September 11, 2007

Dr. John Dienhart
HTE Department Chair
Metropolitan State College of Denver
Auraria Campus
Denver, Colorado 80217

Re: Proposed Hotel Learning Center – Metro State College
HREC Assmt: #0722; State of Colorado GMA – 003-22685

Dear Dr. Dienhart,

Pursuant to your request, this letter serves to provide you with a summary overview of the verbal conclusions and findings presented to you during our meeting on August 25, 2007. The letter has been prepared in accordance with our executed State of Colorado engagement letter Agency: GMA; Project Number: 003-22685.

Overall Conclusion

Based on our research and analyses, we believe that a proposed hotel project on the campus will require some type of economic subsidy in order for a private developer to build the asset. This applies to both the project as a "stand alone hotel" and more so with the increased costs associated with the non-cash flow generating components attributed to the purely educational aspects. Most likely scenarios for development of the project include some type of public/private partnership (with public subsidies) or pure public development (tax-exempt bond financing; similar to Hyatt Denver Convention Hotel).

Selected Details

During the course of this engagement, HREC explored two scenarios including 1) a 150-room aloft hotel with 2,000 square feet of meeting space, a three-meal restaurant and ancillary university-related facilities and 2) a 150-room Holiday Inn hotel with 6,000 square feet of meeting space, a three-meal restaurant and ancillary university-related facilities.

Based on our analysis of the three potential campus hotel sites, HREC recommends Lot R as the site most likely to bear potential for successful lodging development. In general, Lot R is considered the best site within the Campus but is considered a secondary location relative to downtown Denver in terms of hotel development.

Overall, we believe that both the downtown Denver economy and lodging market are conducive to hotel development with highlighted bullets as detailed below:

- An estimated 2 million square feet of office space will be delivered in downtown Denver between 2009 and 2010. The majority of the anticipated Class A office supply additions are located west of the core CBD.
- Additionally, multiple public, residential and mixed-use developments are underway or proposed in Denver which are anticipated to create a more vibrant "24/7" downtown environment.
- Approximately 2,636 hotel rooms are anticipated to be added to downtown Denver by 2011, of which roughly 718 rooms (including the proposed subject) are considered to be competitive.
- In 2005 and 2006, despite the addition of new supply, the competitive set achieved increases in occupancy of 2.0% and 6.2%, which illustrates the competitive lodging market's ability to absorb new supply. We have forecasted that the competitive set will achieve an occupancy of 71% in the stabilized year 2012.
- Average rates in the competitive set increased by 9.5% and 3.9% in 2005 and 2006, respectively, this trend continued through June 2007 YTD with an increase of 13.7% over the same period during the previous year. Discussions with local hotel operators revealed that rates are anticipated to increase by 10%, 6% and 4% in 2007, 2008 and 2009, respectively.

Based on our analysis, the following tables summarize our five-year forecasts of annual occupancy and average room rate levels for both hotel brands analyzed. As discussed, please consider these forecasts to be subject to change due to the preliminary nature of the projects and the multiple assumptions, which may change, that needed to be made for a project in the early development, conceptual phase.

Occupancy and Average Rate Summary
Proposed aloft Hotel - Denver, Colorado

Year	Occupancy	Average Rate	RevPAR
2010	63%	$143.00	$90.65
2011	68%	$151.00	$102.10
2012*	71%	$155.00	$110.61
2013	71%	$159.65	$113.93
2014	71%	$164.44	$117.35

**Stabilized Year*
Source: Hospitality Real Estate Counselors, Inc.

Occupancy and Average Rate Summary
Proposed Holiday Inn - Denver, Colorado

Year	Occupancy	Average Rate	RevPAR
2010	63%	$134.00	$84.70
2011	67%	$143.00	$96.09
2012*	71%	$147.00	$103.71
2013	71%	$151.41	$106.82
2014	71%	$155.95	$110.03

**Stabilized Year*
Source: Hospitality Real Estate Counselors, Inc.

Feasibility Analysis

As part of this engagement, we evaluated the feasibility of developing the proposed hotel. Please keep in mind that our analysis is based on preliminary estimates of development costs that will most likely evolve and change as the project progresses. Based on our analysis and using the aloft product as an example, the market value of the completed, open and operational hotel asset is roughly 10% less than the estimated hard and soft development costs. As you add the cost of the land, developer's profit and the learning center components to the project cost, the total estimated potential subsidy increases to a total of 35 to 40%.

We recommend that you explore various alternatives to create an economic scenario conducive to developing the project if you elect to complete a public/private partnership. Some of these ideas include:

- Not burdening the project for the land (either through sale for minimal dollar amount or a long-term ground lease at a negligible rent charge);
- Securing property tax abatements or TIF financing;
- Creation of a development vehicle whereby the developer is fee based only and does not require a profit on their investment;
- Securing project rebates of hotel occupancy tax charges;

Another alternative is to develop the hotel through tax-exempt bond financing. We suggest you contact tax counsel with expertise in this arena to see if this is a possibility for this project.

Please keep in mind that this letter only summarizes our conclusions and findings and is subject to both our normal and project specific assumptions and limiting conditions. This letter is not sufficient in detail and scope to be used for any equity or debt financing purposes and is solely to be used in your internal decision making process. If you have any questions or comments, please contact the undersigned.

Sincerely,
HOSPITALITY REAL ESTATE COUNSELORS, INC.

Bryan Esposito
Associate

Michael Cahill, CRE, MAI, FRICS, CHA
President & Founder