



**MARKET STUDY WITH FINANCIAL PROJECTIONS
FOR A PROPOSED LIMITED SERVICE HOTEL**

VANCOUVER, BRITISH COLUMBIA

Prepared for:

Musqueam Indian Band

**c/o Colliers International,
Planning & Development Management Division**

Prepared by:

PKF
Consulting

April 2011



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April 25, 2011

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ATTENTION: Mr. Gordon Easton, Director
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TRANSMITTED VIA EMAIL: gordon.easton@colliers.com

RE: MARKET STUDY WITH FINANCIAL PROJECTIONS FOR A PROPOSED LIMITED SERVICE HOTEL ON MUSQUEAM OWNED UNIVERSITY GOLF CLUB LANDS IN VANCOUVER, BRITISH COLUMBIA

Dear Mr. Easton:

In accordance with the terms of our engagement, PKF Consulting Inc. ("PKF Consulting" or "PKF") has completed the research and analysis relating to a Market Study with Financial Projections for a proposed limited service hotel ("the subject hotel" or "the subject property") on Musqueam owned University Golf Club lands in Vancouver, British Columbia. The projections presented in this report are based on the construction of a 120 room property located along University Boulevard, across from the University Golf Club, east of the UBC campus. The subject property is proposed as part of a mixed use development site that is to include residential and commercial uses. The projections herein assume that the subject hotel would be branded, although a specific brand has not yet been confirmed.

The entire study, including all findings and conclusions, pertains only to the Vancouver market area and is based on our present knowledge and information with respect to current and projected economic data, sources of existing demand and supply, proposed accommodation construction, assumptions with regard to size and concept for the Subject Hotel and the status of the competitive market as of completion of our research on February 21, 2011.

PKF Consulting Inc.



The pro forma projections presented in this report are for a calendar year basis for the period from September 1, 2013 to December 31, 2018. The projection start date assumes that the development of a 120 room property is completed by August 31, 2013.

The projected operating results are based on an evaluation of the present economy of the area but do not take into account or make provisions for any sharp rise or decline in local, provincial and national economic conditions. To the extent that wages and other operating expenses may increase over the economic life of the hotel, it is expected that room rates would be adjusted to compensate for these increases.

As in all studies of this type, the estimated operating results are based on competent and efficient management and presume no significant change in the competitive position of the lodging industry in the immediate area, except as set forth in this report. The estimates are subject to uncertainty and variation and PKF Consulting does not represent them as results that will actually be achieved, however, they have been conscientiously prepared on the basis of available information and our experience in the industry.

This report has been prepared solely for the use of Musqueam Indian Band c/o Colliers International to assist in determining the projected market position and operating performance of the proposed 120 room subject hotel. As is customary in assignments of this nature, neither our name nor the material submitted may be included in any prospectus, press release, offering, or representation in connection with the sale of securities or participation interests to the public, without our prior written consent. It is a requirement of professional practice that PKF Consulting review the final draft of any prospectus or offering memorandum, containing references to this study. In connection with the permitted uses and as an advice to third parties, this report may not be disassembled or rearranged in any manner that would allow for presentation of only a portion of the report.

PKF Consulting has appreciated the opportunity to be of service on this project and would be pleased to hear from you if we may be of assistance in the interpretation or application of our findings.

Yours truly,

PKF Consulting Inc.

PKF CONSULTING INC.

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SECTION 1 SCOPE OF THE ENGAGEMENT

In January 2011, PKF Consulting was retained by Mr. Gordon Easton of Colliers International on behalf of the Musqueam Indian Band to prepare a Market Study with Financial Projections for a proposed hotel located across from the University Golf Club, east of the University of British Columbia campus in the City of Vancouver, British Columbia. The Musqueam Indian Band proposes to construct a small village of mixed use development including largely residential units, some retail/service and possibly a hotel on UBC Endowment Lands. PKF Consulting has completed our analysis and projections for the subject hotel as a branded 120 room property commencing operation on September 1, 2013.

Methodology

The work programme has consisted of the following:

- the site was evaluated based on a number of factors including the description of the proposed physical plant, access and egress, visibility and proximity to demand generators;
- consideration of economic factors, commercial and industrial development and other demand generators which will influence the demand for accommodation in Vancouver and at the University of British Columbia as gathered from secondary sources;
- application of research previously conducted with select faculty directors, department administration and UBC affiliated institutions, research centres and schools to use in the determination of the existing and potential demand for hotel accommodation;
- an analysis of the demand for, and the supply of, hotel accommodation in Vancouver in general and specifically on and nearby the University campus;
- a review of occupancy, average daily rates and market segmentation of identified hotel properties including those on other Canadian University campuses;
- preparation of projected financial operating results for the subject property for the period September 1, 2013 through December 31, 2018; and,
- documentation of the study research, findings and conclusions in a summary report.

A summary of the research and analysis is presented in the following sections.

SECTION 2 SITE EVALUATION AND FACILITIES DESCRIPTION

2.1 Introduction

This section examines the location characteristics and facilities of the proposed 120 room limited service hotel, east of the University of British Columbia campus, near the University Golf Club, in Vancouver, British Columbia.

2.2 Site Location and Surrounding Uses

The subject site is located on the eastbound side of University Boulevard, across from the clubhouse of the University Golf Club and east of the UBC campus on University Endowment Lands. The proposed hotel site is in the east corner of an L-shaped parcel of land held by the client, situated between University Boulevard and Acadia Road in an area referred to as Block F on University Endowment Lands. The site is not developed or improved and is currently covered by trees and shrubs. Exhibit 2-1 identifies the location of the subject site in Vancouver, relative to the University of British Columbia and Exhibit 2-2 shows the specific subject parcel and proposed development concept.

The subject site is considered off centre to the University core buildings and services. The site is convenient by car to most on-campus facilities including research, academic teaching facilities, conference services and residences, as well as visitor/tourist oriented facilities such as the Museum of Anthropology, the Chan Centre for the Performing Arts, Beaty Biodiversity Museum and the sports facilities such as Thunderbird Stadium and Doug Mitchell Thunderbird Sports Centre. Most on-campus facilities are at a sufficient distance that they are not considered close or direct for pedestrian access. However by vehicle, access to these facilities would be less than a five minute drive and for the many bicyclists on campus the site would be easily accessible. The UBC campus stretches approximately four kilometres in length from the Cecil Green Park House at the north end to the TRIUMF research centre in the south campus, with all other faculty and student buildings in between. Any site for a hotel would not be close to everything due to the vast size of the campus and the density of its core. Exhibit 2-3 is a map of the UBC campus.

The subject site is bound to the north by University Boulevard. St. Anselm's Church, which is slated to be demolished, is located on an adjacent parcel of land on the same side of the road. The buildings and grounds of the University Golf Club also front University Boulevard on the opposite side. The golf clubhouse entrance is located off the westbound lane of University Boulevard, slightly east of the subject site. Undeveloped land

surrounds the subject site in all other directions, mostly comprising the large landholdings of the Musqueam Indian Band, which is proposed to be redeveloped into residential and commercial uses.

The overall development plans surrounding the proposed hotel site include townhouses, multi family low and high rise buildings, as well as commercial and retail uses. This new community would border and expand the east side of the University campus and the existing housing/residences, apartments and childcare centre, creating a village-like community that would be compact and pedestrian friendly.

2.3 The University of British Columbia

The University of British Columbia, established in 1908, is a Canadian public research University with campuses in Greater Vancouver and Kelowna. The main campus is located in the University Endowment Lands on Point Grey, a peninsula about ten kilometres from downtown Vancouver. The University is the oldest in British Columbia and has the largest enrolment with approximately 50,000 students at its Vancouver and Okanagan campuses combined, as well as over 13,500 faculty and staff and over 6,000 international students.

Currently, UBC has twelve faculties and twelve schools on its Vancouver campus, in addition to seven faculties and one school at its Okanagan campus. There are also three academic colleges including the Interdisciplinary Studies and Health Disciplines in Vancouver and the College of Graduate Studies in the Okanagan. UBC also operates many research centres and institutions and is home to some of Vancouver's most popular attractions such as the Museum of Anthropology, the UBC Botanical Garden, Pacific Spirit Park and the Chan Centre for the Performing Arts. The UBC Library is the second largest research library in Canada, comprising 5.9 million books and journals.

2.4 Proximity to Demand Generators

The primary demand generator for the subject hotel would be the University of British Columbia itself. PKF research indicates that virtually all University faculties and affiliates have some level of hotel demand year round through conferences and meetings, guest speakers and presenters, distinguished guests, parents of students and a variety of other sources of visitors to the campus.

The University Golf Club would be a source of demand for the subject hotel as the facility caters to a significant number of weddings, golf tournaments and other banquet events throughout the year. While some of the demand is University driven, University Golf Club management indicates that a significant portion of

business at the centre is derived from Downtown and other areas of Greater Vancouver. Cecil Green Park House at UBC, located less than three kilometres from the subject site in the north part of the University campus, is another source of demand for the weddings and events held year round.

Some demand may also be generated by the neighbouring residential communities because of the segment of “visiting friends and relatives” as part of the leisure group segment which is also comprised of weddings or other social functions that often require hotel accommodations. Tour groups and leisure traveler demand may be generated through the UBC attractions such as the Museum of Anthropology, The Chan Centre for the Performing Arts and the Beaty Biodiversity Museum, as well as other campus attractions. Similarly, some corporate demand may be generated by the on campus and nearby businesses that would view the subject hotel as a good alternative to the Broadway corridor or downtown Vancouver hotels.

2.5 Access and Visibility

Visitors to the University of British Columbia can access the campus via five possible east-west routes out of Vancouver: Northwest Marine Drive, West 4th Avenue, West 10th Avenue, West 16th Avenue or via Southwest Marine Drive. Direct access to the Subject Site is via West 10th Avenue which becomes University Boulevard at the east boundary of the golf course lands at Blanca Street. University Boulevard is a divided two way road, which periodically allows for a left turn across the eastbound lane at uncontrolled intersections, including at the proposed subject site. The preliminary nature of the project does not provide detail as to the access to the hotel specifically; however, it is recommended that a left turn from University Boulevard to the hotel driveway be accommodated to provide the greatest ease to motorists. Also any changes that can facilitate better linkage and easy access for guests between the University Golf Club and the Subject Site should be accommodated.

Motorists arriving to the University campus via West 4th Avenue, which becomes Chancellor Boulevard, would make a left turn onto Wesbrook Mall upon reaching the campus. After approximately 800 metres, motorists would turn left onto University Boulevard and travel approximately one kilometre eastbound to reach the subject hotel. Alternately, those travelling to the campus along West 16th Avenue, would turn right upon reaching Wesbrook Mall and travel less than one and a half kilometres before reaching University Boulevard.

Visibility of the subject site would be considered good due its street front location on University Boulevard. The hotel would be unobstructed for westbound motorists; however, clear visibility for eastbound motorists would be dependent on the height of the surrounding developments. Sufficient signage at the top of the building would enhance the property's visibility.

2.6 Proposed Hotel Facilities & Recommendations

The demand and financial projections for the subject property are based on a 120 room, limited service hotel that would include the following components:

- ❑ a continental breakfast room/counter;
- ❑ approximately 1,500 square feet of meeting space;
- ❑ a fitness room, indoor pool and hot tub;
- ❑ a business centre; and,
- ❑ appropriate public areas (lobby, entrance, corridors) and back of house space (offices, storage, service elevator and mechanical rooms).

It should be noted that the orientation of a limited service hotel in this location could be in the form of a boutique hotel and may or may not be affiliated with a brand. Limited service does not have to connote economy or budget, as quality, upscale products and services can be offered in a more limited service style of hotel. The location of the proposed hotel on the UBC campus with its iconic academic buildings and the vastness of the surrounding green space, park land and ocean and mountain views, is well suited for the development of a boutique property that is adapted to fit the unique environment.

Guest Rooms

The guest room mix for the proposed hotel had not been determined as at the time of our research. PKF Consulting recommends that the mix include both a variety of guest rooms and some guest suites in order to satisfy the greatest range of demand sources as possible as there are many different types of visitors to the UBC campus with varying needs. "Standard" guest room sizes should be in the range of 330 square feet to 350 square feet. These rooms should include either two queen beds or one king bed. Standard guest rooms with two queen beds serve the broadest range of clients, including corporate travelers, families, sports teams/tour groups and meeting/conference delegates. There is also a segment of corporate clients as well as special event leisure markets and couples who would prefer a king bedded room.

The inclusion of suites provides added value for families, couples, adult groups or business people who prefer a measure of privacy within close quarters and for those extended stay guests. Suites can be designed so that all facilities and amenities are within one room, or they can be designed similar to an apartment or condominium where various areas are within separate rooms. One bedroom suites, with a separate bedroom and living room, are suitable for families, for small meetings and for use as a hospitality suite for special

occasion or meetings/conference groups. Suites should also contain kitchenette facilities that would be equipped with a sink, refrigerator, microwave, toaster and a two element stove top, plus a sizable coat closet as well as a bedroom closet. While a dishwasher is not always a standard feature within hotel kitchenette facilities, it is a desirable amenity.

All suites and standard rooms with one king bed should include a pull out sofa bed to allow for the greatest flexibility of use during periods of high demand. Any one bedroom suite should include a remote control television and telephones in both the bedroom and living room areas.

Standard amenities in guest rooms and suites should include the following:

- data ports for portable computers with appropriate provisions for either/both connected and wireless e-mail and Internet access;
- a spacious work desk;
- two telephones, preferably cordless, for work desk area and beside the bed or between two beds;
- an alarm clock radio;
- individual controls for heating and air conditioning;
- double glazed windows for sound and heat insulation;
- black out drapes;
- spacious closets with hangers and bureau;
- an electric coffee maker;
- a hair dryer in each bathroom;
- a selection of bathroom toiletry items;
- an ironing board and iron;
- a full length mirror
- a remote control colour flat panel television with a minimum 27 inch picture; and,
- an in-house movie system with video games and related equipment.

Fitness Room & Recreation

A fitness centre should be equipped with cardio machines, such as a treadmill and stationary bicycle, free weights, a weight station such as a Universal or Nautilus branded multi use centre, exercise mats, filtered water, a towel station, a clock and a television or other form of audio or visual entertainment. Access to the fitness room should be restricted to guests through guest room key card access.

Provisions should be made for an indoor swimming pool to allow for both play activities and for guests to swim short lengths. A seasonal outdoor deck should also be considered and be accessible from the pool and change room areas. To attract the leisure market, a waterslide is recommended as well, plus a whirlpool and sauna.

Most hotel brands would require a swimming pool and fitness room in any event. PKF Consulting believes that a swimming pool and fitness centre should be included in any concept at this site. The selection of a hotel by some markets (including leisure and group sports markets) will be related to availability of a pool. The location of the subject hotel is also an important consideration in having a swimming pool, as the facilities of the University would not be convenient for most guests and it offers more to do for those staying in that part of the City of Vancouver and another amenity that would draw visitors out of their normal travel patterns.

Food & Beverage Facilities

A breakfast area is considered mandatory, and is often a requirement of the franchise in order to provide the added value that many branded limited service hotels would provide. Menu items for the breakfast often include a varied selection of cold and some hot items such as sliced fresh fruit, an assortment of cereal, bread and bagels, yogurt, muffins and pastries, a selection of fruit juices and coffee/tea. Hot items could include hard boiled eggs and toaster waffles. Breakfast should be made available on a complimentary basis to hotel guests in a defined period, for limited hours such as 6am to 9:30am daily. This would be a guest only area, operated by the hotel directly and staffed with a part time employee and under this scenario the labour costs would be controlled. Under some specific limited service brands, there may be a charge for breakfast and a lounge may be required. As a boutique property, breakfast could be altered to include some higher quality items while still being Continental or European in service.

It would be beneficial if the breakfast room was designed to be flexible for use as a meeting space after breakfast hours, or a comfortable room for groups to congregate in the evening. After breakfast hours, tables and chairs could be rearranged to create a meeting room setting for a small group and a meeting room rental fee would be applied. This would extend the meeting facilities available at the hotel.

Other Amenities

A business centre that includes at minimum one computer and a printer is a common feature among corporate oriented hotels. Many properties are now offering wireless zones in public areas, such as lobbies and lounges, where guests can utilize their computer outside of the guest room.

Guest access to sundry items and beverages at all hours is an important consideration for hotels. The most commonly used amenities are vending machines and/or selling products through the hotel front desk. Some properties also offer a small retail/gift shop area which they either operate or with some larger hotels the space is leased to an outside operator.

Getting around by bicycle on the UBC campus is very common for students and residents. It is an easy and reliable form of commuting around the campus, it is good for the environment and it fits well with the young and healthy lifestyle of the campus residents and students. It is suggested that the subject hotel consider having their own inventory of bicycles available for hotel guest use or that a local bike rental facility be promoted to hotel guests. It is also recommended that a hotel shuttle be offered for campus commuting.

Other Public Areas

The lobby should be welcoming as the guest's first impression is of this area. The reception desk should be visible but away from the main walkway to enhance traffic flows and should prevent congestion from group arrivals or departures. A luggage storage room and sufficient space for a back of house work area for front office and reservations staff should be included in the design of the lobby and reception area. Guest elevators should be visible from the lobby area. There should be separate guest and service elevators if possible, which will prevent guests having to wait for elevators and increase guest satisfaction. Service elevators should be located in an area that is convenient for housekeepers and should not be visible to guests from guest corridors. Corridors should allow for sufficient room for luggage/housekeeping carts and staff/guests to move freely. All corridors should be spacious and well lit to accommodate the projected volumes of pedestrian traffic.

The hotel should have a main driveway entrance/front door as some guests will wish to have quick drop off/pick up available. The parking space, turning area and height should also be sufficient in size to accommodate motor coaches. The location and volume of parking spaces will be subject to the design zoning regulations, the ultimate configuration of the hotel and often take into account a traffic study that identifies users, anticipated traffic patterns and parking requirements for the hotel and overall complex. PKF Consulting held discussions with the neighbouring University Golf Club manager, who indicated that parking at that facility was not sufficient for their traffic volumes, therefore it may be of consideration in the hotel development that additional parking spaces are made available as overflow for the golf club.

Administrative/Back of House Areas

The subject hotel should have its own back of house areas, including business offices, housekeeping, maintenance, and laundry. PKF Consulting recommends several administrative offices to be located at the back of house area to ensure a smooth day to day hotel operation and management activities. It is important that staff change rooms are included. There should be space allocated towards a housekeeping office, storage rooms, laundry room, maintenance workshop and small breakfast servery. Meeting room storage should also be included as there will be various types of tables, chairs and other equipment.

Collaboration with University Golf Club

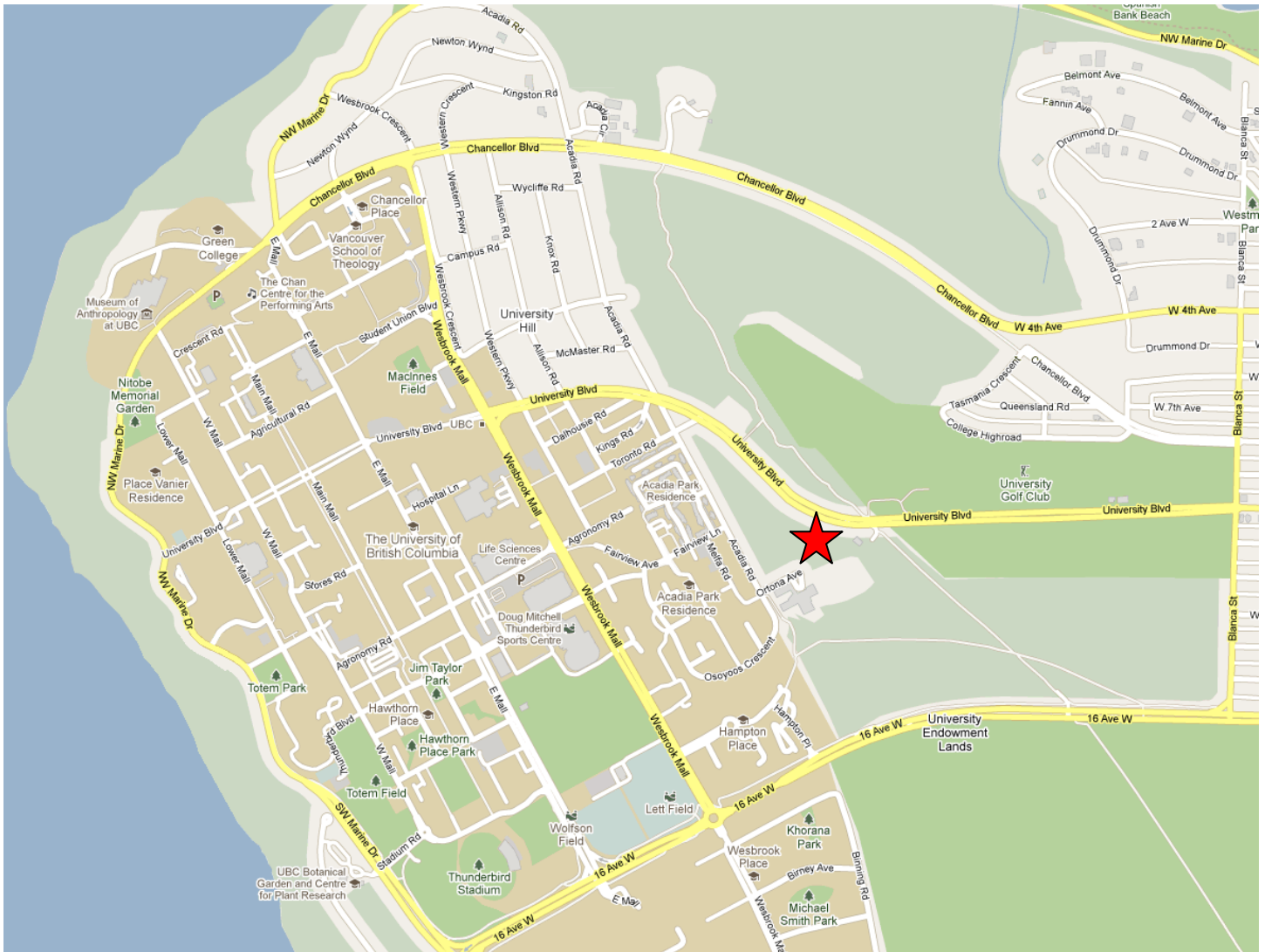
Like the proposed hotel, the University Golf Club is owned by the Musqueam Indian Band, which allows for some synergies in operations between the proposed hotel and the golf club. Both the golf club and hotel should benefit from higher conversion of bookings, cost saving marketing initiatives, greater guest conveniences and more. As discussed above, the parking challenges currently facing the golf club may also be alleviated. PKF Consulting also recognizes an opportunity for the point of sale system of the golf club to allow hotel guests to charge goods and services against their hotel folio.

2.7 Conclusion

The subject site is well located insofar that it would be positioned within a new community on the UBC campus amongst residential and retail uses, as well as adjacent to the University Golf Club. The location of the subject site is off centre to the core of the University campus, just outside the range of a comfortable walking distance to most facilities and services, however, there is no one particular hotel site that would be close to all amenities because of the size of the campus and the numerous amount of buildings. Getting around campus could be made easier with bicycle rentals and a hotel shuttle.

Access to the subject site is considered to be simple and direct and visibility would be relatively unobstructed with its prominent location on University Boulevard, one of the main access roads to the University campus.

**EXHIBIT 2-1
LOCATION OF SUBJECT SITE
UNIVERSITY OF BRITISH COLUMBIA
VANCOUVER, BRITISH COLUMBIA**



 **LOCATION OF SUBJECT SITE**

Source: PKF Consulting Inc./Google Maps

**EXHIBIT 2-2
SUBJECT PARCEL
PROPOSED DEVELOPMENT CONCEPT
VANCOUVER, BRITISH COLUMBIA**



EXHIBIT 2-3 UNIVERSITY OF BRITISH COLUMBIA CAMPUS MAP



SECTION 3 ECONOMIC OVERVIEW

3.1 Introduction

Demand for accommodation in Vancouver is affected by the local, regional and provincial economies and to a lesser extent, by the Canadian and US and Global economies. We have reviewed various forecasts and offer the following comments based on the Conference Board of Canada's latest published economic summary. This information is summarized in the following paragraphs.

3.2 United States & Global

In its Provincial Outlook Winter 2011, the Conference Board of Canada summarizes the state of the US and Global economy as follows:

"Recent economic data regarding the overall health of the U.S. economy have been encouraging, and concerns that we could see a double-dip recession are starting to fade. Financial conditions are improving and the stock market has rallied back to where it was before the European sovereign debt crisis hit banks last spring. Credit spreads between risky and less-risky bonds are narrowing, and banks have reacted to the improvement in credit quality by increasing their lending somewhat. The economy is currently expanding at a pace of around 2.5 per cent. That is below the estimated potential of 2.8 per cent, but at least it is no longer decelerating. With growth forecast to accelerate, the current outlook calls for real U.S. GDP growth of 3.2 per cent this year and 3.7 per cent in 2012.

As Americans await a return to more vigorous private sector investment and household spending, economic growth will be propped up by further injections of monetary and fiscal stimulus. In December, Congress and the Obama administration reached agreement on a compromise regarding tax and spending policies. The two sides agreed to extend the Bush-era tax cuts, which were set to expire at the end of 2010, for an additional two years. Also, worker payroll taxes will be reduced for one year, and business investment will have a more favourable tax treatment. The measures will help sustain real GDP growth—especially in 2011—but the two-year extension will cost the Treasury around US\$1 trillion. Consequently, the fiscal deficit will remain above \$1.3 trillion over the near term. The revival of the emergency unemployment insurance program for the long-term unemployed, which expired at the end of November, will also help the economy. Failure by Congress to act would have resulted in more

than one million workers losing their benefits in the weeks leading up to Christmas. The ability to collect UI benefits for up to 99 weeks in some states likely encourages some workers to remain idle. But given that there are currently five unemployed workers for every job opening, there are still not enough jobs to absorb more than a minority of the unemployed who do want to work.

The Federal Reserve has also acted—somewhat controversially—by embarking on a second round of quantitative easing. The Fed's plan is to purchase up to \$600 billion in U.S. Treasuries in an effort to keep interest rates low and the greenback soft. Whether or not the plan is successful remains to be seen. So far, long-term rates in the U.S. have not come down, and the plan has drawn opposition from some trading partners. Still, the Fed's intent is clear—to keep rates low until the U.S. recovery is self-sustaining. Indeed, the stimulus is helping to bolster consumer spending despite a lacklustre job market. Retail sales posted solid gains in the final months of 2010. A factor behind the overall improvement in retail sales has been the performance of the auto sector. Households are starting to release pent-up demand due to the need to replace their aging vehicles. And for the fourth consecutive month, seasonally adjusted vehicle sales were above 12 million (annualized) in January—although still well below the 15 million in sales expected in a normal market. Every auto manufacturer, with the exception of Toyota, has recorded double-digit growth in sales compared with a year ago.

The more promising picture emerging from the influential U.S. economy and consumer is good news for the global outlook. Equity markets around the globe are solidifying, helping to restore confidence, wealth, and capital investment. In Europe, growth will remain lethargic this year despite the backing that the International Monetary Fund and European Central Bank have put up to defend the euro. Indeed, the baseline forecast (a perhaps optimistic scenario) sees European economies and finances slowly solidifying without causing further turmoil to the banking sector and global financial markets. The fact remains that developing economies will contribute substantially to overall economic growth again in 2011. In particular, the Asia-Pacific region will benefit from the strength in industrial production coming from China and India. Resource-rich Brazil and Argentina will also lead a strong performance from Latin America."

3.3 Canada

The outlook for the Canadian Economy, as of the Winter 2011 edition of the Conference Board of Canada's Executive Summary economic forecast is summarized in the following excerpt.

"In the first half of 2011, an arduous U.S. recovery and weak domestic demand will keep Canada's economic growth soft. After advancing by 2.8 per cent in 2010, real GDP will register growth of only 2 per cent in 2011. Stable domestic demand and a better trade performance will help lift real GDP by 2.7 per cent in 2012. The positive outlook of steady progression for the U.S. and global economies is of crucial importance to Canada's economic outlook. Despite the huge fiscal and monetary stimulus still flowing into the U.S. economy, private sector growth is just now starting to show signs of gaining traction. Yes, consumer spending is up, as are core business investment and exports; but levels are so far from normal that the growth, although welcome, remains too soft to spur the recovery into a gallop. The source of the problem is confidence—while U.S. businesses are flush with cash, and order books are filling, they remain reluctant to hire. And without stronger job gains, households remain in a state of depression—not surprising considering the tattered state of housing markets, which continue to search for a bottom.

As long as the U.S. recovery remains sluggish, it is unlikely that Canada will be able to generate much strength in terms of domestic demand. While job creation was phenomenal over the first eight months of 2010, it slowed in the final four months. This means slower income gains in the near term. Moreover, household savings are not in great shape, which means that consumer spending growth will have to ease and align with disposable income gains. The end of the fiscal stimulus program will also start to take away from growth. Real infrastructure spending is expected to peak in the first quarter of 2011—and while levels will remain relatively elevated in the near term, this component of government stimulus will start to take away from growth through most of 2011, and even more so in 2012. Sizable federal and provincial deficits are also forcing governments to pull back hard on program spending, and departmental budgets face tight restraints. Moreover, at the provincial level, governments are coming to the conclusion that tax increases will be a necessity when it comes to realigning public finances, further hampering nearterm growth in after-tax household income.

Business investment is a bright spot. A strong Canadian dollar and the need for retooling have prompted a rebound in capital investment. However, the strength is exclusive to machinery and equipment (which is import intensive), providing only a modest boost for near-term real GDP growth. Job creation would be better served by stronger private non-residential investment, but this is lagging due to excess capacity and still-high vacancy rates. In addition, while Canada's housing market recovered quickly from the worst of the recession, the trend

has been sharply downward since mid-2010. Weakness in both the existing and the new housing markets suggests that real residential investment will post a significant decline this year."

3.4 British Columbia

The Conference Board of Canada's Winter 2011 Provincial Outlook economic forecast regarding economic prospects for the Province of British Columbia are summarized as follows:

"RECOVERY TO SLOW BRIEFLY

After strong growth in 2010, B.C.'s economy will slow this year. Government spending prudence, combined with a slight slowdown in the domestic housing market will result in declining construction activity. Additionally, weakness in the broad U.S. economy— and the U.S. housing market in particular—will hinder demand for forest products and other B.C. exports. Real GDP growth will slow to 1.9 per cent in 2011, following strong growth of 3.7 per cent in 2010.

B.C.'s economic recovery will pick up speed again in 2012. The construction industry will get a boost from renewed strength in the domestic housing market, as housing starts return to levels supported by demographics. Increased stability in U.S. and global markets will boost demand for B.C.'s natural resources—especially forest products. Real GDP is expected to grow 3.2 per cent next year.

The mining industry continues to show strength. The province's natural gas reserves will contribute considerably to investment and mining output. Investment in energy projects will add significantly to the economy over 2011–13, and will generate economic activity in support industries, such as construction, transportation, and wholesale trade. Real output in mineral fuels mining will increase 7.4 per cent in 2011 and 7.5 per cent in 2012.

Employment will grow steadily over the forecast period. Boosted by gains in the manufacturing industry as well as other commercial services, the economy will add over 36,000 jobs in 2011. Job growth will continue at an even stronger pace in 2012—the economy is forecast to add over 67,000 jobs, with broad-based gains occurring across most industry categories. The

unemployment rate will decline this year, going from 7.3 per cent in the last quarter of 2010 to 6.8 per cent in the final quarter of 2011."

The following table illustrates the economic forecasts for the province of British Columbia for 2010 through 2012.

TABLE 3-1 HISTORIC AND PROJECTED ECONOMIC INDICATORS PROVINCE OF BRITISH COLUMBIA (completed February 4, 2011)			
	2010	2011	2012
Real GDP (basic prices \$2002) (% Change)	3.7%	1.9%	3.2%
Personal Disposable Income (% Change)	2.1%	1.3%	3.6%
Employment (000s) (% Change)	1.8%	1.6%	2.9%
Retail Sales (% Change)	5.3%	3.6%	4.6%
Unemployment Rate	7.6%	7.1%	6.3%

Source: Conference Board of Canada, Winter 2011 Provincial Outlook

3.5 British Columbia Travel Forecast

The Conference Board of Canada's Travel Market Outlook for British Columbia, prepared in the Autumn of 2010, shows a decline in visitation from most markets in 2011 for the Province; however, 2010 results were boosted by the Winter Olympic Games in Vancouver in February. A global economic recovery contributes to positive forecasts for 2011 through 2014. Overseas visitation is projected to lead all other markets.

TABLE 3-2 PROVINCIAL OVERNIGHT TRAVEL FORECAST (% CHANGE) BRITISH COLUMBIA						
	2009	2010(f)	2011(f)	2012(f)	2013(f)	2014(f)
Domestic Origin	-	3.3	2.7	3.3	3.0	2.8
<i>Business</i>	-	4.5	2.8	3.4	3.1	3.0
<i>Pleasure</i>	-	3.5	2.7	3.3	3.0	2.9
United States Origin	-	1.5	1.8	2.1	2.2	2.0
Overseas Origin	-	8.1	4.0	5.4	4.0	4.0
Total Visitation	-	3.4	2.6	3.3	3.0	2.8

Source: Conference Board of Canada Travel Markets Outlook, Autumn 2010; Statistics Canada

3.6 Metro Vancouver

The 2009 population of Metro Vancouver was estimated to be 2.3 million, more than half of the Province's total population and approximately seven times the size of the Greater Victoria population, the province's capital city. Metro Vancouver consists of 21 municipalities including Burnaby, Coquitlam, Langley and Langley Township, New Westminster, North Vancouver City and District, Port Coquitlam, Port Moody, Richmond, Vancouver, White Rock, Surrey, Delta, Maple Ridge, Pitt Meadows, West Vancouver, Anmore, Belcarra, Bowen Island and Lions Bay. Vancouver is a significant commercial and industrial centre, and the gateway for import and export trade for Western Canada. Metro Vancouver is also the regional economic centre of business activity for the Pacific Rim.

TABLE 3-3 POPULATION – METRO VANCOUVER	
Year	Population
2006	2,199,121
2007	2,237,220
2008	2,273,241
2009	2,318,526
2010f	2,374,628

Source: BC Stats, January 2010

The Metro Vancouver region is the headquarters of several forest products and mining companies, as well as a regional centre for many national and international financial institutions, software development companies, biotechnology firms and a strong film industry and television production. According to Metro Vancouver data, there are many major corporations located in Metro Vancouver including Telus Corporation, Jim Pattison Group, Canfor Corp. (forest products), HSBC Bank Canada, London Drugs Ltd., Teck Cominco Ltd. (mining and refining), Teekay Shipping (Canada) Ltd. (energy, shipping), West Fraser Timber Co. Ltd. (forest products) and the recently announced Microsoft software development facility.

Rapid growth and development in demand for products and services particularly in the telecommunication, real estate and financial services industries have contributed greatly to further growth in the number of corporate firms located throughout Metro Vancouver.

The Metro Vancouver region is well known as a base for film and television production in British Columbia and is surpassed only by New York and Hollywood for North American productions. It is estimated that \$1.2 billion is spent in the Province on film and television productions each year.

**TABLE 3-4
LARGEST EMPLOYERS
2007**

Company Name	Total Employees	Sector
Municipal Government	19,175	Government
Federal Government	17,375	Government
University of British Columbia	10,000-15,000	Education
Vancouver Hospital and Health Sciences	7,500-10,000	Healthcare
Telus Corporation	7,500-10,000	Private
Simon Fraser Health Region	7,500-10,000	Healthcare
The Jim Pattison Group	7,500-10,000	Private
Provincial Government	8,225	Government
Air Canada	5,000-7,000	Private
Canada Safeway Ltd.	5,000-7,000	Private
Insurance Corp of BC	5,000-7,000	Government
Providence Health Care	5,000-7,000	Healthcare
Royal Bank of Canada	2,500-5,000	Financial
Children's & Women's Health Centre of BC	2,500-5,000	Healthcare
Canada Post Corporation	2,500-5,000	Government
Simon Fraser University	2,500-5,000	Education

Source: Conference Board of Canada, Metropolitan Outlook, Autumn 2008

Vancouver serves as Western Canada's major transportation centre. The Vancouver International Airport (YVR) is Canada's second busiest airport, with 16.8 million enplaned and deplaned passengers in 2010, up from 16.2 million in 2009. Year to date January 2011, passenger traffic is up 3.0% over January 2010 and YVR projections indicate positive growth in passenger volume is expected to continue post 2011.

Vancouver is also home to Canada's largest ocean port facilities for the shipment of raw and manufactured goods, as well as the major terminal for cruise ships. The Port of Vancouver tonnage has increased in recent years; however, according to Port Metro Vancouver statistics, total inbound and outbound tonnage was approximately 118 million metric tonnes in 2010, compared with 102 million metric tonnes in 2009. The number of revenue passengers in the cruise ship sector totalled almost 900,000 in 2009, which represented an increase of 5.1% over 2008 totals. Year end 2010 results show that revenue passenger volume declined 36.0% since 2009, largely attributed to the movement of ships to the Port of Seattle. Disney Cruise Line will include Vancouver on its route in 2011, replacing up to half of the lost passenger volume but will consider moving some or all of its primary business to Seattle in subsequent years.

Vancouver Tourism

British Columbia offers coastline, mountains and lakes. Vancouver, with its beautiful beaches and spectacular backdrop of forest-covered mountains has a lot to offer tourists. UBC campus with its extensive waterfront offers significant view opportunities and activities. The tourism industry has experienced strong growth over the past decade as Vancouver has become recognized, both nationally and internationally as a tourist destination. Tourism contributes \$10 billion to the provincial economy each year and directly employs 118,000 workers. Over the period 2001 to 2010, the annual number of overnight visitors to the Metro Vancouver area has fluctuated, with recent declines of 3.2% between 2007 and 2008 and a further 6.0% in 2009. Signs of recovery in the local economy, boosted by the Winter Olympic Games, are apparent in the positive results for 2010 which indicate a 3.8% improvement in visitor volumes over 2009. The following table shows visitor volumes and spending to Metro Vancouver over this ten year period.

TABLE 3-5 GREATER VANCOUVER VISITOR VOLUMES AND EXPENDITURES 2001 - 2010		
Year	Number of Visitors	Total Visitor Spending (\$000's)
2001	8,347,153	\$3,533,767
2002	8,321,683	\$3,559,560
2003	7,967,198	\$3,388,848
2004	8,523,303	\$3,880,916
2005	8,604,870	\$4,317,130
2006	8,692,925	\$4,446,743
2007	8,912,525	\$4,603,579
2008	8,629,103	na
2009	8,110,823	na
2010	8,415,366	na

Source: Tourism Vancouver

The Metro Vancouver region is a popular destination for conferences and conventions. Many organizations and conference planners are able to successfully attract demand from potential delegates by promoting the scenic views and various leisure and recreational opportunities available. The increase in available meeting space within new and existing accommodation properties and other major venues has allowed for a greater share of conference demand being attracted to the Metro Vancouver area. UBC offers on site conference services in this sector.

With a joint contribution agreement between the Government of Canada, the Government of British Columbia and Tourism Vancouver, a \$900 million expansion project for the Vancouver Convention and Exhibition Centre was completed in September 2009. Full use of the entire facility for conventions commenced in the post Olympic period. The funding allowed the VCEC to increase exhibit, meeting and ballroom capacities from 130,000 square feet to over 470,000 square feet, creating an unparalleled convention facility in Western Canada. The project included the construction of new facilities on the Burrard Landing Site, west of Canada Place, the renovation of existing leased facilities within Canada Place and the linking of the two sites to form an integrated convention and exhibition centre.

A key indicator of annual meeting and convention activity which has a significant impact on visitor volumes, expenditure levels and accommodation room night demand is a comparison of the volume of major "City Wide" events. City Wide events are those that are held as private social organizations or business functions with registered delegates. The expansion of the Vancouver Convention Centre allows the city to attract more city wide conventions, particularly of larger sizes, that the City has not been able to hold historically.

Vancouver hosted the 2010 Olympic and Paralympic Winter Games in February 2010. In preparation for the event, The City of Vancouver completed construction on several projects including accommodations for the Athletes Village in False Creek, transportation infrastructure from the Vancouver International Airport into downtown Vancouver (the Canada Line) and the expansion of the Vancouver Convention Centre. Although, public figures have not yet been released, the Olympics were expected to generate in the low billions in economic activity for British Columbia. PKF Consulting estimates \$97 million in additional room revenue in the Metro Vancouver hotel industry in the first quarter of 2010 compared to the same period in 2009. The Olympic Games were a highlight for the City as they helped to alleviate the pains of a slow economic recovery felt harder by other Canadian and North American cities.

3.7 Conclusion

The various economic factors that influence accommodation demand are gradually becoming more positive across the country, in British Columbia, and in the City of Vancouver. One Olympic legacy will be the impact of the marketing of Canada and, specifically, Vancouver. World travel has been negatively affected by the global economic downturn, however, a full recovery within the next few years is projected.

SECTION 4 ACCOMMODATION SUPPLY ANALYSIS

4.1 Introduction

The proposed hotel would compete for demand with other accommodation facilities on the UBC campus as well as with accommodation properties in Downtown Vancouver, the Richmond/Vancouver airport area and with the Broadway corridor group of hotels to varying degrees. The product of the proposed hotel would be superior to that accommodation which is currently on campus, contributing to the potential to attract markets who have not found the selection on campus to be adequate for their needs. Other than West Coast Suites on the UBC campus, the nearest hotels and the hotels most frequently mentioned by UBC personnel interviewed by PKF Consulting, are located a considerable distance from UBC.

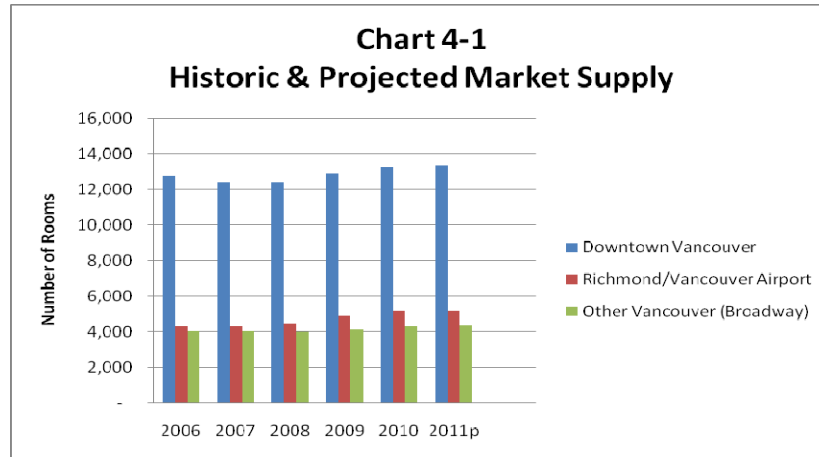
The accommodation options on the UBC campus are competitive on a location basis, primarily for University related demand, while the proposed hotel would compete for meetings and conference demand primarily with Downtown Vancouver hotels. A wide range of hotels in Downtown Vancouver, Vancouver Airport and Broadway corridor hotels would be competitive for both leisure and corporate demand. As a result, defining a competitive group of accommodation properties for the proposed subject hotel is complex and therefore a specific primary competitive market has not been selected. Rather, PKF has identified Downtown Vancouver, Richmond/Vancouver Airport and Other Vancouver (which includes the Broadway Corridor) as markets for comparison and to measure against for the subject hotel. **Exhibit 4-1** illustrates the location of the identified accommodation markets relative to the subject hotel.

4.2 On Campus Accommodation Supply

The total number of available accommodation units on the UBC campus fluctuates seasonally and annually. Currently only the 47 unit West Coast Suites, which operates year round. Many of the accommodation options are primarily occupied by students as full time housing from September to May and only the remaining inventory is used for nightly rentals to non-students. During the summer months or non academic year, the number of available units for transient accommodation use increases as there are less students on campus. In addition to the West Coast Suites, guest rooms are sporadically available at Green College, St. John's College, TRIUMF House, the Vancouver School of Theology, the Carey Centre, Pacific Spirit Hostel, as well as in numerous dormitory buildings.

4.3 Identified Markets Accommodation Supply

The following chart summarizes the historic and projected supply for each of the identified markets.



Source: PKF Consulting analysis

4.4 Additions to Accommodation Supply

PKF research indicates that there are currently no proposed or rumoured hotels in the immediate area of the University of British Columbia. While there have been numerous discussions and proposals for hotels on the campus over the past few decades and including in recent years, there is no ongoing planning for a hotel on UBC campus lands. There are some new or proposed supply additions to the identified accommodation markets, detailed as follows:

Downtown Vancouver

In April 2010, the Pacific Palisades Hotel ceased operation as a hotel facility to be converted to a residential use, reducing the room inventory in the Downtown Vancouver market by 232 rooms. The partial year closure results in an impact of 76 rooms leaving the market in 2011.

The Fairmont Pacific Rim Hotel opened in February 2010 directly across from the expansion building of the Vancouver Convention Centre. The hotel features 377 guestrooms with a full service spa facility, a fitness centre, roof top pool, 15,000 square feet of meeting space and multiple food and beverage outlets. The partial year opening results in 32 rooms entering the market in 2011 when calculated on an annualized basis.

Hotel Georgia will open under Rosewood Hotels management. The hotel will feature 154 guestrooms and a separate 48 storey residential tower. Facilities and amenities will include a spa, fitness centre, indoor pool, nightclub and restaurant. The hotel is scheduled to open spring 2011 which results in 117 rooms entering the market in 2011, followed by 38 rooms in 2012 on an annualized basis.

A proposal exists for the redevelopment of the Edgewater Casino in Vancouver on a site next to BC Place Stadium in Downtown Vancouver. Paragon Gaming has announced plans for an entertainment facility that would include up to 500 hotel rooms. The project is controversial and preliminary in nature at this time and has not yet received city approval; therefore, 0% probability has been assigned for the completion of the project within the projection period.

Richmond/Vancouver Airport

A site on the west end of Bridgeport Road has been purchased with the intent to build a 130 room limited service hotel. The project was originally scheduled to commence construction in 2011 with a completion of mid year 2012. PKF has assigned 50% probability to the completion of this project, particularly as the construction schedule is delayed and timing is currently unknown.

Great Canadian Gaming has confirmed their plans to move forward on the construction of a 191 room limited service hotel adjacent to the existing River Rock Casino Resort. The hotel is to be built above the existing transit structure and is a complement of guest rooms to the amenities and services of the existing Resort. Completion of the projection is scheduled for December 2011; therefore, PKF has projected 100% probability of the hotel opening in January 2012.

In the vicinity of the Vancouver International Airport and several sites in Richmond, there are many hotel rooms proposed for development. While future development is possible, it is PKF's projection that plans are too preliminary in nature at this time and 0% probability is included herein.

Other Vancouver

There are currently no known hotel projects scheduled for development in the Broadway Corridor of Vancouver; however, it should be noted that the former Plaza 500 Hotel on Broadway is in the process of branding as a Hotel Indigo alongside the completion of a major renovation in Spring 2011.

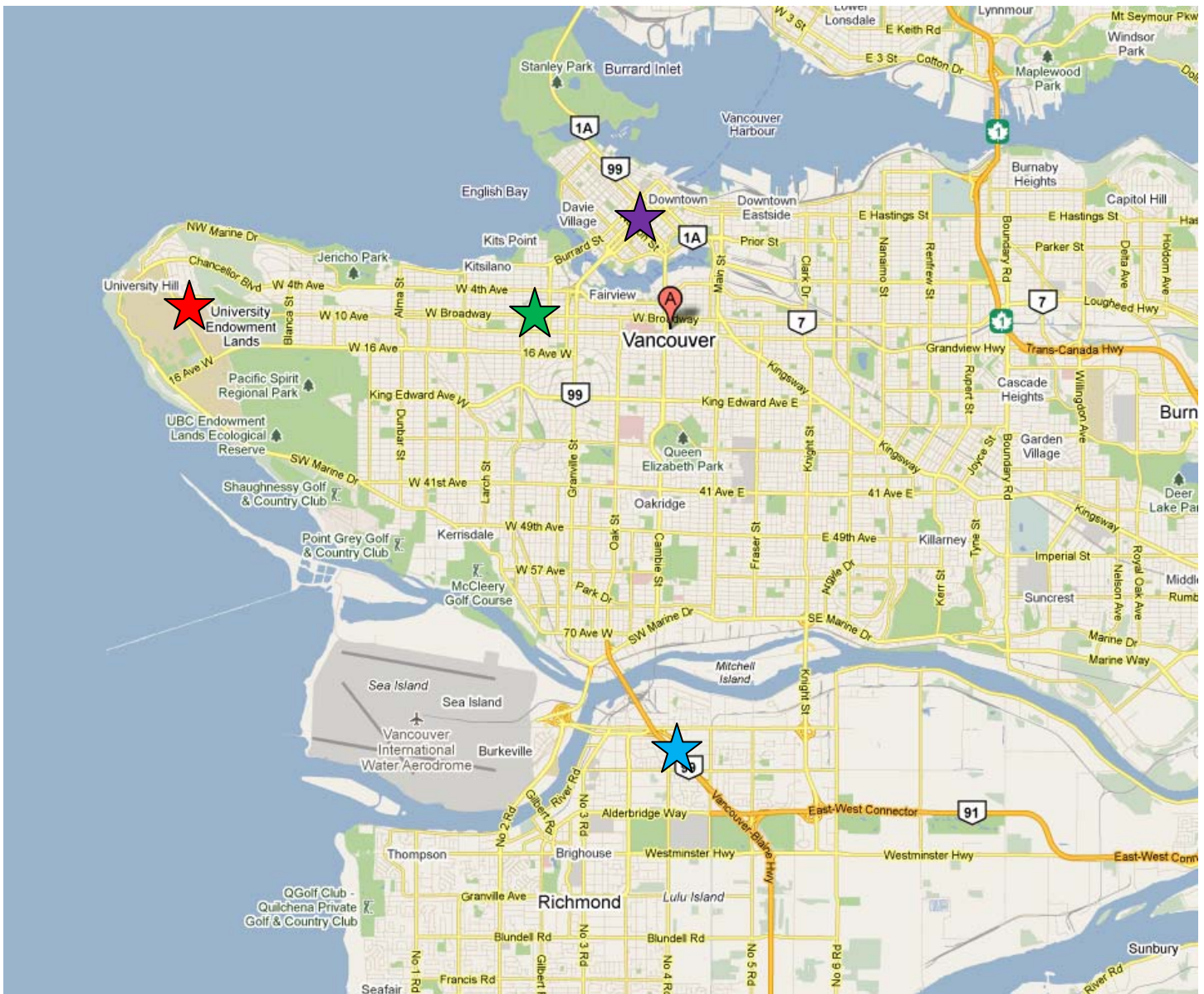
Exhibit 4-2 summarizes the projected increases in supply in the identified accommodation markets over the 2011 through 2018 period. These proposed supply additions include the proposed subject hotel's 120 rooms.





4.6 Conclusion

The proposed subject hotel would compete with other accommodation facilities on the UBC campus, primarily for University generated demand whether for meetings or conferences or general visitation and mostly during the summer months as much of the other accommodation facilities are used for student housing during the academic year. The proposed hotel would compete on a leisure and corporate basis more directly with off campus area hotels, particularly in Downtown Vancouver, the Broadway corridor and Vancouver Airport.

There are no current proposed or rumoured projects projected to be developed in the immediate vicinity of the subject hotel; however, there are several projects at various stages of development within the identified accommodation markets. Exhibit 4-2 summarizes the projected additions to the identified accommodation markets, including the subject site. Typically, if increases in accommodation supply in a given market outpace demand growth, there is downward pressure on market occupancies.

**EXHIBIT 4-1
LOCATION OF IDENTIFIED MARKETS
VANCOUVER, BRITISH COLUMBIA**



-  **SUBJECT SITE**
-  **DOWNTOWN VANCOUVER ACCOMMODATION MARKET**
-  **RICHMOND/VANCOUVER AIRPORT ACCOMMODATION MARKET**
-  **OTHER VANCOUVER (BROADWAY CORRIDOR) ACCOMMODATION MARKET**

**EXHIBIT 4-2
VANCOUVER, BRITISH COLUMBIA
SUPPLY PROJECTIONS**

SUPPLY ADDITIONS

New Projects	Supply	Probability	Impact	Timing
1 Proposed Subject Hotel, UBC	40	100.0%	40	2013
2 Balance of Proposed Subject Hotel	80	100.0%	80	2014
3 DOWNTOWN VANCOUVER MARKET				
4 Balance of Pacific Palisades closure	-76	100.0%	-76	2011
5 Balance of Fairmont Pacific Rim	32	100.0%	32	2011
6 Rosewood Hotel Georgia	117	100.0%	117	2011
7 Balance of Rosewood Hotel Georgia	38	100.0%	38	2010
8 Proposed Hotel - Paragon Gaming	500	0.0%	0	2014
9 RICHMOND/VANCOUVER AIRPORT MARKET				
10 Proposed Hotel - Bridgeport Road	66	50.0%	33	2012
11 Balance of Proposed Hotel - Bridgeport Road	64	50.0%	32	2013
12 River Rock Casino Resort (expansion)	191	100.0%	191	2012
13 Various Hotel Proposals	300	0.0%	0	2012
14 OTHER VANCOUVER MARKET				
15 Proposal	0	0.0%	0	0
16 Proposal	0	0.0%	0	0

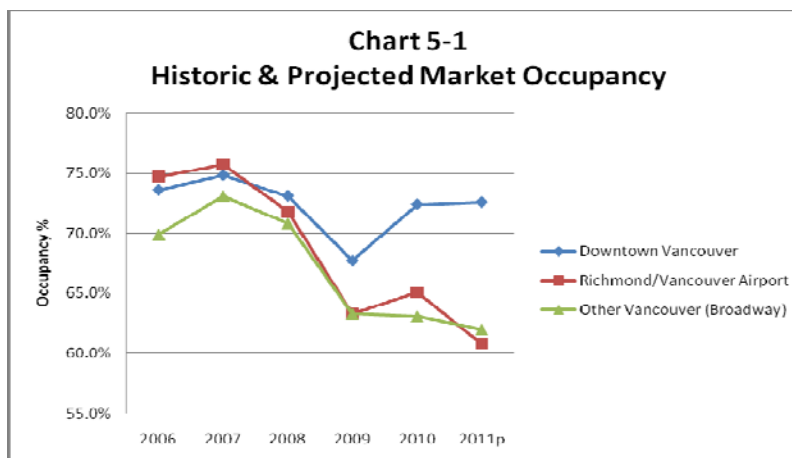
SECTION 5 ACCOMMODATION DEMAND ANALYSIS – IDENTIFIED MARKETS

5.1 Introduction

The following section provides a graphic analysis of the historic and projected market performance of the identified accommodation markets. As previously indicated in Section 4 of this report, a quality hotel at UBC would attract demand that has historically patronized hotels in Downtown Vancouver, Richmond/Vancouver Airport and the Broadway corridor group of hotels. The PKF Consulting monthly publication, *Trends in the Canadian Hotel Industry*, is a national market report which defines the applicable sub categories of Greater Vancouver as Downtown Vancouver, Richmond/Vancouver Airport and Other Vancouver, the latter including the Broadway corridor hotels.

5.2 Historic & Projected Market Performance

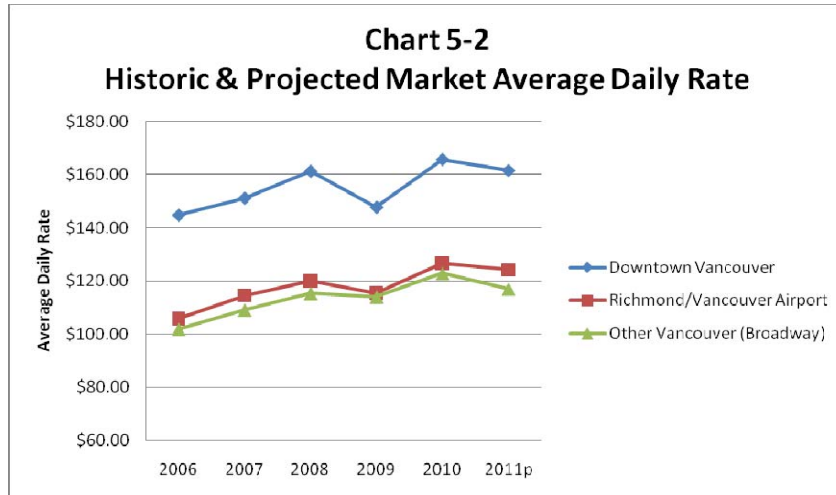
The historic and projected performance of the identified accommodation markets is summarized in the following charts. The findings and projections of the performance of the identified accommodation markets, prepared for 2011, are based on the historic results achieved within each market and take into consideration the projected changes in supply that were outlined in Section 4 of this report.



Source: PKF Consulting

As indicated, the overall occupancy rates in each identified market increased in 2007, however, as a result of the global economic downturn, decreases in occupancy were realized in both 2008 and 2009 in each of the markets. The occurrence of the 2010 Winter Olympic Games in Vancouver contributed to an increase in occupancy for Downtown Vancouver and Richmond, while occupancy was virtually flat to 2009 for the Other

Vancouver market. Projected occupancies for 2011 indicate a decline over 2010 results for Richmond and Other Vancouver as that one time demand does not return to the market. Despite overall occupancy figures for the Richmond and Other Vancouver markets in 2011 being below 2009 results, actual occupied room nights are projected to be greater. Projections for the Downtown Vancouver market show overall occupancy to remain relatively flat to 2010 results, which is a positive outlook considering the post Olympic year.



Source: PKF Consulting

The hotels in each of the identified geographic areas realized annual increases in average daily rate (ADR) between 2006 and 2008. The impact of the global economic downturn is apparent in the decline in average rate results for each of the markets in 2009. In 2010, ADR in each market was boosted by the Winter Olympic Games, which is projected to be followed by small declines in 2011.

SECTION 6 SUPPLY AND DEMAND IMPLICATIONS – PROPOSED SUBJECT HOTEL

6.1 Introduction

The following analysis presents the projected occupancy levels at the subject hotel. Demand based on numerous factors including University activity, economic and tourism demand influences, location factors and the ability of the subject property to compete for demand with other hotels in Downtown Vancouver, Richmond/Vancouver Airport and the Broadway Corridor is included in the projections. It is assumed that the guest facilities and public areas of the subject property will be maintained at a standard equal to, or better than, the best accommodation properties in the market.

The projected demand levels take into consideration the ability to capture existing markets and University demand as well as latent and induced demand from the University identified in previous research. The seasonality of guest room demand for the identified markets was also examined. All demand projections were prepared on a calendar year basis, consistent with available information from the primary identified accommodation markets.

6.2 PKF Research

In order to gauge the level of support for a hotel on or near the campus from University faculties and departments, PKF Consulting research included a series of telephone interviews with a variety of faculties, departments, schools and colleges, plus other organizations operating within the University campus. A component of the interview program was to assess if an on campus hotel would be favourably perceived relative to other hotels either Downtown or in the airport or Broadway corridor areas. It was also a primary objective to generate an estimation of the number of meetings and conferences each faculty holds per year and an estimation of the overnight accommodations required by each faculty in terms of total annual occupied room nights. The general interview findings are discussed within each segmentation of demand section below.

It was determined that each University faculty and organization individually facilitates the travel arrangements for its own visiting guests; however, the University's Conferences and Accommodation Services department is available to provide on campus housing, catering and meeting planning services to students and academic staff for campus wide meeting, conference and accommodation facilities, if desired by the individual faculty. There is also a Travel at UBC department that offers travel services by way of contracted travel agencies who have access to negotiated rates and discounts for airline, hotel and car rental reservations for anyone within

the UBC community. This travel department only handles individual and small meeting travel services and does not coordinate larger meetings or conferences.

Visitors to the University may include professors, guest lecturers, researchers, plus several other representatives of government and private organizations. Guests originate from provincial, national and international sources and the purpose of their trip is varied but is often related to attending a meeting or conference held on campus or hosted by a faculty or association of the University.

In many instances, visitors mix business with pleasure while travelling to the University to take advantage of the opportunity of seeing the City of Vancouver, thus extending their requirement for accommodation for longer periods of time. Faculty representatives have indicated that the various on campus accommodation options are considered and recommended as first option to their campus visitors and then off site locations are selected for overflow or to satisfy requirements. PKF research indicated that for the accommodation markets identified in Section 4, downtown hotels were the most commonly mentioned as preferred locations for UBC guests to stay. The Sheraton Wall Centre, in particular, was mentioned as a popular choice and a long standing relationship between the University and Peter Wall of Wall Financial and the Peter Wall Institute (the senior research institute on the UBC campus) was referenced. It was also noted that Fairmont hotels offered preferred negotiated rates for UBC business related travel, therefore, these properties were often selected. However, PKF Consulting research shows that UBC related travel is spread out amongst each of the identified markets.

In order to determine the average annual demand for overnight accommodation by campus faculties, PKF Consulting representatives contacted approximately 21 faculties, departments, schools and colleges, and other organizations operating within the University campus. Virtually all respondents indicated that there was some level of annual demand for hotel accommodation, whether it may be five occupied room nights or up to 3,000 per year. The greatest estimated volume of room night demand originates from TRIUMF, the Faculty of Athletics and Recreation, the Faculty of Applied Science and the Faculty of Forestry. The smallest demand generators appear to be the Faculty of Graduate Studies, the Office of the President, the Faculty of Pharmaceutical Sciences and the Faculty of Dentistry. Based on the research conducted, it is estimated that the University and its related facilities and departments could generate demand of approximately 30,000 annual room nights that is spread throughout the UBC campus and the Greater Vancouver area.

6.3 Segmentation of Demand

The transient accommodation demand sources for this study have been segmented into the following groups:

Corporate/Commercial/Government demand, Meeting/Conference demand, Leisure/Tourist demand, University demand. The University demand segment is deemed to be all University related travel that is not for the purpose of attending a meeting or conference, as that demand has been included in the Meeting/Conference segment. A discussion of the characteristics of each market segment follows.

Corporate/Commercial/Government Demand

This segment consists of hotel demand which is generated by and specifically related to business and corporate activity. It includes both individual and volume (or preferred) corporate accounts but excludes group based corporate activity that is generated for the purpose of conducting meetings and/or conferences. This segment also consists of demand that is generated by government travel and other sources such as work or construction crews. Work/construction crews may be related to the area for road/highway improvements, hydro and telecommunications maintenance/upgrades or new residential or commercial developments. Government travellers frequent the Vancouver area and can be represented by the provincial employees in such areas as health, social services, economic development, justice, primary resources and transportation, among others, which typically have negotiated group room rates.

Demand from this business related segment is primarily generated on weekdays which can conveniently balance the sale of rooms with the weekend focused leisure and tour segments. Demand from this segment can also be relied upon during the shoulder or low demand periods for the hotel as business travel is generally a small segment of demand from June through September and also during holiday periods.

Corporate/commercial/government demand for the subject hotel may be derived from those doing business in the Vancouver area, specifically in the commercial areas closest to the University, and also from those doing business at the University. An internationally recognized franchise brand on the proposed hotel would also generate corporate demand, particularly as a result of the loyalty reward programs that these franchises offer. It is also projected that the subject hotel's average daily rate, most times of the year, will be lower than the Downtown Vancouver market, which could further influence the corporate traveler to the UBC area. PKF Consulting projections assume that the corporate/commercial/government segment would be the smallest generator of rooms demand for the subject hotel at approximately 5.5%. By comparison this segment in other Metro Vancouver market areas, would be 20-35% of total demand. In this instance, the distance from corporate centres and the separately identified University demand influences this percent.

Meeting/Conference Demand

Typically, the majority of meetings and conference demand in a market is generated at full service properties that have a significant inventory of meeting space and guest rooms. For the subject hotel, demand from this segment includes rooms demand generated for the purpose of attending meeting/seminars/conferences at the University or hosted by the University. Meetings demand may also be generated from corporate or other groups that are rate conscious, influenced by capacity and quality of meeting venues or groups that may be looking for an alternative to Downtown Vancouver. Demand from this segment is primarily generated on weekdays from groups engaged in training sessions, strategic planning sessions, or other business activities. Much demand is also generated from various association groups hosting regional and international or other meetings and conferences at the University.

PKF Consulting research indicated that several of the UBC faculties and their divisions and other UBC departments and centres hold meetings/conferences throughout the year that require overnight accommodation for out of town guests. Many faculties or divisions within the faculty have annual conferences, however, there are many conferences that are only held every two years, three years or even up to one in every ten years. PKF research determined that UBC conferences are held in each month of the year, a combination of those that are only held during the academic year and those that are only held outside the academic year (summer months). Many conferences are held on campus, however, many are also held in Downtown Vancouver and other locations. Conferences held off campus are generally too large for University facilities, or other requirements of the event cannot be accommodated on campus. Often a destination event is desired in order to boost attendance levels, therefore, Whistler, Victoria and Banff were also mentioned by interview respondents as conference venues. Of the conferences held on campus, interview respondents indicated that accommodations are often arranged in Downtown Vancouver because a full service hotel is desired by attendees or because the choice on campus is inadequate, but that location prevails and many attendees would prefer to be closer to campus. However, there are also those attendees that would prefer to be in a downtown location to be near the available amenities, entertainment, other services and general “things to do”. All interview respondents indicated that a hotel such as the proposed subject property would be a “welcome addition” to the UBC campus and would be favourably presented as an accommodation option to conference attendees.

PKF Consulting project research indicates that many faculties hold numerous training sessions, weekly seminars, divisional meetings, national and international conferences, quarterly board meetings and other similar types of events that all contribute to meeting and conference demand generated by the University.

PKF Consulting projections for the subject hotel are primarily based on meeting/conference demand being generated by University activity; however, some meeting demand is also assumed to be generated by other non-University related sources due to the projected 1,500 square feet of meeting space on site at the subject hotel. It is projected that meeting/conference demand would represent approximately 36% of the total segmentation of demand at the proposed hotel.

Leisure/Tourist Demand

This market consists of demand generated by individuals and/or groups whose primary reason for visiting the Vancouver area is for tourist/leisure/recreation purposes. It includes individuals and families visiting as tourists and the “VFR” market (visiting friends or relatives) as well as international and domestic group tours.

Demand from this segment occurs predominantly from May to September. Demand during other periods occurs primarily on weekends. In addition, leisure groups such as (external) sports teams and weddings are included in this segment. The amenities and surroundings of the University, including the University Golf Club and the subject hotel, may be very attractive for social groups including weddings and family reunions. Tourists are also drawn to UBC because of its natural environment of parks, gardens, water views, and general reputation of the University campus and potential physical recreational opportunities on-site, plus the opportunity to visit tourist attractions, bike, walk and beach activities.

Although this category would typically include all sports team usage, it should be noted that sports teams in this segment does not include the room night demand generated by sports teams related to the Faculty of Athletics and Recreation at UBC. In this case, the University sports demand has been included in the University demand segment discussed below.

FIT travellers, individual travellers who are booked through a wholesale channel, are an important market segment for most hotels as the room nights generated from this segment are used as a base to maximize occupancy. Wholesale business can fill periods of low demand and can act as a base from which the operator can build occupancy and rate. Too many room nights on a given night or period from this segment can decrease average daily rates.

Some of the visiting friends and relatives demand for the subject hotel may be new and prospective students and their families who are likely to require hotel accommodations throughout the year, particularly at the start of a new school year and during convocation. Demand from this segment for the subject hotel may also be generated by the attractions at the UBC campus, such as the Museum of Anthropology, the Chan Centre for

Performing Arts, UBC Botanical Garden, Beaty Biodiversity Museum, Thunderbird Arena and the new Doug Mitchell Sports Centre. The University Golf Club and Cecil Green Park House, as examples, hold many weddings and special events each year for which overnight accommodations are often required and which are housed off campus typically. Golf is also available at the course year round.

It is projected that the leisure/tourist segment would be another large generator of room night demand for the subject hotel, representing approximately 35% of total demand.

University Demand

This segment consists of demand generated by the University of British Columbia and its departments and satellite activities for all purposes other than to attend a meeting or conference. Demand in this segment includes individual visitors to UBC for academic or other purposes whether as a distinguished guest, presenter, speaker, performer or any form of a participant in a University related or driven activity. It also includes sports team demand as generated or organized out of the Faculty of Athletics and Recreation. It includes religious, educational, school, language and cultural groups that are associated with or related to the University. Demand can also be generated through faculty recruitments and external reviews, graduate student recruitment, ceremonies and events and career fairs.

Discussions with a representative of the Faculty of Athletics and Recreation indicated that approximately every two years the faculty renegotiates a contract with an accommodation provider for discounted room rates for all visiting sports teams at the University. Although the host hotel may have changed over the years, it has always been located in Downtown Vancouver, as the accommodation options elsewhere have not suited their requirements whether because of size, location or amenities. Annual room night demand from this faculty is estimated to be 2,200 room nights, which is derived from the visiting sports teams, through tournaments and sports camps and through visiting friends and relatives of the athletes. Faculty representatives indicated that although Downtown Vancouver hotels are suitable, it would be their preference to be located on campus; therefore, it would be very feasible that the sports contract could be negotiated with the subject hotel. Particular criteria in selecting a host hotel includes rate and proximity to a fitness centre and food and beverage facilities. It is also of benefit that the subject hotel would be located within a kilometre walk of the Thunderbird Arena and sports fields.

It is projected that this segment of University demand would represent approximately 23% of total demand for the subject hotel, which assumes the subject hotel captures the demand related to the Faculty of Athletics and Recreation.

Based on the above discussion, the projected segmentation of the subject hotel in 2014, its first full year of operation is noted in the following table:

TABLE 6-1 PROJECTED MARKET SEGMENTATION - 2014 PROPOSED 120 ROOM SUBJECT HOTEL	
Market Segment	% Demand in 2014
Corporate/Commercial	5.5%
Meeting/Conference	36.0%
Leisure/Tourist	35.2%
University	<u>23.3%</u>
Total	100.0%
Figures may not be exact due to rounding.	

Source: PKF Consulting analysis

6.4 Demand Projections – Subject Hotel

Demand projections for the subject hotel over the 2013 to 2018 fiscal period have been prepared taking into consideration the level of UBC demand as derived from our previous research and demand trends of the identified accommodation markets. The facilities and amenities offered at the hotel and the location of the property were also taken into consideration. The demand projections are based on the assumption that the 120 room property would be effectively marketed and managed and that there are no material changes in market circumstances.

The following table presents the projected annual occupied room nights and occupancy for the subject hotel:

TABLE 6-2 PROJECTED OCCUPANCY PROPOSED 120 ROOM SUBJECT HOTEL						
	2013*	2014	2015	2016**	2017	2018
Rooms Available	14,600	43,800	43,800	43,920	43,800	43,800
Occupied Rooms	5,900	29,368	30,616	31,701	31,701	31,701
Paid Occupancy %	40.4%	67.1%	69.9%	72.2%	72.4%	72.4%
*Projected opening partial year, September 1, 2013.						
** Leap Year.						

Source: PKF Consulting analysis

Demand is projected to be highest during the months of May through September. The leisure/tourist market will comprise virtually half of the total demand during these months. Demand during the months of October through April will vary, with a greater proportional share of University demand and meeting/conference volumes.

PKF Consulting did not project guest room demand levels by market segment, however, it is estimated that guest room night demand growth over the 2014 to 2018 period will come from all segments as the subject hotel operations mature and the property becomes more broadly recognized within the market.

6.5 Average Daily Room Rate Projections

The average daily room rate attained in a hotel market, or by an individual hotel property, is a function of the product, market mix, competitive strengths and weaknesses relative to competitive markets on a seasonal basis and the effectiveness of marketing and internal programs intended to maximize the overall revenues of the property (yield management). The average rate growth on a market wide basis tends to be strongest when occupancies are high and growth can be dampened either by rate competition in low occupancy periods, or through the introduction of additional directly competitive rooms of a higher quality in a market where demand levels are static.

The subject property's location, market mix, product mix and seasonality of demand as well as room rates achieved historically at each of the identified markets as well as at the UBC West Coast Suites have all been considered in determining an appropriate room rate positioning for the subject hotel. Similar to overall demand, average daily rates are projected to be highest during the summer months.

The following table presents the projected average daily rate for the subject hotel.

TABLE 6-3 PROJECTED AVERAGE ROOM RATE PROPOSED 120 ROOM SUBJECT HOTEL						
	2013*	2014	2015	2016	2017	2018
Average Room Rate	\$133.56	\$152.78	\$158.69	\$163.96	\$168.06	\$172.26

*Projected opening partial year, September 1, 2013.

Source: PKF Consulting analysis

The prospects for a limited service hotel near the University of British Columbia appear to be positive based on the research and analysis conducted during this study and previous studies. The University generates a significant number of guest room nights, not all of which would remain within the University area if a hotel were developed on site. It is assumed herein that sufficient penetration of the identified markets can be developed to support a hotel, and that a hotel in this area on the west side of Vancouver, which is underserved by quality hotel accommodation, would also attract off campus demand.

SECTION 7 STATEMENT OF PROJECTED REVENUE AND EXPENSES

7.1 Introduction

This section and Exhibit 7-1 present the projected pro forma operating statement for the subject limited service hotel in Vancouver, British Columbia. All revenues and expense projections are based on the facilities described in previous sections of this study. Operating costs were established taking into consideration historical operating results of other area hotels, comparison with staffing levels at comparable properties and based on a review of results presented in the PKF Consulting “Trends in the Canadian Hotel Industry” financial publication.

Income has been projected to the level of income available for debt service that is defined as income before provision for financing charges, depreciation, and income tax. All projections herein make provisions for inflationary increases of 2.5% throughout the projection period unless otherwise indicated. The historic results and operating projections are presented in accordance with the Uniform System of Accounts, recommended by the American Hotel and Lodging Association. This method of classifying accounts is in general use throughout the hotel industry in Canada, and has been used to classify income and expenses in this report to facilitate comparison to the consolidated results of similar properties in the PKF Consulting Canadian Trends database.

7.2 Detailed Analysis of Financial Operating Projections - Subject Hotel

Departmental Revenues and Expenses

Rooms Department

Revenue for the rooms department has been derived utilizing the occupancy levels and room rates developed within preceding sections of this report. This is illustrated as follows:

**TABLE 7-1
PROJECTED ROOM REVENUE
120 ROOM SUBJECT HOTEL**

	2013*	2014	2015	2016	2017	2018
Occupancy Rate	40.5%	67.1%	69.9%	72.2%	72.4%	72.4%
Occupied Room Nights	5,900	29,368	30,616	31,701	31,701	31,701
Average Daily Room Rate	\$133.56	\$152.78	\$158.69	\$163.96	\$168.06	\$172.26
Room Revenue	\$788,000	\$4,486,776	\$4,858,279	\$5,197,738	\$5,327,681	\$5,460,873

* Partial year - projected opening September 1, 2013.

Note: Figures may not be exact due to rounding.

Source: PKF Consulting projections

Rooms expenses include wages for housekeeping (including a supervisor position), front desk/reservations and night auditor, a part time breakfast person, linen and guest supplies, travel agent commissions as well as other expenses. A management position for a Front Office Manager has been included. Excluding the partial year opening, expenses for the rooms department are projected to range between 25.8% and 27.1% of revenues annually throughout the projection period.

Food and Beverage

Food and beverage revenues at the subject property are comprised of room rentals for the 1,500 square feet of meeting space at the subject property as well as commissions on contract food and beverage catering provided for functions in the venue. Revenues were projected as a net amount and are based on an average of three meeting days per week throughout each year at the subject hotel. It is assumed that the hotel will promote cooperatively with the University Golf Club and that hotel guests will be able to access restaurant facilities in the immediate area within the new proposed village area and the University Golf Club food and beverage, which is open to the public.

Telecommunications

Telephone revenues are projected at \$1.00 per occupied room in 2013, increasing in accordance with inflation and the number of occupied room nights in all subsequent years. Expenses include maintenance, long distance fees and equipment rental and have been projected at 100.0% of revenues throughout the projection period. The projections assume the property will offer free local calls and not charge for guests to obtain operator assisted or calling card call access.

Rentals and Other Income

Other Income includes revenue generated from movie rentals, laundry/valet service, guest room pet and smoking charges, and fax/photocopy service. Other income is projected as a net amount at approximately \$1.50 per occupied room in the partial year 2013, increasing in accordance with occupancy and inflation in subsequent years.

7.3 Undistributed Expenses

Administration and General

Expenses in this category include items such as credit card commissions, office supplies, accounting and legal expenses, office equipment and other office related expenses. This category also includes the expense for a guest shuttle vehicle assumed to be a van or minibus for which the expenses and the service could be shared with the University Golf Club. A General Manager's salary and two accounting positions have also been included. Administration and General expenses are projected to be approximately \$3,332 per available room in 2014, the first full year of operation, increasing annually in accordance with revenue and inflation.

Marketing

This expense includes advertising and membership fees for tourism marketing related organizations for which the hotel management participate. One salaried position has been assumed for a marketing and catering sales manager. The projected expenses in the first year include a one time fee of \$25,000 to allocate toward promotional activities related to the opening of the property.

Marketing expenses are projected at \$1,712 per available room in the first full year 2014 and are projected to increase by inflation throughout the remainder of the projection period. Marketing and Guest Entertainment expense is projected to be around 4.3% of gross revenue annually throughout the projection period.

Property Operation and Maintenance

This expense comprises maintenance and repair costs associated with the upkeep of the building and grounds as well as waste management. The projections for the subject hotel include the provision of a full time maintenance manager and one full time maintenance employee.

This expense is projected at \$1,681 per available room in 2014, the first full year of operation, increasing by inflation throughout the remainder of the projection period. PKF Consulting assumes that the subject hotel will be maintained at a high quality standard. The projections take into consideration that the components of the hotel will be new and in excellent condition, therefore, a discount for being a new property has been applied for the first two years of operation.

Energy

Energy expenses include the cost of heat, light, power, water and sewage. In 2014, the first full year of operation, energy costs are projected at \$1,076 per available room. Energy expenses are projected to increase at a rate of 2.5% annually throughout the projection period.

Fixed Expenses

Property Tax

Property tax equivalent to that of other Vancouver hotels with similar attributes has been assumed. Property taxes for the subject property as a 120 room hotel are projected at \$2,100 per available room in 2013 and are increased annually thereafter with inflation.

Insurance

Insurance expense is projected to be approximately \$300 per available room in 2013 and is increased annually with inflation throughout the projection period.

Franchise Fees

The projections assume a notional franchise fee of 9.0% of room revenue has been accrued annually herein, which would be in the range of a limited service brand's negotiated fees. The projected fees cover such items as royalty costs, corporate marketing support, central reservations administration costs, property management system support and other related expenses.

Management Fee

Total management fees typically range from 3.0% to 5.0% of total revenue in accommodation properties in Canada, with variations depending on such things as volume of food and beverage operations and meeting/conference facilities. A notional management fee of 3.0% of gross revenue has been applied to this project throughout the pro forma projection period.

Provision for Capital Replacements

An annual provision for capital replacement accrual has been projected at 4.0% of gross revenue for the first full year and all subsequent full calendar years. This accrues approximately \$1,045,000 or approximately \$8,709 per room for replacement of capital items in the five and half year dates listed between September 1, 2013 and December 31, 2018 as a 120 room property, to ensure that the property retains its quality and style of operation.

INCOME AVAILABLE FOR DEBT SERVICE

Based on the foregoing, the projected Income Available for Debt Service at the proposed development on a calendar year basis is as follows:

TABLE 7-2 PROPOSED 120 ROOM LIMITED SERVICE HOTEL – VANCOUVER, BRITISH COLUMBIA INCOME AVAILABLE FOR DEBT SERVICE 2013 – 2018						
	2013*	2014	2015	2016	2017	2018
Total Revenues from Operations (\$000)	\$821	\$4,634	\$5,012	\$5,358	\$5,492	\$5,630
Net Income Available for Debt Service (\$000)	\$88	\$1,430	\$1,617	\$1,792	\$1,837	\$1,883
% of Net Operating Income	10.7%	30.9%	32.3%	33.5%	33.5%	33.5%
* Partial year – projected opening September 1, 2013. Note: Figures may not be exact due to rounding.						

Source: PKF Consulting projections

**EXHIBIT 7-1
PROJECTED OPERATING RESULTS
(CALENDAR YEAR PROJECTIONS)
MUSQUEAM FIRST NATION/UBC PROPOSED HOTEL
LIMITED SERVICE HOTEL - 120 ROOMS**

Year	2013 *		2014		2015		2016 **		2017		2018	
Rooms	40		120		120		120		120		120	
Available Rooms	14,600		43,800		43,800		43,920		43,800		43,800	
Occupied Rooms	5,900		29,368		30,616		31,701		31,701		31,701	
Occupancy Rate	40.4%		67.1%		69.9%		72.2%		72.4%		72.4%	
Average Daily Rate	\$133.56		\$152.78		\$158.69		\$163.96		\$168.06		\$172.26	
<u>DEPARTMENTAL REVENUES</u>												
Rooms	\$788,000	96.0%	\$4,486,776	96.8%	\$4,858,279	96.9%	\$5,197,738	97.0%	\$5,327,681	97.0%	\$5,460,873	97.0%
Food and Beverage	\$17,962	2.2%	\$71,571	1.5%	\$73,361	1.5%	\$75,195	1.4%	\$77,074	1.4%	\$79,001	1.4%
Telecommunications	\$5,900	0.7%	\$30,102	0.6%	\$32,166	0.6%	\$34,138	0.6%	\$34,992	0.6%	\$35,866	0.6%
Other Income (Net)	\$8,850	1.1%	\$45,153	1.0%	\$48,249	1.0%	\$51,207	1.0%	\$52,487	1.0%	\$53,800	1.0%
Total Revenues	\$820,712	100.0%	\$4,633,603	100.0%	\$5,012,054	100.0%	\$5,358,278	100.0%	\$5,492,235	100.0%	\$5,629,540	100.0%
<u>DEPARTMENTAL EXPENSES</u>												
Rooms	\$291,562	37.0%	\$1,214,126	27.1%	\$1,279,914	26.3%	\$1,343,292	25.8%	\$1,376,874	25.8%	\$1,411,296	25.8%
Food and Beverage	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Telecommunications	\$5,900	100.0%	\$30,102	100.0%	\$32,166	100.0%	\$34,138	100.0%	\$34,992	100.0%	\$35,866	100.0%
Total Departmental Expenses	\$297,462	36.2%	\$1,244,228	26.9%	\$1,312,080	26.2%	\$1,377,430	25.7%	\$1,411,866	25.7%	\$1,447,162	25.7%
GROSS PROFIT	\$523,249	63.8%	\$3,389,374	73.1%	\$3,699,973	73.8%	\$3,980,848	74.3%	\$4,080,369	74.3%	\$4,182,378	74.3%
<u>UNDISTRIBUTED EXPENSES</u>												
Administration & General	\$109,445	13.3%	\$399,840	8.6%	\$417,714	8.3%	\$434,785	8.1%	\$445,654	8.1%	\$456,796	8.1%
Sales & Marketing	\$71,221	8.7%	\$205,428	4.4%	\$218,442	4.4%	\$230,531	4.3%	\$236,294	4.3%	\$242,201	4.3%
Property Operation & Maintenance	\$49,501	6.0%	\$201,696	4.4%	\$223,702	4.5%	\$234,375	4.4%	\$240,235	4.4%	\$246,241	4.4%
Energy	\$14,000	1.7%	\$129,150	2.8%	\$132,379	2.6%	\$135,688	2.5%	\$139,080	2.5%	\$142,557	2.5%
Total Undistributed Expenses	\$244,167	29.8%	\$936,113	20.2%	\$992,237	19.8%	\$1,035,379	19.3%	\$1,061,264	19.3%	\$1,087,795	19.3%
INCOME BEFORE FIXED CHARGES	\$279,082	34.0%	\$2,453,261	52.9%	\$2,707,737	54.0%	\$2,945,468	55.0%	\$3,019,105	55.0%	\$3,094,583	55.0%
<u>OTHER FIXED CHARGES</u>												
Property Tax	\$84,000	10.2%	\$258,300	5.6%	\$264,758	5.3%	\$271,376	5.1%	\$278,161	5.1%	\$285,115	5.1%
Insurance	\$12,000	1.5%	\$36,900	0.8%	\$37,823	0.8%	\$38,768	0.7%	\$39,737	0.7%	\$40,731	0.7%
Franchise Fees	\$70,920	9.0%	\$403,810	9.0%	\$437,245	9.0%	\$467,796	9.0%	\$479,491	9.0%	\$491,479	9.0%
Management Fees	\$24,621	3.0%	\$139,008	3.0%	\$150,362	3.0%	\$160,748	3.0%	\$164,767	3.0%	\$168,886	3.0%
Reserve for Asset Replacement	\$0	0.0%	\$185,344	4.0%	\$200,482	4.0%	\$214,331	4.0%	\$219,689	4.0%	\$225,182	4.0%
Total Fixed Charges	\$191,541	23.3%	\$1,023,362	22.1%	\$1,090,669	21.8%	\$1,153,020	21.5%	\$1,181,846	21.5%	\$1,211,392	21.5%
NET INCOME	\$87,541	10.7%	\$1,429,899	30.9%	\$1,617,068	32.3%	\$1,792,448	33.5%	\$1,837,259	33.5%	\$1,883,191	33.5%

Figures may not be exact due to rounding.

* Partial Year (projected opening September 1, 2013).

** Leap Year

Source: PKF Consulting analysis

SECTION 8 DISCLOSURE

Specific disclosure with regard to this engagement and report is as follows:

1. The future oriented financial information (Statements of Projected Revenue and Expenses) presented in this report are projections.
2. The significant assumptions underlying the future oriented financial information are disclosed in the first section of the report.
3. A projection is defined as future oriented financial information prepared using assumptions that reflect the entity's planned course of action for the period covered given management's judgement as to the most probable set of economic conditions, together with one or more hypothesis that are assumptions which are consistent with the purpose of the information but are not necessarily the most probable in management's judgement.
4. The actual results achieved by the proposed accommodation development in Vancouver, British Columbia over the projection period will vary from the information presented herein and the variations may be material.
5. The effective date of the underlying assumptions for this report is February 21, 2011.
6. The future oriented market and financial information may be updated subsequent to the issuance of this Market Study with Financial Projections report if so requested by Mr. Gordon Easton of Colliers International on behalf of Musqueam Indian Band.
7. This report has been prepared for Mr. Gordon Easton of Colliers International on behalf of Musqueam Indian Band and is intended to assist in determining the projected market position and operating performance for the subject hotel development. The information contained within this report should not be used for any purpose other than that disclosed herein.

SECTION 9 RESTRICTIONS AND QUALIFICATIONS

This report is not to be reproduced or used for any purpose other than that stated herein. We do not assume any responsibility or liability for losses occasioned to you or other parties as a result of the circulation, publication, reproduction, use or misuse of this report.

In preparing this report we have relied upon the documents, data and information listed herein.

We reserve the right, but are under no obligation, to review all calculations included in or referred to in this report and, if we consider it necessary, to revise our calculations in light of any information which becomes known to us after the date of our report.

We are not the guarantors of the information upon which we have relied in preparing our report and, except as stated, we have not audited or otherwise attempted to verify any of the underlying information or data contained in this report.

We thank you for the opportunity of completing this assignment on your behalf. We will be pleased to hear from you if we may be of assistance in any matters or in the interpretation of application of our findings or in the furtherance of this project.