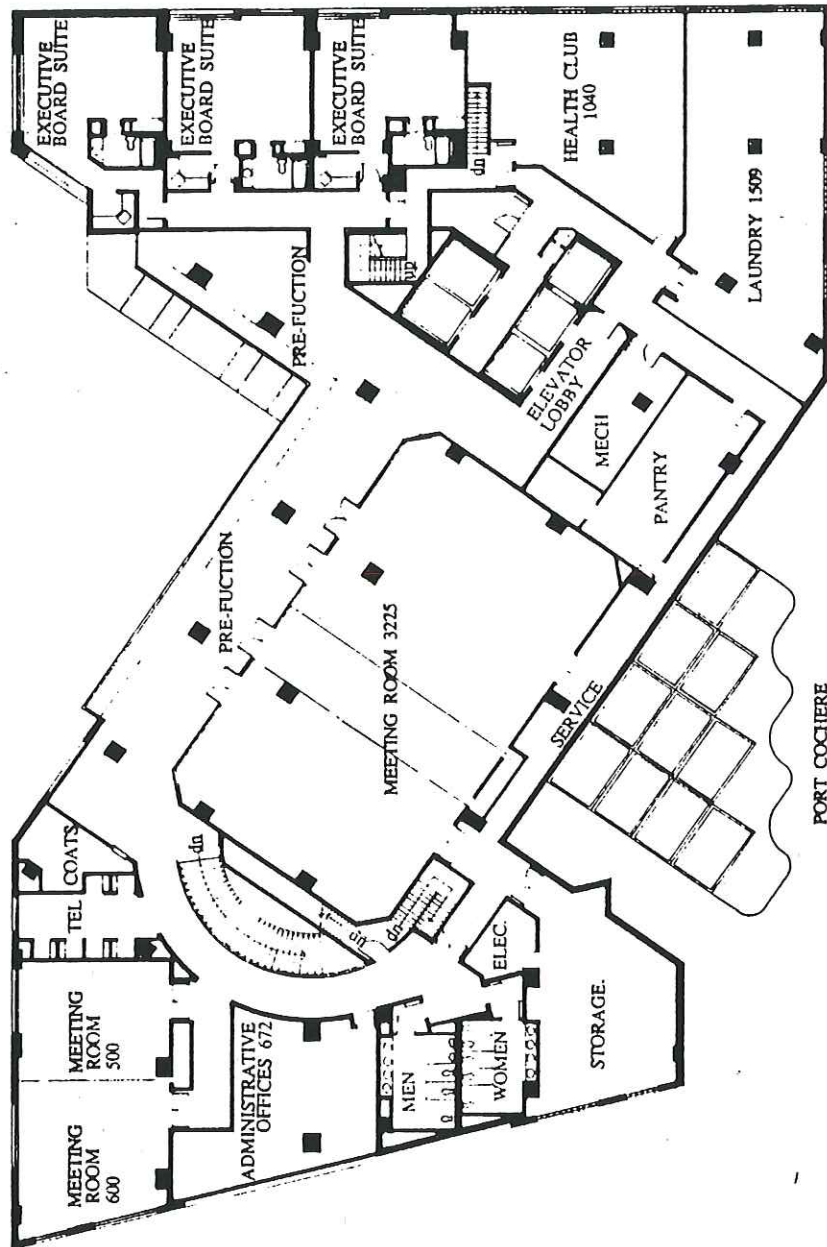
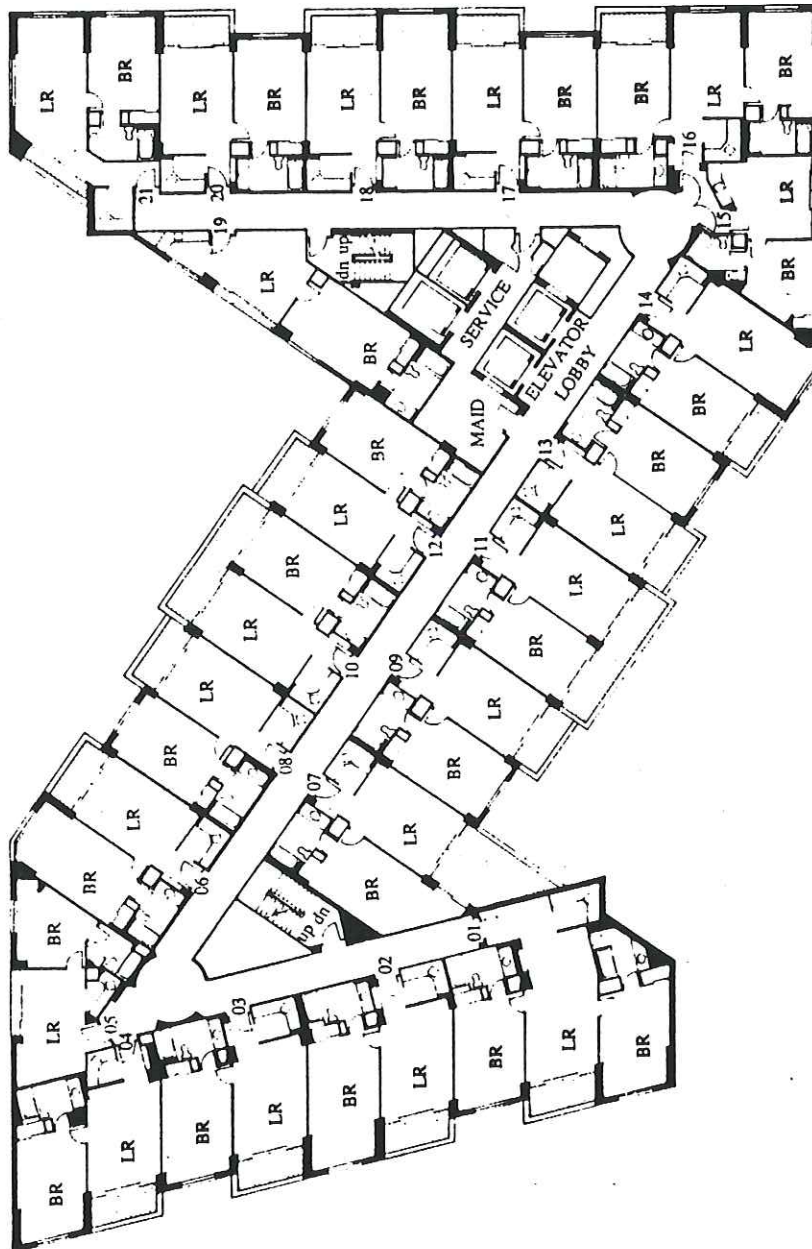
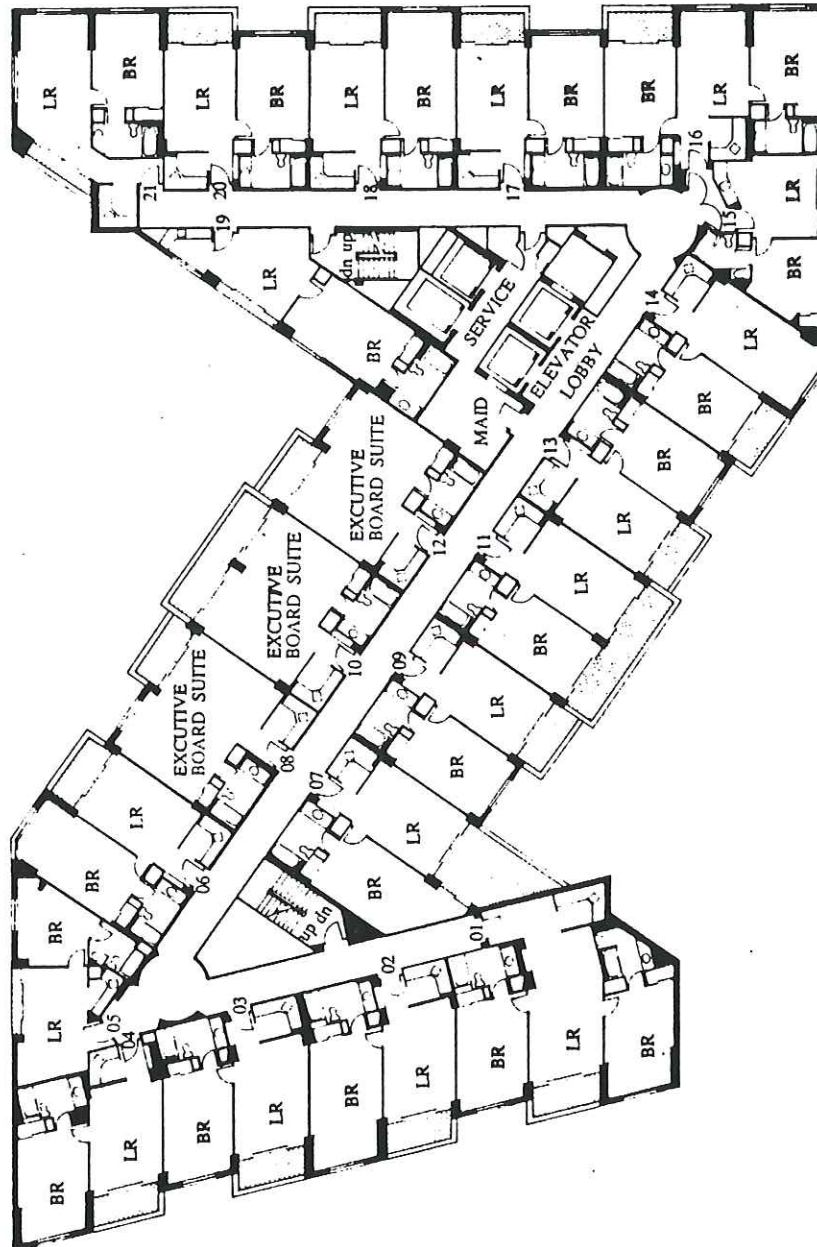


Exhibit II-10
TYPICAL FLOOR PLAN



LEVELS 3-12		
19	ONE BEDROOM SUITES x 10 =	190
2	TWO BEDROOM SUITES x 10 =	20
TOTAL NUMBER OF SUITES		210

Exhibit II-11
THIRTEENTH FLOOR PLAN



LEVEL 13		
ONE BEDROOM SUITES	16	
TWO BEDROOM SUITES	2	
EXECUTIVE BOARD SUITES	3	
TOTAL	21	

Exhibit II-12
TYPICAL SUITE PLAN

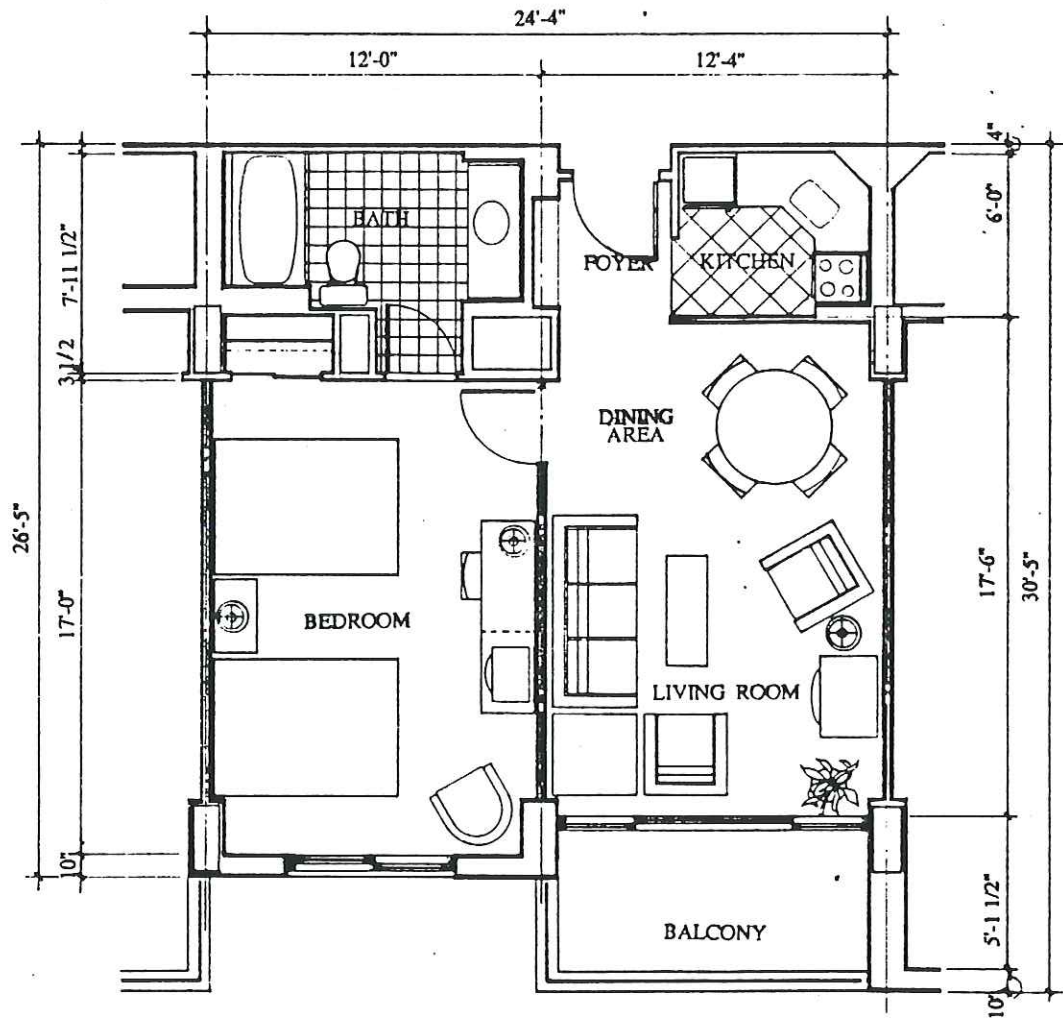


Exhibit II-13
TYPICAL LIVING ROOM

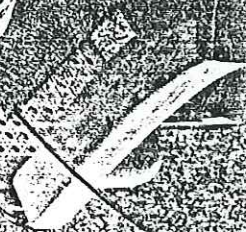
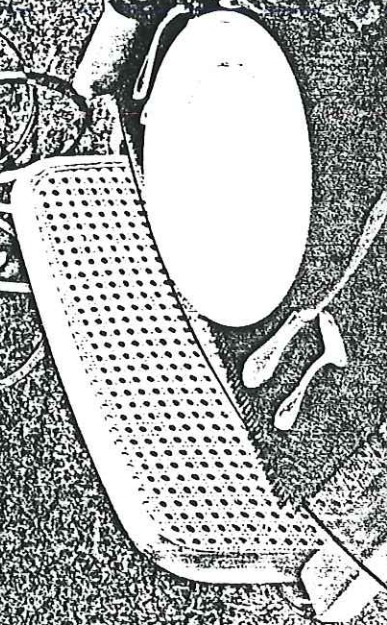
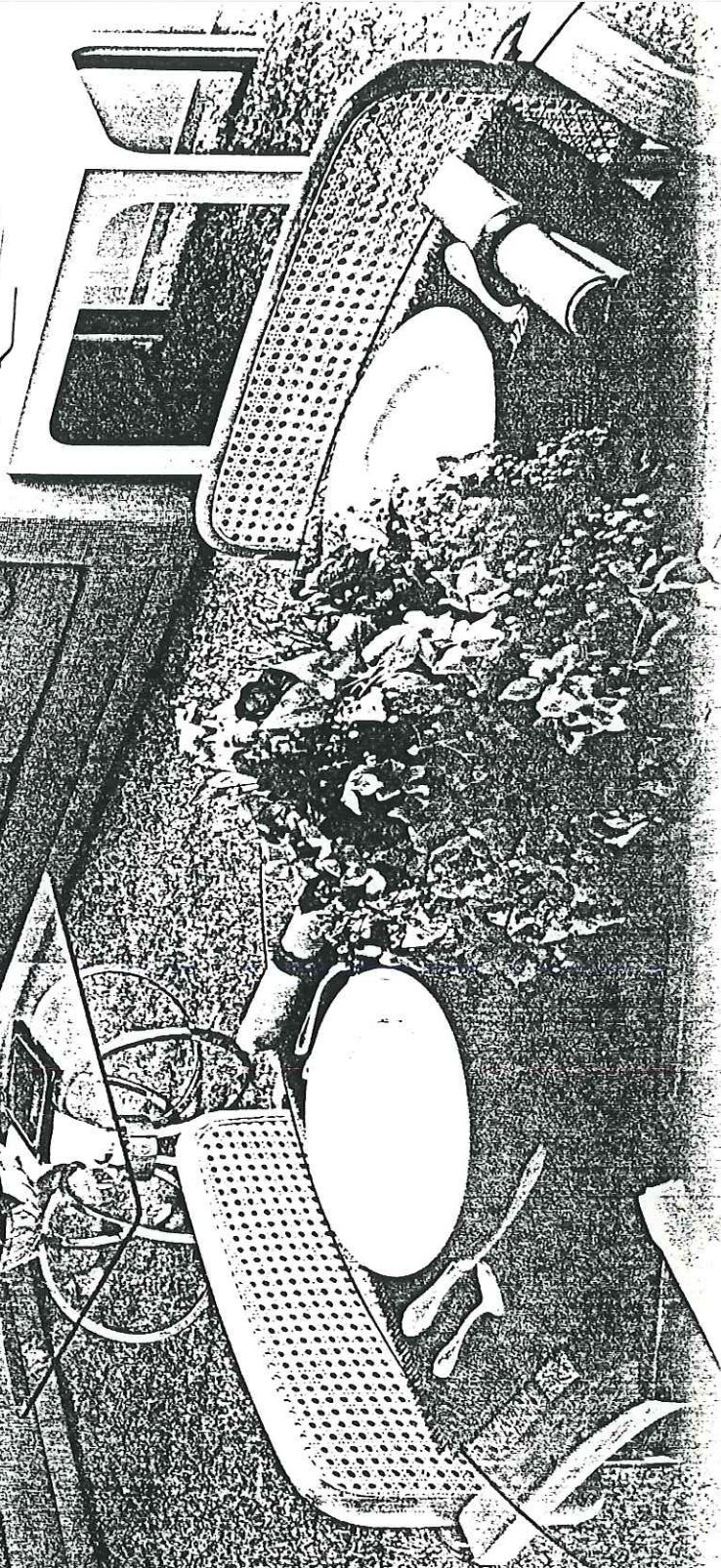


Exhibit II-14

SQUARE FOOTAGE ANALYSIS

	<u>Square Feet</u>	<u>Percentage</u>
Suites (234 @ 740 S.F.)	173,160	72.1%
Meeting Rooms 5,365		
Exec. Board Rooms <u>4,500</u>		
	9,865	4.1%
Administration, Lobby, Health Club	5,700	2.4%
Restaurant, Bar, Kitchen	5,425	2.3%
Other (Hallways, Service, Storage, etc.)	<u>45,850</u>	<u>19.1%</u>
Total	240,000	100.0%

Exhibit II-15
DEVELOPMENT BUDGET

Hard Cost (232 units; 240,000 S.F.)

General Contract	\$14,500,000	
Contingency	750,000	

		\$15,250,000
Leasehold Purchase		1,530,000
Architectural and Engineering		1,250,000
Furniture, Fixtures, and Equipment		2,480,000
Administrative and General		
Legal	\$200,000	
Development Fee	400,000	
Other	160,000	

		760,000
Pre-Opening and Working Capital		1,000,000
Financing		
Construction Interest		
(\$24M x 10% X .42 X 1.4)	\$1,411,200	
Fees (1%)	240,000	

		1,651,200
Operating Shortfall Contingency		2,078,800

	TOTAL	\$26,000,000

Cost Per Room: \$111,111.00

Cost Per S.F.: \$108.33

III. THE MARKET OVERVIEW

III. MARKET OVERVIEW

A. INTRODUCTION

Fort Lauderdale is an established and growing area with an increasingly diversified economic and employment base. The MSA for Fort Lauderdale includes all of Broward County, and both the area's population and income levels have been growing faster than national averages. (See Exhibit III-1.) As of December 31, 1984 Broward County had a population of 1,142,000 with an average household income of \$30,358.

Commercial and residential development has been very active in the past few years, expanding the city in a westward direction. In addition to the downtown area (which recently added two new high-rise office buildings) two new office centers have emerged. The Plantation area (nine miles west of downtown) has added several hundred thousand square feet of mid-rise office space and a major mall, and is also considered a desirable executive residential area. The Cypress Creek area (five miles northwest of downtown on I-95) has just completed over 500,000 square feet of new space and is becoming another employment center within the area. Plans for a major new regional convention facility and the possibility of relocating the Orange Bowl Stadium from Miami to Broward County have added a further momentum to the growth in development. (See Exhibit III-2.)

Whether as a cause or effect of this commercial development, major employers have arrived or expanded in the area. Employment is balanced between high-tech (Motorola, Bendix), financial (American Express), manufacturing (Gould Electric, Westinghouse), government, retail trade and tourism services. (See Exhibit III-3.)

Tourism is still a dominant industry for the area, generating an estimated \$2 billion in annual revenues. Fort Lauderdale's climate, beaches, and other attractions will continue to draw vacationers to the area. However, the local economy's diversification is reflected by the fact that an airport survey in 1984 indicated that 38.8% of arrivals listed vacation as the primary purpose of their visit, down from 46.7% for a similar period in 1983. This lessening dependence on tourism should have a stabilizing effect on the economy and help balance the very seasonal hotel occupancy patterns.

B. FORT LAUDERDALE HOTEL MARKET

The hotel market in Broward County consists of over 25,000 rooms contained in 600 properties. Of these 600 hotels, only 52 have more than 200 rooms, indicating a predominance of non-chain affiliated and "Mom and Pop" operations. These smaller hotels are typically older properties with a low-

price tourist orientation. Most of the 52 larger properties maintain chain affiliations; however, they generally have moderate-price tourist or commercial orientations and do not represent direct competition for the subject property. Additionally, several properties are located well inland from the coast (such as in the Plantation or Cypress Creek areas), which eliminates them from the competitive supply.

A five-year analysis of representative major hotels is presented in Exhibit III-4. This survey includes 21 properties which are located throughout the Fort Lauderdale area and have moderate to upscale orientations. These properties are included only to illustrate overall trends in the Fort Lauderdale market and should not be compared to the subject's market segment which gets substantially higher room rates and occupancies. The figures show the high degree of seasonality with occupancies of 90+% at the height of the season and lows of less than 45% during September. The survey also demonstrates the effects of the recent recession with declining occupancies and average daily room rates that barely kept pace with inflation from 1980 to 1983. Occupancies rebounded in 1984 and have stabilized at approximately 65% on an annual basis, while room rates advanced almost 10% in 1985.

C. COMPETITIVE PROPERTIES

The area immediately surrounding the subject property, especially the "Strip" on AlA, contains several thousand hotel rooms. However, on the basis of market orientation, amenities, price and location, four properties will be directly competitive, while an additional four properties will provide secondary competition. (See Exhibit III-5.)

1. Primary Competition

Each of the competitive properties is located proximate to the 17th Street Causeway (Highway AlA) and has convenient access to beaches, the Intracoastal Waterway and the airport. Each property has access equal to or worse than the subject due to frontage roads, bridges or site characteristics. All of the properties provide valet parking, and the Marriott Harbour Beach and the Bahia Mar charge for parking. As a group these properties constitute the top of the market in terms of amenities offered, rates charged, and average occupancy. A brief description of each property follows.

Marriott Harbour Beach has 645 rooms and was opened in November of 1984. It is the finest hotel in the area as it provides complete resort amenities including a beachfront location, health club, golf privileges at nearby clubs, an Olympic sized pool and tennis courts. It also has four fine restaurants and three cocktail lounges. Public areas of over 30,000 square feet include two ballrooms and facilities to handle major conventions. This property created a major expansion in the number of rooms available in the upscale market segment, and aggressive group marketing has allowed this Marriott to lead the market in room rates while occupancy in the group has remained stable.

Marriott Hotel and Marina has 583 rooms and was opened in 1981. It features an on-site marina, two pools, saunas, tennis courts, and three theme-style restaurants and cocktail lounges, and fifteen thousand square feet of meeting space for groups and conventions. Guests are primarily commercial and group travelers.

Pier 66 contains 256 rooms and has been a landmark since it was opened by Phillips Petroleum in 1960. It was completely renovated in 1983. Located on the Intracoastal Waterway immediately opposite the Marriott Hotel and Marina, it features a 142-slip marina, two pools, three tennis courts, putting greens, and a health club. There is 17,000 square feet of meeting space in separate locations, the largest of which is 7,500 square feet. Restaurants include the 5-star Windows on the Green and Pier Top Lounge, a revolving rooftop facility. The hotel attracts mainly commercial and group travelers. Pier 66 was sold in December 1985 to Rahn Management for \$45 million.

Bahia Mar with 297 rooms was opened in 1962 and has recently been redecorated. It features a 350-slip marina which is the site of the annual Fort Lauderdale Boat Show, the largest in-water boat show in the country. Bahia Mar attracts a more vacation-oriented guest with resort amenities that include shopping arcades, beach access by walking across Highway A1A, pools and marina-based activities. The property also offers 11,000 square feet of meeting space and two restaurants.

2. Secondary Competition

Secondary competition consists of a Hilton, a Holiday Inn and two Sheraton properties. These hotels have distinctly tourist orientations with lower amenity levels and room rates. These properties will not compete directly with the subject and are included to illustrate second-tier room rates, occupancy levels, and market orientation.

Hotels that are proposed or under construction are listed in Exhibit III-5B. There are no existing all-suite hotels in the Fort Lauderdale area at this time. However, a 350-room Embassy Suite is currently under construction near the Marriott Hotel and Marina on the 17th Street Causeway. It is scheduled to open in early 1987 and will be operated by Holiday Inn's Embassy Suite division. It will appeal to business/commercial travelers, although Embassy Suite rooms and amenities are a notch below Guest Quarters. A 400-room Radisson Hotel is being considered for the area, but development will be contingent upon the Convention Center's plans which are still in the political process.

A 500-room Hilton will soon begin construction three miles north of the subject on the Galt Ocean Mile Barrier Island. The property will have a beachfront location, a national affiliation, and will cater to the business and group trade. The tentative opening date is early 1988. Another 350-room Embassy Suite and a 200+ room Marriott are currently under construction in the Cypress Creek area and should come on-line in the next year. However, their locations do not make them directly competitive with the subject.

Including the subject property, 1,484 rooms are planned for the area over a five-year period, creating a 46% (9.2% annual) increase in room supply for this market segment. The feasibility study by Pannell Kerr Forster for the project predicts an annual growth rate for demand of 8.8% (led by the growth in group demand), indicating that supply and demand will remain essentially in balance.

D. CONCLUSIONS

Fort Lauderdale and Broward County have a growing and increasingly diversified economy that should continue to do well in the future. With the addition of a major convention facility, Fort Lauderdale will have increased appeal to commercial and group travelers, lessening the area's dependence on tourism and evening out seasonal occupancy trends.

The competitive market segment will experience a significant expansion in rooms supplied in the next few years, the bulk of which will come on line in 1988. Pannell Kerr Forster projects that overall occupancies will decline to the low 60% range in 1988 before rebounding to the 70+% range by 1990. However, the high end market segment has consistently outperformed the overall market, and Guest Quarters' all-suite concept has proven to generate above-market occupancy levels.

Directly competitive properties have some amenities that the subject will not offer, such as large marinas, beachfront access, or the large and impressive public areas that are possible in the 500+ room competitors. However, the Guest Quarters Galleria project will have a very competitive amenity level with Intracoastal Waterway frontage, good access to beaches, and the unique attributes of full suites and proximity to the premier shopping mall in the area which will allow the project to claim a market niche.

Exhibit III-1
POPULATION AND INCOME TRENDS
BROWARD COUNTY, FLORIDA

			TOTAL RETAIL SALES		EFFECTIVE BUYING INCOME	
	POPULATION	HOUSEHOLDS	AMOUNT (\$000)	PER HOUSEHOLD	AMOUNT (\$000)	PER HOUSEHOLD
<u>ECONOMIC GROWTH INDICATORS</u>						
December 31, 1979	927,600	377,108	5,333,105	\$14,142	7,886,777	\$20,914
December 31, 1980	1,042,800	431,700	6,137,624	14,217	9,479,620	21,959
December 31, 1981	1,082,300	435,500	6,793,441	15,599	11,120,111	25,534
December 31, 1982	1,107,600	470,500	6,789,624	14,431	12,122,305	25,765
December 31, 1983	1,121,000	463,400	7,310,323	15,775	13,188,329	28,460
December 31, 1984	1,142,000	478,300	8,124,536	16,986	14,520,607	30,358
<u>GROWTH RATE OVER PREVIOUS YEAR</u>						
1979 - 1980	12.4%	14.5%	15.1%	.5%	20.2%	5.0%
1980 - 1981	3.8	.9	10.7	9.7	17.3	16.2
1981 - 1982	2.3	8.0	-.1	-7.5	9.0	.9
1982 - 1983	1.2	-1.5	7.7	9.3	8.8	10.5
1983 - 1984	1.9	3.2	11.1	7.8	10.1	6.7
Average Growth	4.6	5.4	10.5	4.0	16.8	9.0
Five-Year Growth	23.1	26.8	52.3	20.1	84.1	45.2
<u>COMPARISON COMPOUND ANNUAL FIVE-YEAR GROWTH</u>						
Ft. Lauderdale/Hollywood	4.3%	4.9%	8.9%	3.7%	13.0%	7.7%
State of Florida	4.3	4.7	7.8	3.0	14.2	9.6
United States	1.4	2.2	7.7	5.4	10.1	7.6

Source: Sales and Marketing Management, "Survey of Buying Power"
Piedmont Realty Advisors

Exhibit III-2
BROWARD COUNTY
COMMERCIAL CENTERS

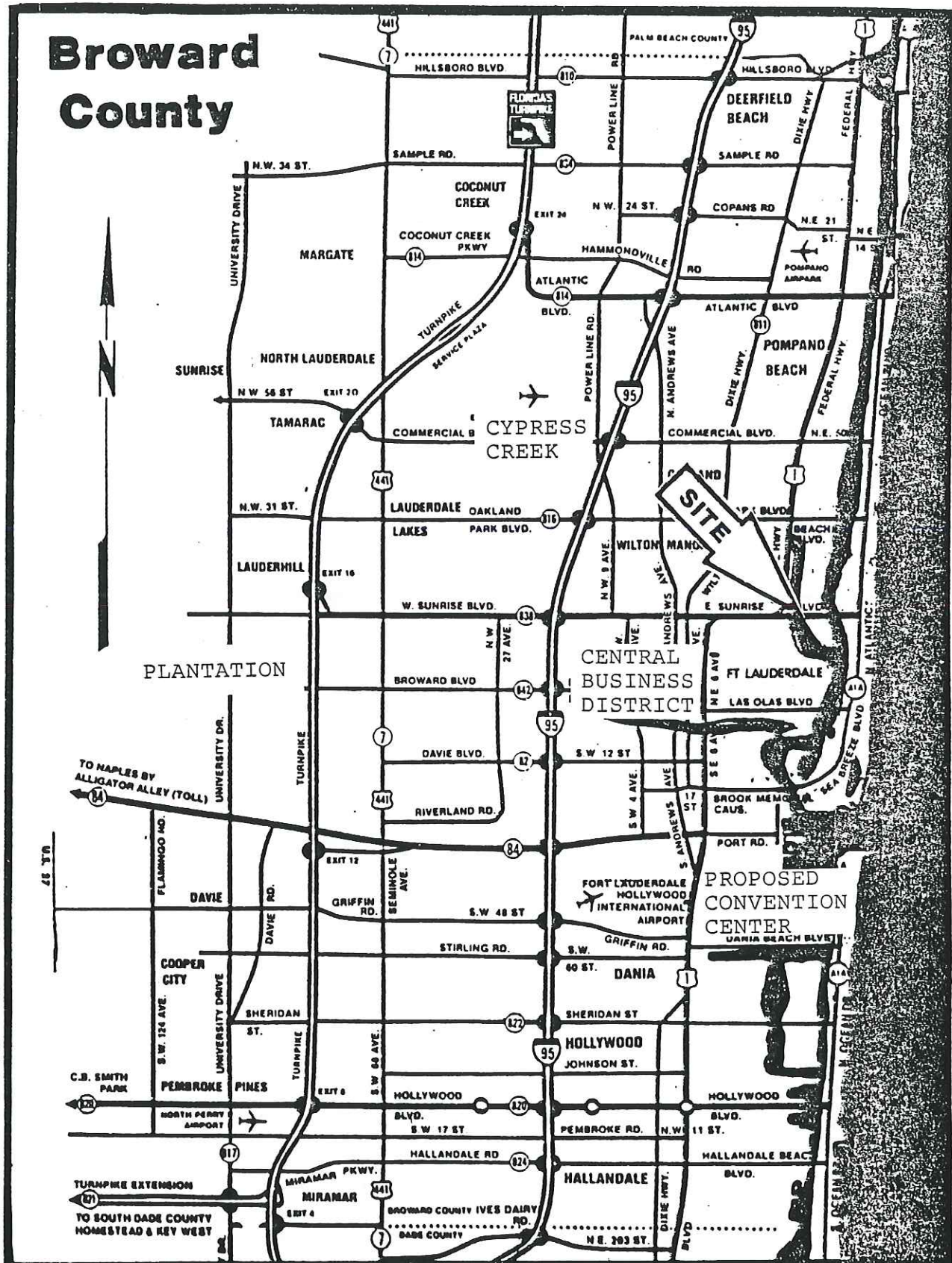


Exhibit III-3

EMPLOYMENT DISTRIBUTION FOR BROWARD COUNTY

Industry Division	1978	1984	1978 Ratio	1984 Ratio To Total	Percentage Change 1978-1984
-----	----	----	-----	-----	-----
Manufacturing	36,100	45,600	12.0%	11.5%	26.3%
Construction	23,500	30,300	7.8%	7.6%	28.9%
Transportation/ Public Utilities	14,400	17,900	4.8%	4.6%	24.3%
Wholesale Trade	12,800	20,200	4.3%	5.1%	57.8%
Retail Trade	74,700	95,500	24.9%	24.2%	27.8%
Finance, Insurance and Real Estate	24,000	35,000	8.0%	9.0%	45.8%
Services	71,500	97,400	23.9%	24.7%	36.2%
Government	42,900	52,200	14.3%	13.3%	21.7%
-----	-----	-----	-----	-----	-----
Total	299,900	394,100	100.0%	100.0%	31.4%

Source: Florida Department of Labor and Employment Security

FIVE-YEAR SURVEY OF OCCUPANCY AND AVERAGE DAILY ROOM RATES
FOR SELECTED HOTELS IN FORT LAUDERDALE

Source: Pannell Kerr Forster and Piedmont Realty Advisors

Exhibit III-5A

COMPETITIVE LONGING SUPPLY
FORT LAUDERDALE, BROWARD COUNTY, FLORIDA

Map #	Number of Approximate 1985				Estimated 1985 Market Segmentation				1985 Published Rates				L & H Rating	Amenities			
	Guest Rooms	Age (Years)	Projected Occupancy	Projected Average Room Rate	Season		Off-Season		Tourist	Commercial	Group	Commercial			Season	Off-Season	Meeting Space
					Tourist	Group	Tourist	Group									
Primary Competition																	
1	Marriott Hotel and Marina 1881 S.E. 17th Street	583	4	75-80%	\$80-85	20%	40%	40%	15%	35%	50%	\$125-160	\$ 90-130	15,386 SF	Upscale	A,B,C,D,E,F,G,H	
2	Pier 66 Hotel and Marina 2301 S.E. 17th Street	256	17	75-80%	\$90-95	10%	40%	50%	5%	45%	50%	\$110-165	\$ 85-125	17,500 SF	Upscale	A,B,C,D,E,F,G,H	
3	Marriott Harbour Beach 3050 Holiday Drive	645	1	70-75%	\$95-100	35%	50%	15%	20%	50%	30%	\$160-190	\$105-145	30,000 SF	Upscale	A,B,C,D,E,F,G	
4	Bahia Mar Hotel and Yachting Center 801 Seabreeze Boulevard	297	23	70-75%	\$90-95	60%	20%	20%	40%	40%	20%	\$105-130	\$ 55- 85	11,000 SF	Upscale	A,C,D,E,F,G,H	
Secondary Competition																	
5	Fort Lauderdale Beach Hilton 4060 Galt Ocean Mile Drive	224	16	70-75%	\$65-70	83%	5%	10%	60%	15%	25%	\$ 96-125	\$ 55- 85	4,000 SF	Moderate	A,C,D,E,F	
6	Holiday Inn Sunrise 999 N. Atlantic Boulevard	242	22	70-75%	\$60-65	45%	35%	20%	37%	40%	23%	\$100-130	\$ 55- 85	5,800 SF	Moderate	A,C,D,E,F	
7	Sheraton Yankee Clipper 1140 Seabreeze Boulevard	505	24	70-75%	\$50-55	75%	10%	15%	55%	20%	25%	\$ 89-120	\$ 49- 64	-0-	Moderate	A,B,C,D,E,F	
8	Sheraton Yankee Trader 171 N. Atlantic Boulevard	441	16	65-70%	\$50-55	60%	15%	25%	40%	25%	35%	\$ 89-120	\$ 49- 64	10,000 SF	Moderate	A,C,D	
Total/Average																	
		3,193		70-75%	\$70-75	46%	30%	24%	32%	35%	33%						

Amenities Key:

- A - Pool
- B - Tennis
- C - Restaurant/Coffee Shop
- D - Lounge/Entertainment
- E - In-room movies
- F - Gift Shop
- G - Game Room
- H - Marina

Source: Laventhol and Horwath

* Note: Please see Exhibit III-5C.

Exhibit III-5B

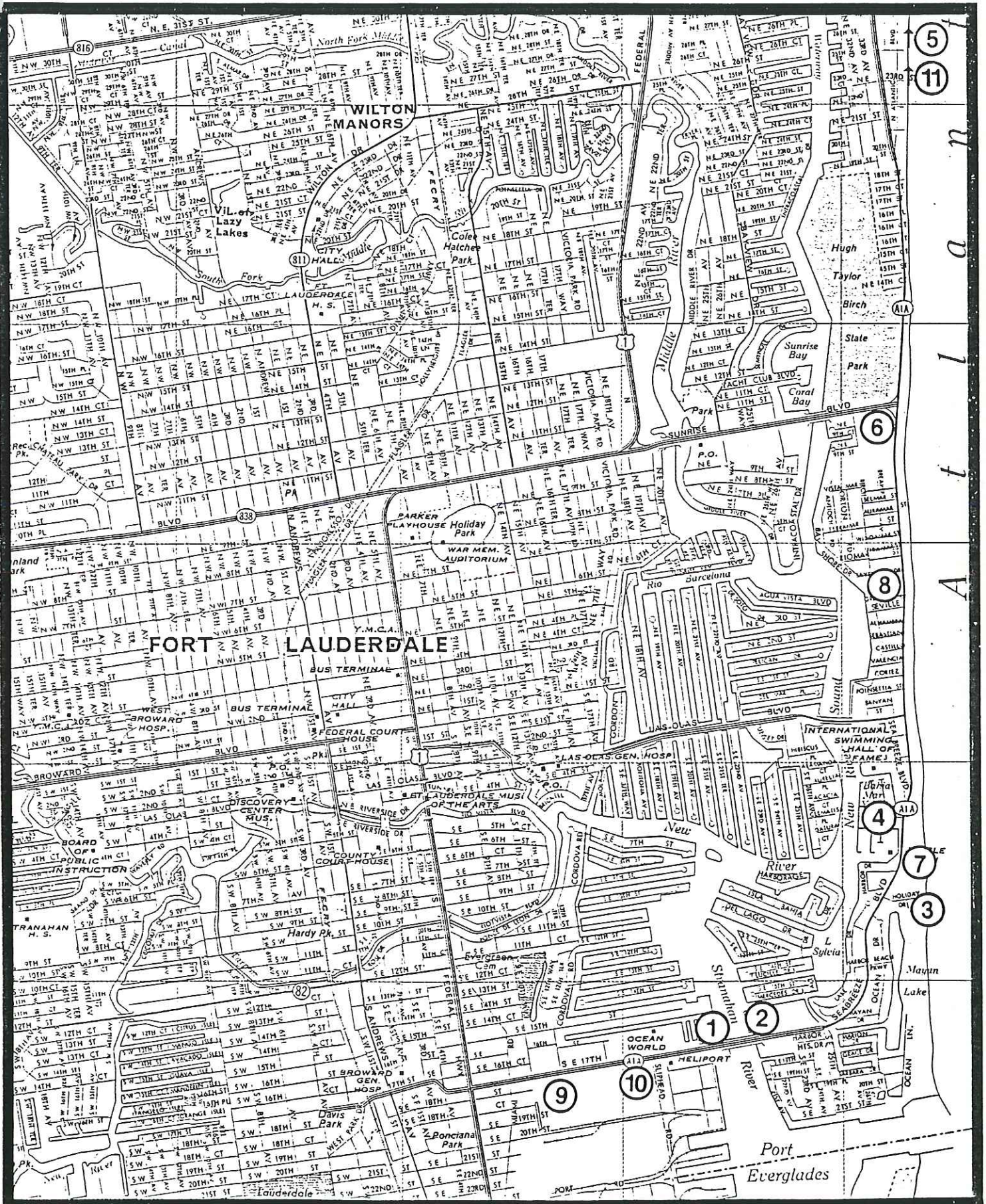
COMPETITIVE PROPERTIES
PROPOSED OR UNDER CONSTRUCTION

Map # -----	Name -----	Rooms -----	Location -----	Comments -----
9	Radisson	400	17th Street Causeway	Commercially oriented- highly contingent upon Convention Center plans.
10	Embassy Suites	350	17th Street Causeway	Under construction, completion in early 1987. First all-suite hotel in area. Amenities and rates lower than subject.
11	Hilton	500	Galt Ocean Mile	Commercially oriented with large meeting facilities. Will begin construction soon.

Total		1,250		
Subject		234		

		1,484	New Rooms Planned	

Exhibit III-5c
COMPETITIVE PROPERTY MAP



IV. THE DEVELOPER/PARTNER

IV. THE DEVELOPER/PARTNER

A. INTRODUCTION

1. History

Guest Quarters Hotels, Inc., was started in 1972 by George M. Kaufman. Mr. Kaufman had an established track record as a real estate developer when he began operating an apartment complex in Atlanta, Georgia as a short-term rental operation for relocating families. Eventually, the operation was refined to be a true full-service hotel that offered guests a suite of rooms including a full kitchen, living and dining areas, and a separate bedroom.

In 1973, Guest Quarters began expanding throughout the southeast. Exhibit IV-1 is a summary of developments to date. The company has been organized with Guest Quarters Hotels, Inc. as an operating company, and Guest Quarters Development, Corp. handling site location and development. In 1985, Mr. Kaufman decided to concentrate fully on management and operations, allowing development activities to be undertaken by Guest Quarters Interests, a new entity and the developer of the subject. Guest Quarters currently has 1,714 suites in nine properties under management.

2. Concept

The Guest Quarters concept of emphasizing the quality, size and furnishings of individual rooms with minimal space devoted to public areas has four major advantages to owner/operators: (1) due to the perceived value of suites versus smaller hotel rooms, Guest Quarters can charge rates at or near the top of the market; (2) long-term guests are attracted to the more spacious suites, resulting in above average occupancy since the average stay at Guest Quarters is 5.0 nights versus an industry average of 1.5 nights. (3) operating profit margins for rooms are about 80% of revenue, while food and beverage margins are typically 15% to 20%. Since 75% of Guest Quarters revenue is from rooms (versus an industry average of 59%), the gross operating profit for Guest Quarters is 35% of revenue, versus an industry average of less than 25%; and (4) if the hotel market proves untenable, a Guest Quarters project may be converted into apartments or condominiums. These four attributes led Piedmont Realty Advisors to target Guest Quarters as an attractive investment partner for USF&G.

B. THE BORROWER

The borrowing entity will be Guest Quarters FTL, Ltd., an existing Florida Limited Partnership. The general and limited partners are A. James Clark and J. Taylor DeWeese, each holding 50% of the entity.

A. James Clark is President, Treasurer and 86% Owner of Clark Enterprises, Inc., a holding company for Mr. Clark's many construction and development-related enterprises. Principal assets include George Hyman and Omni Construction Companies, a large and varied real estate portfolio, and a significant portfolio of marketable securities. Mr. Clark's net worth is in excess of \$150 million. His resume appears as Exhibit IV-2.

J. Taylor DeWeese was a practicing real estate attorney for five years before joining Marriott Hotels in 1977 as its Director of Development for the Southern United States. In 1981, Mr. DeWeese joined Guest Quarters as its Development Partner, and in 1985 he formed Guest Quarters Interests with Mr. Clark. He developed eight properties for Marriott, including the Fort Lauderdale Hotel and Marina and the Tampa, Florida Marriott. He has also developed four properties for Guest Quarters, including those in Bethesda, Maryland; Austin, Texas; Charlotte, North Carolina; and Tampa, Florida. Mr. DeWeese has a net worth of approximately \$3 million, and his resume is included as Exhibit IV-3.

C. CONSTRUCTION

The general contractor for the subject property will be George Hyman Construction, a firm owned by A. James Clark. Hyman is one of the largest contractors in the country and has constructed several hundred major properties throughout the United States, including the Atlanta Guest Quarters, Rouse Company Headquarters, Tysons Corner Marriott, World Bank Building, and Miami's World Trade Center.

D. OPERATION

The property will be operated under a long-term contract with Guest Quarters Hotels, Inc., the management and operating company for Guest Quarters. Guest Quarters Hotels, Inc. has nine properties currently under management and will receive fees of approximately 3% of gross revenues and incentive fees of 20% of net cash flow (after debt service and reserves). Exhibit IV-4 is an organization chart for Guest Quarters Hotels, Inc. and Exhibit IV-5 is the resume of the company's President and Director, Michael M. Dickens.

E. CONCLUSIONS

The development team provides an excellent blend of the talent and experience necessary for the successful construction and operation of the Guest Quarters Galleria project. Mr. Clark brings very substantial capitalization and construction experience to the project. Mr. DeWeese has an established record of successful hotel site selection and development, and Guest Quarters Hotels, Inc. has 15 years of experience in hotel operations.

Exhibit IV-1

SUMMARY OF GUEST QUARTERS HOTELS

Guest Quarters Operations

The following table lists the nine existing Guest Quarters hotels including the two most recent in Tampa and Charlotte:

<u>Existing Hotels</u>	<u>Suites (Keys)</u>	<u>Total Rooms</u>	<u>Year</u>
7000 Roswell Road Atlanta, Georgia	245	695	1972
100 South Reynolds St. Alexandria, Virginia	212	407	1973
Friendly Hills Greensboro, North Carolina	132	264	1973
801 New Hampshire Avenue Washington, D.C.	101	206	1974
2500 Pennsylvania Avenue Washington, D.C.	123	248	1978
111 Perimeter Center West Atlanta, Georgia	207	448	1980
Galleria West Houston, Texas	336	720	1982
555 North Westshore Blvd. Tampa, Florida	221	472	1982
6300 Morrison Boulevard Charlotte, North Carolina	<u>137</u>	<u>289</u>	1984
Total	1,714	3,747	

Exhibit IV-2

BIOGRAPHICAL DATA - BORROWER

Name: A. James Clark

Title: President, Treasurer
CEI Construction, Inc.
The George Hyman Construction Company

Education: B.S. - 1950 - Civil Engineering
University of Maryland

Construction
Experience: 35 Years

Mr. Clark joined The George Hyman Construction Company in 1950. A series of increasingly responsible assignments during this many years with the company provided him with opportunities to work in all departments and to gain experience in civil engineering, estimating, construction superintendence, project management, purchasing, and organization management.

Mr. Clark became President and Chief Executive Officer of Hyman in 1969 after being named Vice President and General Manager in 1960. Under his direction, the company grew dramatically and served as the catalyst for the 1972 formation of Clark Enterprises, Inc. CEI Construction, Inc., was later formed in order to consolidate the construction related subsidiaries of Clark Enterprises.

Exhibit IV-3

BIOGRAPHICAL DATA - DEVELOPMENT PARTNER

Name: J. Taylor DeWeese

Title: Development Partner
Guest Quarters Development Corp.

Education: A.B. - 1969 - Economics
Magna Cum Laude
Grove City College

J.D. - 1973
University of Pennsylvania Law School
Editor, Law Review

Past
Experience: 1981-Present-Development Partner,
Guest Quarters Development Corp.

1977-80 -Responsible for developing
Marriott Hotels in Southern U.S.
-Private Law Practice in
Commercial Real Estate:
Dilworth & Paxton, Philadelphia
Clifford & Warnke, Wash. D.C.

Activities: Author - "Computers and Privacy", Harpers,
November, 1973
"Computer Crime", Saturday Review,
October, 1984

Lecturer - Temple University Law School
(1974-1975), University of Pennsylvania
Law School (1974-1974)

Personal: Born March 28, 1947
Married, Kathleen Batchelder, Two Children

Office
Address: One Bank Street
Norfolk, Virginia 23510

Exhibit IV-4
ORGANIZATION CHART
GUEST QUARTERS HOTELS, INC.

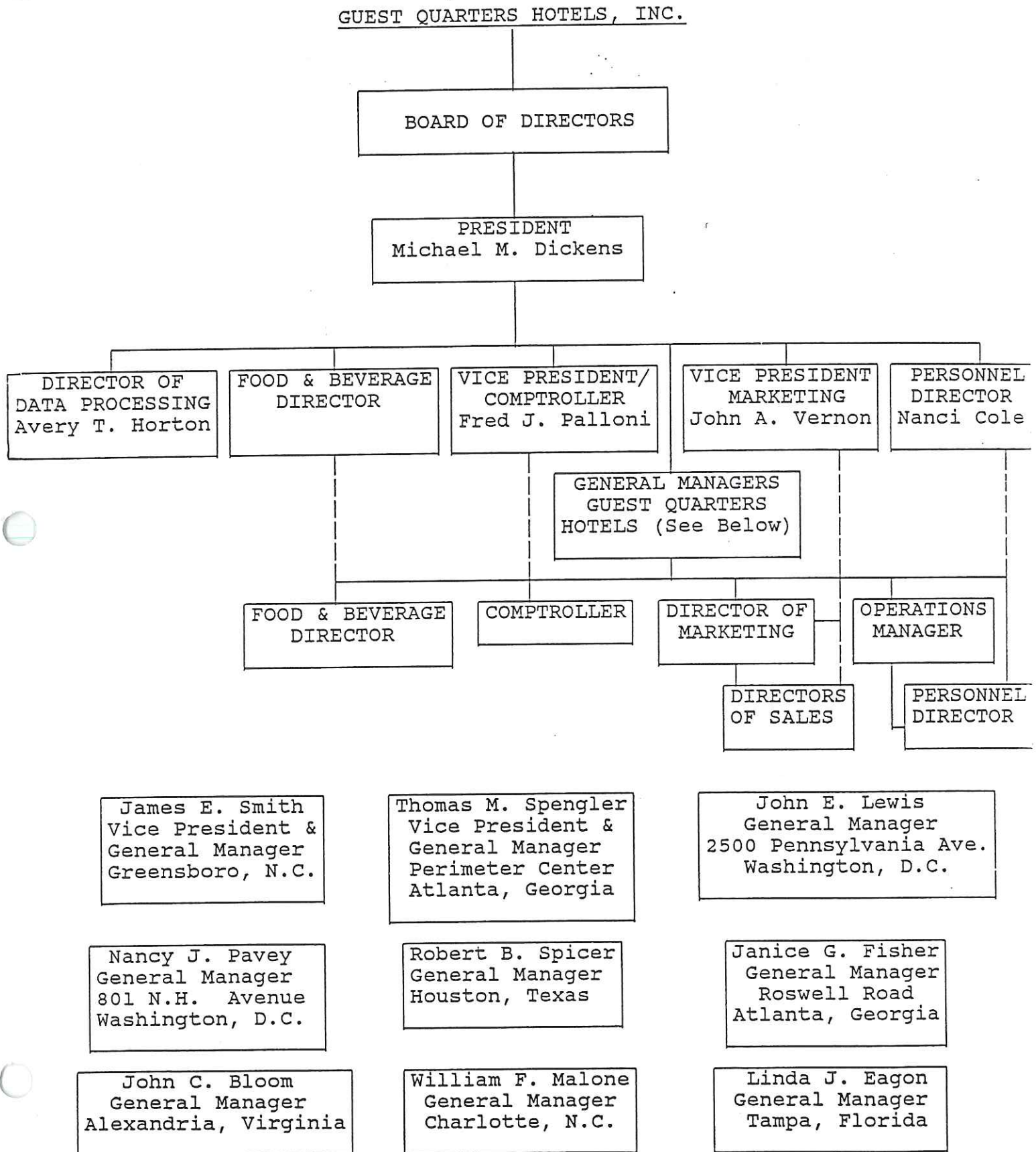


Exhibit IV-5

BIOGRAPHICAL DATA -
PRESIDENT & DIRECTOR - GUEST QUARTERS

Name: Michael M. Dickens

Title: President and Director
Guest Quarters Hotels, Inc.
Responsible for all hotel operations

Education: B.A. - 1970 - Political Science
Davidson College

Past
Experience: 1980-1983- Executive Vice President,
Guest Quarters, Inc.
1977-1980- Vice President of Marketing,
Guest Quarters, Inc.
1974-1977- Guest Quarters-801 N.H. Ave.
Washington, D.C.
Operations Mgr. and General Mgr.
1973-1974- Guest Quarters-Greensboro, N.C.
General Mgr.
1972-1973- Guest Quarters-Roswell Road,
Atlanta, Georgia

Activities: Member, Washington Opera Finance Committee
Member, National Child Research Center
Development Committee

Personal: December 2, 1946
Married, Denise Dickens, Two Children

V. THE RISK AND RETURN

V. RISK AND RETURN

A. INTRODUCTION

As a form of investment, the participating mortgage has some of the advantages of equity investment as well as the guaranteed return and senior security position of a traditional mortgage debt. The participating mortgage for Guest Quarters - Fort Lauderdale will be fully collateralized by a first lien on the improvements, furniture, fixtures, equipment, and subleasehold interest in the land. As additional security, the general partners of the borrowing entity will guarantee to cover cash flow deficits during the first 36 months of the loan up to a maximum of \$2,000,000.

Since this is the first hotel investment presented to the Investment Committee, there are several unique features of the mortgage application which should be mentioned. An investment in a hotel venture is as much an investment in the management's ability to successfully operate the business venture as it is in the real estate itself. Thus the participating features of the mortgage reflect both a participation in the suite revenues (rental income) as well as a participation in the annual cash flows from all sources. Besides 10% interest on the outstanding mortgage balance, USF&G will receive 3% of the total suite revenues to the extent that cash is available from operations, as well as receiving 40% of any net cash flow available after the interest payments and suite revenues payments have been made.

This mortgage also has provisions for the borrower to recapture equity contributions that are made to cover deficit cash flows. The borrowers can recapture their equity contributions up to \$2,000,000 at the sale or refinancing of the property before additional interest is calculated, and they can recover equity contributions over \$2,000,000 only if the lender receives at least a 16% annual internal rate of return on borrowed funds. Also, during the term of the loan the borrower may receive a 10% cumulative preference return on contributed equity only if there is cash available after all other required payments, including USF&G's participation in suite revenues, are made. These provisions are important because they provide an incentive for the borrower to make equity contributions as needed while safeguarding a minimum yield on the loan of 16%.

At closing \$2,000,000 of the loan proceeds are deposited into an escrow account which are to be used to cover deficit cash flows. Thus a total of \$4,000,000 is available to cover deficit cash flows -- \$2,000,000 from the loan proceeds, and \$2,000,000 from the borrower.

B. VALUATION

1. Projected Income and Expenses

The estimation of income and expenses during the early years of a hotel is difficult because an attractive image must be created and the existing market must be penetrated. Thus a successful hotel usually loses money or breaks even in the early years as market acceptance is established, and it achieves stabilized occupancy levels in the fourth year. Piedmont's estimated rental rates, occupancy, and income for the first four years of operation are presented in Exhibit V-1 along with similar estimates made by Guest Quarters, and Pannell Kerr Forster.

Guest Quarters' management feels that a \$133 average daily rate can be achieved in 1988 based on the existing market conditions and the suite advantages. Appendix A is the determination of this rate. Both Piedmont and Pannell Kerr Forster estimated a \$130 average daily rate. Piedmont's estimated occupancy level for the hotel is 57% in year one and gradually increases to 75% in the fourth year and thereafter. Pannell Kerr Forster agreed that stabilized occupancy levels of 75% would be reached in year four, but Guest Quarters felt that stabilized occupancy would be achieved in year five at 78%.

A series of graphs presented in Appendix B demonstrates Guest Quarters' historic ability to command premium rental rates and to achieve high occupancy levels in the Atlanta, Georgia and Washington, D.C. areas.

Exhibit V-2 is a breakdown of the estimated income and expenses for the hotel in the fourth year of operation. Piedmont projects Income Available for Debt Service of \$4,888,930 which is lower than Guest Quarters' estimates and slightly higher than the Pannell Kerr Forster estimate. Essentially, Piedmont concurs with the Pannell Kerr Forster rent estimates and with Guest Quarters' estimates of operating efficiency.

2. Valuation Methodology

The forward commitment nature of the participating mortgage enables the lender to invest at a wholesale level (i.e. cost of development) and to participate immediately in 50% of the spread between cost and value when the hotel is successfully constructed and operated. The estimation of value is therefore an important part of the investment decision. Using the three approaches to value, Piedmont evaluated the proposed hotel. The land lease is not considered detrimental because of its long term, and the participating provisions of the lease were explicitly considered in the

discounted cash flow approach. The three value estimates are presented in Exhibit V-3. Correlating the three value estimates, Piedmont estimates the market value of the project to be \$31,500,000 when it is constructed, fully equipped, and ready for business. This value indicates a loan to value ratio of 82.5%.

The appraisal of hotel properties is a very specialized area of appraisal practice, and the borrower has employed Pannell Kerr Forster to provide a market value estimate of the property by an MAI designated appraiser. As required in the Letter of Application (Exhibit I-1), this value must be at least \$31,000,000.

C. RETURN

The projected income for the property is presented in Exhibit V-4. Important assumptions include a 5% inflation rate, a beginning average daily rate of \$130, and 75% occupancy from year four on. The land lease payments reflect the participating nature of the lease as it is described in Exhibit II-7. The reserve for replacements as a percent of total income is 1% in years 1 and 2, 2% in year 3, and 4% in years 4 on.

The cash flows which contribute to the loan's yield are base debt service, 3% of suite revenues, 40% of cash flows, and additional interest due at sale or refinancing. These figures are presented in Exhibit V-5 and are discussed below.

1. Base Debt Service

The base debt service is 10% annual interest, paid monthly.

2. Additional Interest -- 3% of Suite Revenues

The lender receives as additional interest 3% of suite revenues to the extent that cash flow is available from operations. That is, the lender receives all cash flow after base debt service is paid up to 3% of suite revenues. This additional interest is non-cumulative and is paid on a quarterly basis. In year one, 3% of suite revenues is \$189,866, and this additional interest gradually increases to \$427,284 in year 12.

3. Additional Interest -- 40% of Cash Flow

The lender also receives 40% of cash flow as additional interest. The definition of cash flow is specified in the Letter of Application (Exhibit I-1), and this does not allow a deduction for incentive management fees. Consequently, the cash flow is divided between the lender (40%), the borrower (40%), and the management company (20%). This additional interest is paid quarterly. Forty percent of cash flow is only \$38,114 in year one, but it increases rapidly to

\$797,491 when stabilized occupancy is reached in year four and then gradually increases to \$1,668,482 in the twelfth year.

4. Additional Interest From Sale or Refinancing

If the property is sold before the loan is called, refinanced or matures, the additional interest is due which is calculated as follows:

Net Sales Price

Less: (1) Outstanding Mortgage Balance
Less: (2) Guaranteed Equity Contributions to cover deficit cash flows up to \$2,000,000.
Less: (3) Non Guaranteed Equity Contributions to cover deficit cash flows in excess of \$2,000,000 and accrued but unpaid return on equity contributions.

Equals: Cash Proceeds from Sale

Times: 50%

Equals: Lender's Additional Interest at Sale

If, after the above calculation of additional interest is made, the lender's internal rate of return (yield) is less than 16%, then part of deduction (3) above is recaptured from the borrower and paid to the lender so that the lender receives a 16% yield. This provision is further explained and illustrated in Exhibits A, B, and C in the Letter of Application (Exhibit I-1 in this report).

If the loan is called, refinanced, or matures, the calculation of additional interest is the same as above except that the appraised value of the property is reduced by 3% of imputed selling expenses to determine the Net Sales Price. Using an overall capitalization rate of 12% in year 12, the additional interest from the sale is estimated to be \$16,093,895.

5. Yield Analysis

The expected nominal yield on the participating mortgage assuming 5% inflation and a 12% capitalization rate at sale is 16.0%. If an 11% capitalization rate is used at sale, the yield would be 16.28%.

Expected yields were also calculated using the Guest Quarters projections and the Pannell Kerr Forster projections. With 5% inflation, and a 12% capitalization rate, the nominal yield for the Guest Quarters projections is 17.0%, and the nominal yield for Pannell Kerr Forster projections is 15.7%. These yields are compared in Exhibit V-6 to yields calculated using an 11% capitalization rate at sale.

A sensitivity analysis which shows the yields for various inflation levels and average daily rates is also presented in Exhibit V-6. A comparison of these yields indicates that the yield is very responsive to inflation as a 3% change in inflation causes a 2% change in the yield. This analysis also indicates that the yields are relatively unresponsive to \$3.00 changes in the average daily rate.

D. THE RISKS

The risk exposures of this investment can be divided into four broad categories: market, operations, default, and interest rate.

1. Market Risk

There are two dimensions of the market risk in this investment: the condition of the hotel market in Fort Lauderdale and the market acceptance of the Guest Quarters Hotel in Fort Lauderdale. Due to the seasonality and the recession sensitivity of this area, the market risk is considered the greatest risk for this investment. Additionally, aggressive development of new hotels in this area could substantially reduce the performance of the hotel. The rapid development and diversification of Broward County helps to minimize the effect of a sharp decline in tourism caused by a national recession. Also, Guest Quarters has targeted the high income business executive and his family as the preferred clientel and this group is the most recession-proof traveler.

In terms of market acceptance, as a luxury hotel which provides the additional comfort of two-room suites, Guest Quarters' experience in Charlotte and Tampa in particular is very reassuring. Also the Tampa Guest Quarters has developed a reputation for its fine restaurant. The subject hopes to repeat this experience, but the fine restaurant market in Fort Lauderdale is very competitive. Guest Quarters' reputation as a chain of fine suite hotels combined with the locational advantages of the Intracoastal Waterway and the Galleria Mall should insure the market acceptance of the proposed project.

2. Operational Risk

The operational risk occurs if the hotel is not effectively marketed and managed by the Guest Quarters Hotels, Inc. The successful track record of this company indicates that the operational risk of the all-suite luxury hotel is minimal. However, this company has limited experience in the restaurant business and the conference and convention business. The profitable development of these two areas is important to the overall success of the project.

3. Default Risk

The default risk, the possibility that the borrowers would default on the loan and the lender would have to foreclose is minimal in this investment for several reasons. First, the low required interest rate of 10% reduces the probability of negative cash flows after the stabilized occupancy is reached since the debt coverage ratio in year four is estimated to be 1.88. Second, \$4,000,000 (\$2,000,000 in the loan and \$2,000,000 for the developer) are guaranteed to cover deficit cash flows during the first three years of the project. Finally, the capital strength of A. James Clark indicates that the borrower has the capacity to cover cash flow deficits and the deal structure provides the incentive to cover cash flow deficits even if they exceed \$2,000,000 or occur after the guarantee period.

4. Interest Rate Risk

An interest rate risk can occur because of the forward commitment nature of the loan. If interest rates increase during the commitment period due to inflation, then the rental rates and property values should also increase and the real rates of return would be insured because of the participation provisions. In fact the participation features in this loan together with the short term leases (1 to 3 days) make this loan very responsive to changes in inflation.

Conversely, if interest rates decrease before the loan is funded, the borrower is locked into a tri-party agreement with the construction lender and USF&G so the real rate of return would increase accordingly.

E. CONCLUSIONS AND RECOMMENDATIONS

The proposed Guest Quarters Hotel in Fort Lauderdale is very well located, and the design effectively utilizes both its views of the Intracoastal Waterway, and its accessibility to Sunrise Boulevard and the adjacent Galleria Mall. The 13-story building will have an impressive presence and reinforces the luxury hotel image. The Guest Quarters concept has been well accepted in several cities in the southeast, and the expansion into the Fort Lauderdale market is a natural progression in the overall market strategy.

The builder (George Hyman Construction Company), the developer/borrower (A. James Clark and J. Taylor DeWeese), and the hotel operator (Guest Quarters Hotels, Inc.) all have excellent track records and impressive credentials.

The structure of the proposed project provides three sources of annual income to the lender (10% base debt service, 3% of suite revenues, and 40% of the cash flow) each with different levels of associated risk. This structure allows the lender maximum upside potential. The downside risks are minimized by the quality and capital strength of the borrower, the re-use building potential, and locational advantages of the site.

This investment provides an adequate return for the risks incurred, as it provides good long term upside potential with minimum downside risks. Therefore Piedmont Realty Advisors recommends that the Real Estate Investment Committee of the United States Fidelity and Guarantee Company approve the issuance of the commitment for a first mortgage of \$26,000,000 for the Guest Quarters Hotel in Fort Lauderdale under the terms and conditions outlined in this report.

Exhibit V-1

PROJECTED RENTAL RATES AND OCCUPANCY LEVELS

	GUEST QUARTERS	AVERAGE DAILY RATE	
		PANNELL KERR FORSTER	PIEDMONT REALTY ADVISORS
1988	\$133.00	\$130.00	\$130.00
1989	\$140.00	\$137.00	\$136.50
1990	\$147.00	\$144.00	\$143.33
1991	\$154.00	\$151.00	\$150.49

	GUEST QUARTERS	OCCUPANCY	
		PANNELL KERR FORSTER	PIEDMONT REALTY ADVISORS
1988	60%	61%	57%
1989	65%	68%	62%
1990	72%	73%	71%
1991	75%	75%	75%
1992	78%	75%	75%

Exhibit V - 2

PROJECTED INCOME AND EXPENSES

Fourth Year of Operation

	GUEST QUARTERS		PANNELL KERR FOSTER		PIEDMONT REALTY ADVISORS	
Suite Revenue	\$10,259,449	75%	\$9,672,683	73%	\$9,640,093	75%
Food and Beverage	2,499,899	18%	2,776,784	21%	\$2,479,432	19%
Other Income	996,833	7%	710,646	5%	\$766,615	6%
TOTAL INCOME	13,756,181	100%	13,160,113	100%	\$12,886,140	100%
Suite Expense	1,556,360	11%	1,963,555	15%	1,932,921	15%
Food and Beverage	1,999,919	15%	2,254,748	16%	1,983,546	14%
Other Income	797,466	6%	506,177	4%	613,292	4%
Management Fee	412,685	3%	394,803	3%	386,584	3%
Administrative and General	920,129	7%	1,039,649	8%	920,129	7%
Advertising and Sales	687,809	5%	789,607	6%	644,307	5%
Energy	303,462	2%	421,124	3%	303,462	2%
Property Operation	318,394	2%	368,483	3%	318,394	2%
Taxes and Insurance	289,406	2%	197,402	1%	289,406	2%
Land Lease	224,393	2%	213,888	2%	224,584	2%
Reserve for Replacement	412,685	3%	394,803	3%	386,584	3%
TOTAL EXPENSES	7,922,708	58%	8,544,239	65%	8,003,210	62%
INCOME AVAILABLE FOR DEBT SERVICE	\$5,833,473	42%	\$4,615,874	35%	\$4,882,930	38%
Required Interest	2,600,000		2,600,000		2,600,000	
Additional Interest (3% of Suite Rev.)	307,783		290,180		289,203	
CASH FLOW	3,063,249		1,857,294		1,993,727	
Lender's Share of Cash Flow	1,225,300		742,918		797,491	

Exhibit V-3

VALUATION

Cost Approach

Total Developer's Costs (See Exhibit II-15.)	\$26,000,000
+ <u>Developer's Profit @ 20%</u>	<u>520,000</u>
Estimated Property Value	\$31,200,000

Direct Capitalization Approach

Fourth Year Income Available for Debt Service	\$ 4,888,930
: <u>Overall Capitalization Rate</u>	<u>11%</u>
Estimated Value at Stabilization	\$44,444,818
X <u>Present Value Factor @ 12%, 3 Yrs.</u>	<u>.7118</u>
Estimated Property Value	\$31,634,944
Rounded to	\$31,600,000

Discounted Cash Flow Approach

Present Value of Equity Cash Flow @ 18%	\$ 3,498,963
+ <u>Present Value of Equity Reversion @ 18%</u>	<u>2,208,397</u>
Equity Value	\$ 5,707,360
+ <u>Loan Amount</u>	<u>26,000,000</u>
Estimated Property Value	\$31,707,360
Rounded to	\$31,700,000

Reconciliation

Based on the closeness of the three value estimates above,
the market value of the subject property is estimated to be:

\$31,500,000

Indicated Loan to Value Ratio 82.5%

SUMMARY OF ANNUAL CASH FLOWS

[illegible]

Year	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Suite Revenue	6,328,881	7,228,248	8,691,386	9,640,093	10,122,098	10,628,203	11,159,613	11,717,594	12,303,473	12,918,647	13,564,579	14,242,808
Food & Beverage	1,627,788	1,859,105	2,235,424	2,479,432	2,603,404	2,733,574	2,870,252	3,013,765	3,164,453	3,322,676	3,488,810	3,663,250
Other Income	662,231	695,343	730,110	766,615	804,946	845,193	887,453	931,826	978,417	1,027,338	1,078,705	1,132,640
TOTAL GROSS REVENUES	8,618,900	9,782,696	11,656,920	12,886,140	13,530,447	14,206,970	14,917,318	15,663,184	16,446,343	17,268,661	18,132,094	19,038,698

Food & Bev. Exp	1,302,231	1,487,284	1,766,340	1,983,546	2,082,723	2,186,859	2,296,202	2,411,012	2,531,563	2,658,141	2,791,048	2,930,600
Other Income Expense	529,785	556,274	584,088	613,292	643,957	676,155	709,962	745,460	782,733	821,870	862,964	906,112
Management Fee @ 3.00%	258,567	293,481	349,708	386,584	405,913	426,209	447,520	469,896	493,390	518,060	543,963	571,161
Administrative & General	794,842	834,584	876,313	920,129	966,135	1,014,442	1,065,164	1,118,423	1,174,344	1,233,061	1,294,714	1,359,450
Marketing @ 5.00%	430,945	489,135	582,846	644,307	676,522	710,348	745,866	783,159	822,317	863,433	906,605	951,935
Energy	262,142	275,249	289,012	303,462	318,635	334,567	351,295	368,860	387,303	406,668	427,002	448,352
Property Operation	275,041	288,793	303,233	318,394	334,314	351,030	368,581	387,010	406,361	426,679	448,013	470,413
Taxes and Insurance	250,000	262,500	275,625	289,406	303,877	319,070	335,024	351,775	369,364	387,832	407,224	427,585
Land Lease -- Fixed Portion	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Land Lease -- Fixed Escalation				10,000	10,000	10,000	20,000	20,000	20,000	60,000	60,000	60,000
Land Lease -- Participation				14,584	27,471	41,001	45,208	60,125	75,788	52,235	69,503	87,636
Reserve for Replacements	86,189	97,827	233,138	386,584	405,913	426,209	447,520	469,896	493,390	518,060	543,963	571,161
TOTAL EXPENSES	5,733,748	6,196,335	7,230,840	8,003,210	8,405,028	8,826,936	9,269,940	9,735,094	10,223,505	10,736,337	11,274,811	11,840,209

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406
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Cash Flow Split as Follows:												
20.00% to Management	19,057	153,903	313,068	398,745	444,351	492,238	542,518	595,313	650,747	708,953	770,069	834,241
40.00% to Lender	38,114	307,806	626,135	797,491	888,703	984,475	1,085,036	1,190,625	1,301,494	1,417,905	1,540,138	1,668,482
40.00% to Borrower	38,114	307,806	626,135	797,491	888,703	984,475	1,085,036	1,190,625	1,301,494	1,417,905	1,540,138	1,668,482

Exhibit V - 5

INVESTOR'S YIELD SUMMARY

Year	Annual Debt Service	Additional Interest -- Suite Revenue	Additional Interest -- Cash Flow	Loan Balance	Additional Interest -- Sale <1>	Total
1	2,600,000	189,866	38,114			2,827,981
2	2,600,000	216,847	307,806			3,124,653
3	2,600,000	260,742	626,135			3,486,877
4	2,600,000	289,203	797,491			3,686,694
5	2,600,000	303,663	888,703			3,792,366
6	2,600,000	318,846	984,475			3,903,321
7	2,600,000	334,788	1,085,036			4,019,824
8	2,600,000	351,528	1,190,625			4,142,153
9	2,600,000	369,104	1,301,494			4,270,598
10	2,600,000	387,559	1,417,905			4,405,465
11	2,600,000	406,937	1,540,138			4,547,075
12	2,600,000	427,284	1,668,482	26,000,000	16,093,895	46,789,661

Estimated Yield = 16.01% <2>

<1> Net Sales Price of \$58,187,791 less the outstanding loan balance \$26,000,000 equals a residual of \$32,187,791 which is split 50 - 50 with the borrower.

<2> Initial Rate of Return calculated using \$26,000,000 as the investor's initial investment.

Exhibit V-6

SENSITIVITY ANALYSIS

<u>5% Inflationary Rate</u>	<u>Nominal Yield</u>
Guest Quarters Projections	
11% Capitalization Rate at Sale	17.30%
12% Capitalization Rate at Sale	17.02%
Pannell Kerr Forster Projections	
11% Capitalization Rate at Sale	15.99%
12% Capitalization Rate at Sale	15.72%
Piedmont Realty Advisors Projections	
11% Capitalization Rate at Sale	16.28%
12% Capitalization Rate at Sale	16.01%

Further Yield Analysis with Piedmont's Projections
(12% Capitalization Rate at Sale)

Inflation Rate	<u>Average Daily Rate</u>		
	\$127	\$130	\$133
3%	14.47%	14.79%	15.11%
6%	16.30%	16.64%	16.98%
9%	18.26%	18.62%	18.98%

Appendix A
AVERAGE RATE ANALYSIS

Appendix A

AVERAGE RATE ANALYSIS

A mature Guest Quarters in Ft. Lauderdale should achieve the following rates in 1985-1986 dollars, which are directly comparable to the rate structure of the competitive hotels.

Winter Rack Single	\$165 X	5% =	\$ 8.25
Winter Rack Double	\$185 X	5% =	\$ 9.25
Winter Corporate Single	\$130 X	20% =	\$ 26.00
Winter Corporate Double	\$150 X	6% =	\$ 9.00
Summer Rack Single	\$ 90 X	8% =	\$ 7.20
Summer Rack Double	\$110 X	8% =	\$ 8.80
Summer Corporate Single	\$ 80 X	29% =	\$ 23.20
Summer Corporate Double	\$100 X	9% =	\$ 9.00
Winter Two Bedrooms	\$250 X	3% =	\$ 7.50
Summer Two Bedrooms	\$170 X	7% =	\$ 11.90
100% =			\$ 120.10

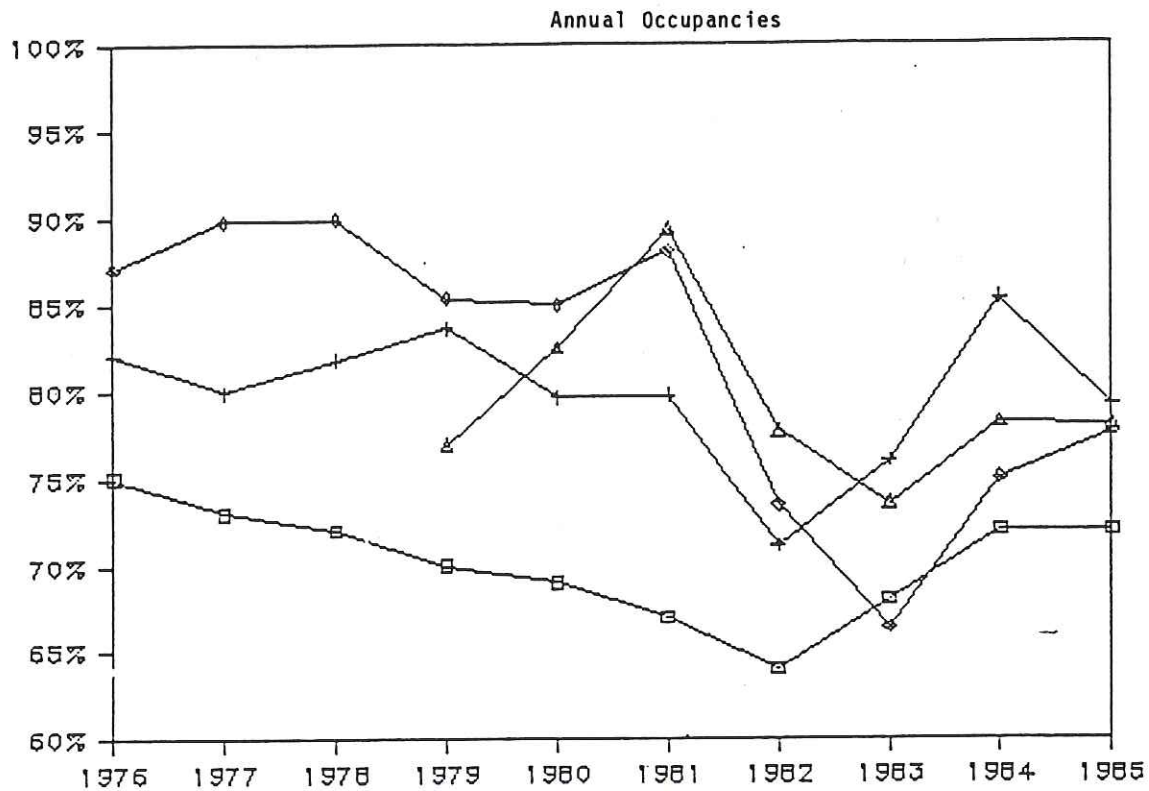
\$120.10 compounded annually at 5% for two years = \$132.41

This analysis assumes a seasonal rate adjustment of about 40% winter rate nights and 60% summer rate nights. Summer rates are applicable from roughly mid-April through September and include weekend and holiday discounting in the fall and shoulder seasons. Winter rates are achieved in the fall and every night from January 15 to mid-April.

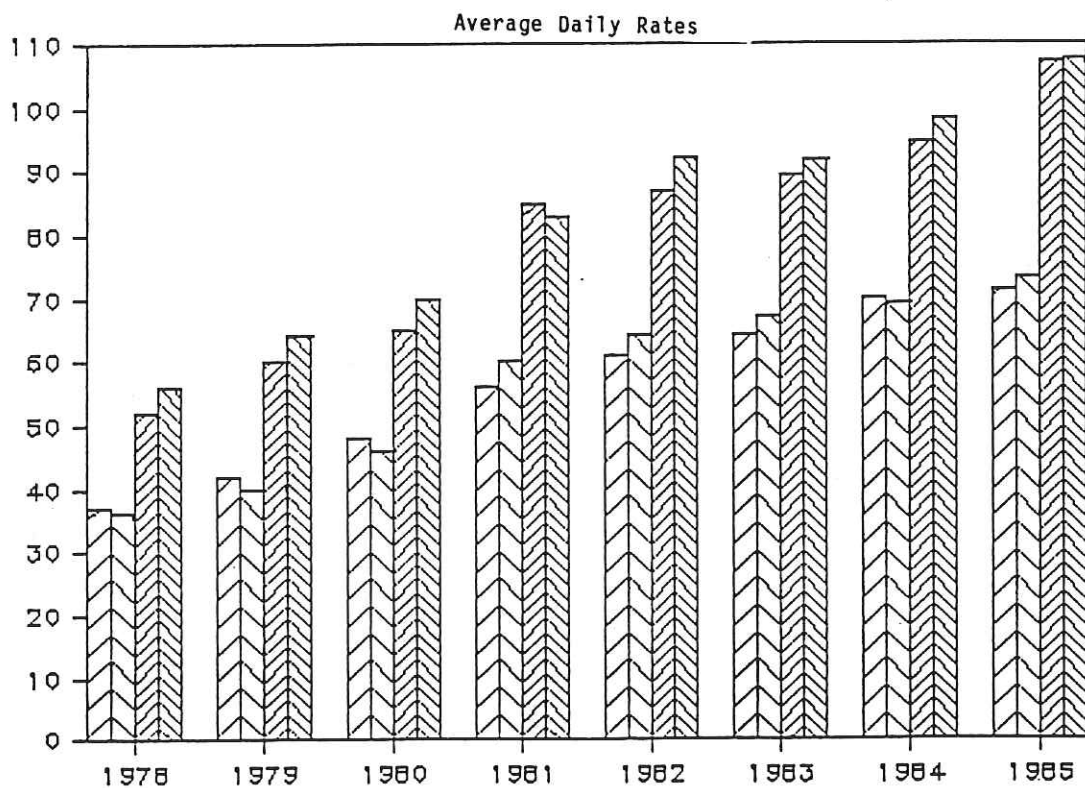
Appendix B

GUEST QUARTERS' MARKET STRENGTH

GUEST QUARTERS' MARKET STRENGTH WASHINGTON, D.C.



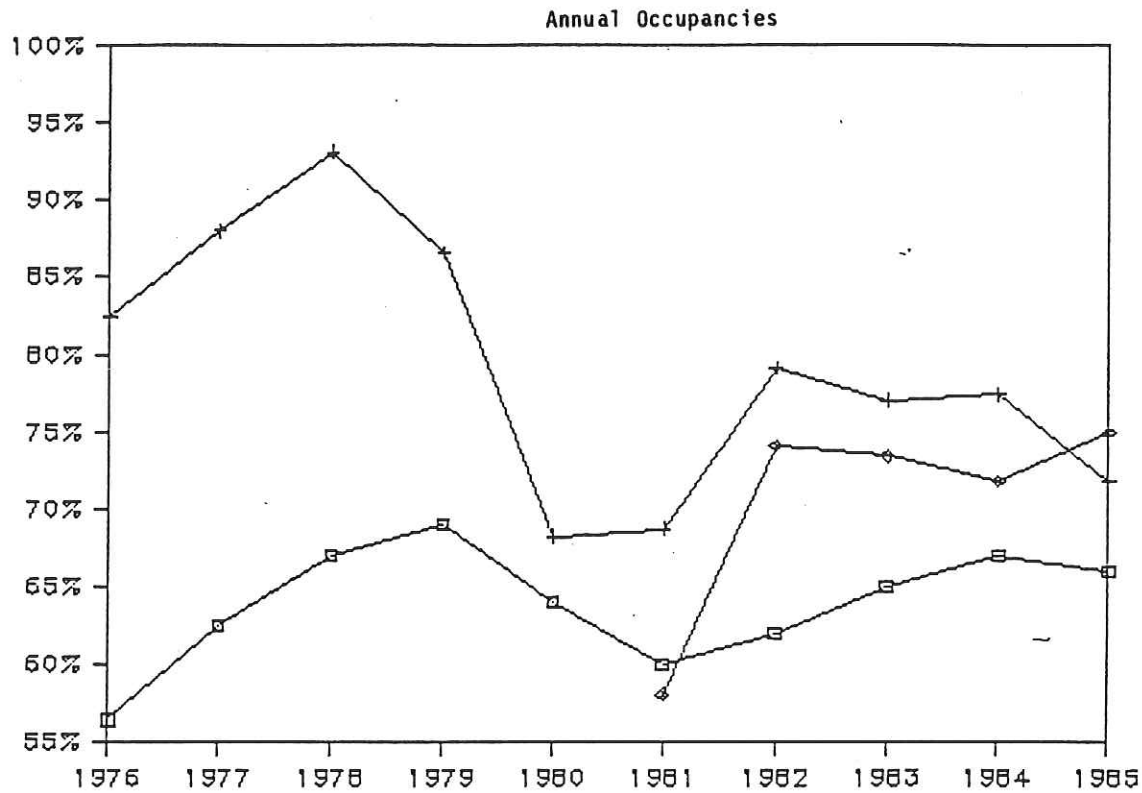
□ Metro Washington Hotel Index + Alexandria Virginia ◇ 801 N. H. Avenue △ 2500 Pennsylvania Avenue
Source: Laventhol & Horwath



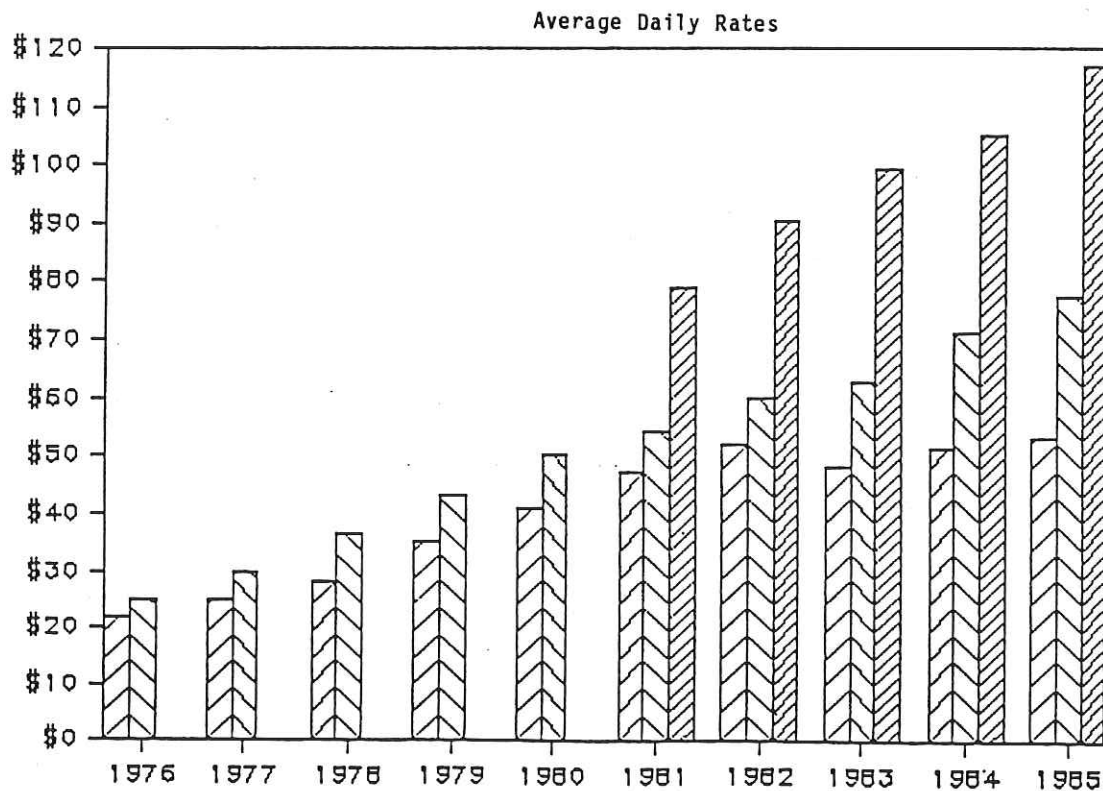
▨ Metro Washington Hotel Index ▨ Alexandria, Virginia ▨ 801 N.H. Avenue ▨ 2500 Pennsylvania Avenue

GUEST QUARTERS' MARKET STRENGTH

ATLANTA, GEORGIA



□ Atlanta Hotel Industry Average + 7000 Roswell Rd. ♦ 111 Perimeter Center W.
Source: Laventhol & Horwath



▨ Atlanta Hotel Industry Average

▨ 7000 Roswell Rd.

▨ 111 Perimeter Center W.