

TAX INCREMENT FINANCING (TIF) PLAN
FOR THE
TOBYHANNA TOWNSHIP TAX INCREMENT FINANCING DISTRICT
IN
TOBYHANNA TOWNSHIP

MONROE COUNTY
PENNSYLVANIA

PREPARED BY THE
MONROE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

March 2013

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EXHIBITS

- A. Tobyhanna TIF District Legal Description
- B. Resolution of the Monroe County Planning Commission -Certification of the Redevelopment Area
- C. Existing Land Use and Conditions Map
- D. Tobyhanna TIF District Site Plan
- E. Market Feasibility Study and Economic Impact Study for the TIF District
- F. Millage rates-2008-2012 for the County, Township and School District
- G. Development Budget for the First Phase of the TIF project
- H. Estimate of improvements for PennDot roads
- I. Debt Payment, Source and Use of Funds

I. Introduction

This Tax Increment (TIF) District Plan for the Tobyhanna Township Tax Increment Financing District (the "Project") has been prepared in accordance with Act 113 of 1990, as amended by Act 164 of 1992. The TIF Plan will be considered by the three local taxing authorities:

- Tobyhanna Township
- Pocono Mountain School District
- County of Monroe

Tobyhanna Township is the municipality that will create the TIF District. The Monroe County Industrial Development Authority serves as the organizational entity for the TIF. The Authority has prepared the TIF Plan and will carry out other organizational aspects of the TIF.

The objective of the TIF Project is to stimulate development of a destination facility on a tract of land near Interstate 380 and Pa. Route 940. This area is part of a larger area certified as a redevelopment area by the Planning Commission of the County of Monroe (See Exhibit II). A site of approximately 150.95 acres will be developed by Kalahari Resorts, Wisconsin Dells, WI. The first phase of this development will include 450 guest rooms, 103,000 SF Indoor Water Park, 30,000 SF Indoor Theme Park, 64,000 SF Conference Center, Spa, Multiple Restaurants, Outdoor Recreation Area of approximately 3 acres and 2,500 parking spaces.

In order to develop this land, certain physical constraints must be overcome. These are the extensive off-site infrastructure costs, especially those required by the Pennsylvania Department of Transportation, PennDot, for the surrounding Interstate and State Highways.

II. TIF DISTRICT BOUNDARY

The Tobyhanna Township Tax Increment Financing District consists of approximately 154 acres at the intersection of Interstate 380 and Pa. Route 940 in the Township of Tobyhanna. The Project includes part of tax parcel 19635400099554. The part of this parcel that will be included in the TIF Project is more accurately described in Exhibit I, Legal Description of the Tobyhanna Township Tax Increment Financing District. The tax increment base shall be calculated on the assessed value of the area included in Exhibit I. A subdivision

plan will be submitted to the Township of Tobyhanna and its Planning Commission in accordance with ordinances and procedures adopted by Tobyhanna Township.

The project boundaries for the TIF District are also depicted on the Land Use and Conditions Map, (Exhibit III).

III. BACKGROUND

Kalahari is a developer and owner of water park resorts. Kalahari operates a 756 room resort in Wisconsin Dells, WI that opened in May 2000. The Wisconsin Resort includes a 125,000 SF indoor water park and a 77,000 SF outdoor water park. In 2008, an 110,000 SF indoor theme park was added at this location. The second Kalahari resort opened in May 2005 in Sandusky, Ohio. This resort has 890 guest rooms, a 173,000 SF indoor water park, a 385,000 SF outdoor water park and a Safari Adventure Park. These two resorts are the largest indoor water parks in the United States.

Kalahari proposes to construct the Project in three phases. The first phase will include 450 guest rooms, the indoor and outdoor water parks, conference center and indoor theme park. Phases 2 and 3, when completed, would increase the total guest rooms to at least 850 rooms. In Phase 3, a 100,000 SF addition will be made to the conference center.

Major improvements are required to PennDot roads and interchange. Extensive utility improvements are also required to bring utilities to the Project.

Kalahari has agreed to place a special assessment on their property under Pennsylvania's Neighborhood Improvement District Act, P.L. 949, December 20, 2000. This special assessment program known as "NID" will impose special assessments in an amount equal to the principal and interest on the TIF bonds issued by the Authority until such bonds are repaid. The special assessment also includes administrative costs related to the bonds. The special assessment will be collected to pay debt service on the TIF bonds and administrative expenses of the District to the extent that tax increments pledged by Tobyhanna Township, the County of Monroe and the Pocono Mountain School District are not sufficient to cover these expenses.

This TIF Plan has been developed to finance a bond issue of \$26,000,000 that will help finance the required off-site improvements and other infrastructure costs. **NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE TOWNSHIP OF TOBYHANNA, THE COUNTY OF MONROE, THE POCONO MOUNTAIN SCHOOL DISTRICT IS PLEDGED TO THE PAYMENT OF THE TIF BONDS EXCEPT FOR THE TAX INCREMENT REVENUES.**

IV. TAX INCREMENT FINANCING (TIF)

Tax increment financing is a mechanism that can be used to finance the extraordinary costs of preparing a site for development. Without the public investment in infrastructure, private development cannot always be expected to occur. In this TIF Plan, the three taxing bodies will benefit from increased assessment valuation when Phases 2 and 3 are constructed. No tax increments from Phases 2 and 3 will be allocated to the Authority. The taxing bodies will retain 100% of the real estate taxes generated from Phases 2 and 3. In addition, the taxing bodies will benefit in all 3 phases from the earned income tax. The Township and the School District will benefit from the one time sharing of the 1% transfer tax on the sale of the property to Kalahari. The County will have recurring income from the hotel tax from all three phases of development.

Under TIF, a district is created and the base level of assessments (the tax increment base) is the benchmark for determining the amount of future increases in property tax revenues. The future tax revenues within the TIF District are directed to the retirement of the TIF debt. In this TIF Project only the Kalahari Phase I development as described in this TIF Plan will have increased tax revenues (the tax increment) allocated to the repayment of TIF debt. **Phases 2 and 3 of the Kalahari development will have 100% of such increased tax revenues retained by each of the three taxing bodies.**

The Monroe County Industrial Development Authority will issue TIF bonds or notes to raise the necessary funds to finance the significant costs for off-site improvements. The Authority's bonds will be retired with the revenue stream created by the new taxes generated only from Phase I of the Kalahari Project.

Kalahari has made pledges to the taxing bodies. They have agreed that the TIF District shall pay full real estate taxes on land and improvements. Also, they have agreed to forfeit their right to appeal the tax assessment of the Project during the term of the TIF debt to the extent necessary to retire the TIF debt.

Under the TIF, the three taxing bodies will formally agree to allocate one hundred (100) percent of the new taxes only for the first phase of the Kalahari Development to the TIF debt issued by the Monroe County Industrial Development Authority. Once the TIF debt is retired, the full incremental taxes from the first phase of the Kalahari as well as additional expansions will flow to the taxing bodies.

The Tax Incremental Financing Plan has been prepared for the first phase of the Kalahari Project. The TIF Plan sets forth the financial projections and estimated project costs.

V. APPROVAL PROCESS FOR THE TAX INCREMENTAL FINANCING DISTRICT

The provisions of the TIF Act, Act 133 of 1990 as amended by Act 164 of 1992, stipulate that a tax increment financing district shall be created in the following manner:

1. The Monroe County Industrial Development Authority shall make a formal presentation to the governing bodies of the Township of Tobyhanna, the County of Monroe and the Pocono Mountain School District. The presentation shall include a description of the proposed boundaries of the TIF District, the tentative plans for the development of the district, and an estimate of the general impact of the proposed district on property values and tax revenues.
2. The Township, County and School District shall designate a representative to meet with the Industrial Development Authority to discuss the project plan and the tax incremental financing concept.
3. The Industrial Development Authority shall recommend the boundaries of the tax incremental financing district to be created and shall submit the recommendations to the Township of Tobyhanna.
4. The Industrial Development Authority shall prepare a Project Plan and submit the Plan to Tobyhanna Township, the County of Monroe and the Pocono Mountain School District.

5. Tobyhanna Township shall hold at least one public hearing at which interested citizens are afforded a reasonable opportunity to express their views on the concept of tax incremental financing, on the proposed adoption of the project plan for the tax increment financing district and the benefits to the municipality.

Notice of the public hearing shall be published in accordance with the terms of the Sunshine Act, (P.L. 388, No. 84) and said Notice shall be provided by first class mail, postage prepaid to the Township, the County and School District. This Notice shall be provided not less than thirty (30) days before the date of the hearing.

6. In order to create a TIF District and adopt a project plan, Tobyhanna Township shall adopt, not earlier than three weeks after the public hearing described in (5) above, a resolution or ordinance creating the tax increment financing district pursuant to Section (a)(6)(i) through (iv) of Act 113.
7. The governing bodies of the County of Monroe and the Pocono Mountain School District shall, by ordinance or resolution, agree to participate or opt not to participate in the tax incremental financing district. Such ordinance or resolution shall be delivered to the Township of Tobyhanna on or before the date on which the public hearing described in (5) above is held.
8. The Township of Tobyhanna may, at any time, subject to the provisions of Section 6(c) of Act 113, adopt an amendment to the project plan which shall be subject to approval in the same manner as the original project plan.

VI. TIF PROJECT PLAN

- (i) **Statement Listing the Kind, Number and Location of All Proposed Public Works or Improvements and All Commercial Development Improvements within the District**

Kalahari is proposing to develop approximately 150 acres at Interstate 380 and Pa Route 940 as a water park resort. The development is expected to occur in three phases. The first phase will involve the construction of 450 guest rooms, 103,000 SF Indoor Water Park, 30,000 SF Indoor Theme Park, 64,763 SF Conference Center, 9,000 SF Spa, outdoor park of 2-3 acres,

several restaurants and approximately 2,500 parking spaces. These square footages and allocations are subject to change with the final plans for the first phase. Phases 2 and 3 are expected to add an additional 400 guest rooms, 100,000 SF outdoor water park and a 100,000 SF expansion of the Conference Center.

Total development costs for Phase 1, including off-site improvements are estimated at \$231,623,813 (See Exhibit G). The estimated costs to expand the Kalahari Development are estimated at an additional \$137,000,000 for Phases 2 (\$115,000,000) and 3 (\$22,000,000).

In order to develop this large, unimproved land area, the Industrial Development Authority projects that \$26,000,000 is required to pay the costs of off-site improvements and other infrastructure costs, financing fees and related costs. Section (iii) of the TIF Plan gives a detailed breakdown of the expected total project costs.

In order to develop all three phases of the Kalahari Project the following off-site improvements are needed:

- Extension of water system (new well, treatment facility, water storage tank, transmission line)
- Extension of sewer system
- Extension of natural gas system
- Extension of electrical services
- Coax or fiber for TV Distribution
- Improve PennDot roads and signalization
- Construction of access road from State Highways to the site.

The Site Plan (Exhibit D) gives a general location of the new access road and adjacent PennDot roads. The off-site costs are estimated at \$24,601,313. Up to \$4,000,000 of this amount will be provided by the seller of the lands; \$18,977,500 can be funded from the TIF bonds and the balance will be from the developer and developer financing sources.

(ii) **Economic Feasibility Study of the Project and Fiscal Effects on the Municipal Tax Base**

The Market Feasibility and Economic Impact Study for the Project is included in Exhibit E.

The Project is not expected to generate real estate tax revenues that will support the TIF debt payments until the third year of the Project. Therefore, two years of capitalized interest are budgeted to allow for the generation of new real estate taxes for the TIF debt payment. In addition, a debt service reserve fund equal to one year of debt payments will be established from the bond proceeds.

As noted throughout this TIF Plan, the allocation of tax increments shall be limited only to the first phase of the Kalahari development, that is, the 450 guest rooms, conference center and indoor water park. The Authority's estimate of the first phase of development is listed in Exhibit VII at \$231,623,813. In order to finance the extensive off-site improvements and other infrastructure needs, 100% of the new taxes generated from the first phase of this Project will be allocated to payment of the TIF debt. **NO ALLOCATION OF THE INCREASED TAXES GENERATED BY THE SECOND AND THIRD PHASES OF THE KALAHARI PROJECT ARE TO BE USED FOR DEBT PAYMENTS ON THIS TIF DEBT.**

In order to make the Tobyhanna Tax Increment Financing Plan feasible, the Developer has proposed a Neighborhood Improvement District ("NID"). The NID is an assessment imposed on new development within the TIF District at the Developer's request. The NID acts as a credit enhancement for the TIF bond.

A debt payment schedule and other data is included in this TIF Plan (see Exhibit I) and was prepared by the bond underwriter, Guggenheim Securities. It shows the total payments for the \$26,000,000 debt at an estimated 6.2% annual interest rate.

This TIF financing plan is not dependent on future property tax increases by any of the public bodies nor allocation of taxes from Kalahari's second and third phase of development. The taxing bodies will allocate 100% of the new taxes generated by the first phase of the Kalahari Project for debt payments on the Authority's bonds.

1. The Market Feasibility and Economic Impact Study prepared for the Project by Hotel and Leisure Advisors (See Exhibit E)
2. The Use of the NID Program to provide a back up credit enhancement in case TIF revenues are not realized as projected.
3. The County Assessor reviewed the preliminary plans for the project and provided the preliminary assessment for phase one of \$14,212,650.
4. Exhibit VI shows that millage rates have increased by over 21% from 2008 through 2012.
5. Guggenheim Securities has illustrated that total bonds of \$26,000,000 can be retired (See Exhibit I)
6. Environmental Studies and engineering work by firms such as Pennoni Engineers and meetings with PennDot have provided key information that assisted in developing cost estimates that assures project costs are reasonable
7. The commitment of up to \$4,000,000 from the seller of the land for off-site improvements.
8. The proven success of Kalahari in similar projects in Wisconsin Dells, WI. and Sandusky, Ohio.
9. The retirement of the TIF debt is not dependent on Phases two and three of the Kalahari Project.

CURRENT ASSESSED VALUATION WITHIN THE TIF DISTRICT

The TIF District is included within one tax parcel, 19635400099554. Subdivision of this tax parcel will be requested upon TIF approval. 150 acres of this tax parcel will be used for the Kalahari Project

Only the *new* taxes generated by the proposed phase one of the Project can be applied to the TIF debt. Therefore, it is important to identify the existing real estate tax characteristics of the TIF District. Based on information supplied by the County Assessor, the total tax parcel of 386.53 acres has a

Only the *new* taxes generated by the proposed phase one of the Project can be applied to the TIF debt. Therefore, it is important to identify the existing real estate tax characteristics of the TIF District. Based on information supplied by the County Assessor, the total tax parcel of 386.53 acres has a land assessment of \$152,190. There are no improvements on this total area. Thus, the assessed value per acre is \$393.74. Applying this value per acre to the TIF District gives an assessed value of \$60,636.

The 2012 tax rates being used for this TIF District are:

- Township 15.19 mills
- County 21.25 mills
- School District 147.29 mills

TOTAL 183.73 mills

The table below lists the tax increment base at \$11,140. The current tax yield of \$11,140 will continue to be paid to the three taxing bodies before any tax increments can be allocated to the Industrial Development Authority for tax increment financing.

CALCULATION OF TAX INCREMENT BASE			
	<u>Tax rate</u>	<u>Assessed value (1)</u>	<u>Real Estate taxes</u>
Township (2)	15.19 mills	\$60,636	\$921.
County	21.25 mills	\$60,636	\$1,288.
School District	147.29 mills	\$60,636	<u>\$8,931.</u>
		TOTAL	\$11,140.

Note (1) County Assessor gave a value of \$152,190 for 386.53 acres or \$393.74 per acre. This value is applied to the 154 acres for an assessed value of \$60,636

Note (2) Includes the Library tax of 75 mills.

Over the twenty year term of this TIF District, the taxing bodies will continue to receive \$11,140.

ANTICIPATED INCREASE IN ASSESSED VALUATION FROM PROPOSED PROJECT - PHASE ONE

The County Assessor has reviewed the development plans and square footages for Phase One and has advised the Industrial Development Authority that the projected market value of Phase One is \$56,850,490 and the assessed value based on the market value calculation is \$14,212,650. Below is a calculation of the tax increment and subtracts the tax increment base assessment of \$60,636 to arrive at a tax increment of \$2,548,146. At build out, the project will generate over the life of the TIF District \$45,866,628 in tax increments for debt payments.

PROJECTION OF THE TAX INCREMENT-PHASE ONE	
County Assessor's estimate of market value at build out	\$56,850,490
County Assessor's assessment of Phase One	\$14,212,650
Less existing assessed value of TIF District (tax increment base)	\$ - 60,636
Assessed value for tax increment	\$14,152,014
<u>Projected Real Estate Taxes</u>	
\$14,152,013 increased assessed value times 18373 mills =	\$ 2,600,149
tax increment	
Less 2% discount for early payment	\$ - 52,003
Net tax increment for debt payments	\$ 2,548,146

The 2012 millage rate for all three public bodies has been used to project the tax increment generated from Phase One

PORTION OF INCREMENTAL TAX REVENUES TO BE APPLIED TO TIF DEBT

Tobyhanna Township, the County of Monroe and the Pocono Mountain School District are being requested to agree to apply 100% of the tax incremental revenues to be generated from Phase One of the Tobyhanna Tax Increment Financing District to the repayment of the TIF Indenture.

DEBT SERVICE CALCULATION

The TIF debt service calculation is based on Guggenheim Securities projection, Exhibit I. The TIF debt is for twenty years with a 6.2% interest rate.

(iii) Detailed List of Project Costs

The TIF bond funding proceeds of \$26,000,000 will assist in financing infrastructure and other related costs. The main infrastructure costs are those required by Penn Dot for improvements to roads abutting the TIF District. The current estimate of Phase One project costs is as follows:

• Construction of Kalahari Resort	\$165,510,000 ⁽¹⁾
• Pre opening legal, other costs	8,690,000
• Land Acquisition	8,000,000
• Contingency	10,000,000
• Construction interest/loan fees	7,800,000
• Off-site infrastructure	24,601,313
• Cost of Issuance	1,172,500
• Capitalized Interest	3,250,000
• Debt Reserve Fund	2,600,000
• Trustee fees and annual admin (paid annually from revenues)	0
TOTAL	\$231,623,813

(1) See Exhibit G for detailed breakdown of costs

In addition to the costs for Phase One, the estimated cost for the development of Kalahari's Phases 2 and 3 is \$137,000,000.

The Monroe County Industrial Development Authority is the party responsible for issuing the TIF debt, even though it is not a taxing body. The Authority relies completely on the tax increment and NID to retire the TIF debt and has no obligation to pay the TIF debt from any other revenue sources. Tobyhanna Township, the County of Monroe and the Pocono Mountain School District also have no obligation to pay the TIF debt from any other revenue source. The Authority will require capitalized interest in the

amount of \$3,250,000. In addition a debt reserve fund of \$2,600,000 is also included in the financing plan.

The project funds are estimated at \$18,977,500 bond are planned to be used for the off-site improvements listed in Exhibit G and other infrastructure costs. During the implementation phase of this TIF District the Authority may reallocate TIF funds based on final design and bidding of the work. Funds may be transferred among off-site and some on-site infrastructure activities to reflect the actual cost of infrastructure work.

(iv) A Description of the Methods of Financing All Estimated Project Costs and the Time When Related Costs of Monetary Obligations Are to be Incurred

Once the TIF District has been created by the Township of Tobyhanna, the Monroe County Industrial Development Authority will seek TIF Financing. At this point, the Authority will have incurred a financial obligation to retire the TIF debt (subject to the limitations described above) and the three taxing bodies will have pledged the use of incremental revenues within the TIF District to retire the TIF debt. The TIF bond closing is expected to close on or before December 2013. Funds will be needed to help build the infrastructure as Kalahari starts construction on the Phase One of the Resort in late 2013.

The amount of funds to be borrowed under this Tax Increment Financing Plan are estimated at Twenty Six Million (\$26,000,000) dollars.

In addition to the Kalahari equity and debt for the new development, the seller of the land is obligated to provide up to Four Million (\$4,000,000) Dollars towards the \$24,601,313 off-site infrastructure.

(v) Map Showing Existing Uses and Conditions of Real Property in the TIF District

An Existing Land Use Map and Conditions Boundary Map (Exhibit C) is attached to this document.

(vi) Map Showing Proposed Improvements and Uses Therein

A Site Plan showing proposed improvements has been attached to this document (Exhibit D).

(vii) **Proposed Changes of any Zoning Ordinance, Master Plan, Map, Building Code or Ordinance**

The entire TIF District is zoned commercial and permits the intended uses. No changes are proposed to the zoning ordinance, Regional Master Plan and Building Code.

(viii) **Term of Tax Increment District**

Allowing time for the taxing bodies' public approvals and to secure Tax Incremental Financing for the Tobyhanna Tax Increment Financing District, the Tax Increment Financing will begin the earlier of December 31, 2013 or the date the Authority closes on the TIF bonds. This TIF District will have a term of twenty (20) years, terminating twenty years from the date of the start of the TIF District. The TIF District may not be terminated if there is outstanding TIF debt remaining to be paid.

Neither Kalahari nor any of its successors or assigns will appeal the assessed value of any parcel within the TIF District during the term of the Tax Increment District without the consent of the taxing bodies.

(ix) **Economic Benefits to the Taxing Bodies**

Hotel and Leisure Advisors has used industry standards to develop estimates for jobs for Phase One of the Kalahari Development as follows:

Construction Jobs: 1,181

Permanent Jobs: 727 (includes 403 part time employees)

The Hotel and Leisure Advisors Report indicated that average hotel wages in Monroe County are \$29,203.

Listed below is a summary of the taxes expected to be generated to the taxing bodies during the term of this TIF District. It includes the Phase 2 expansion of Kalahari. (Phase 3 expansion has not been included since it is not a large investment and is expected to be well into the term of the TIF District.)

- **Real estate transfer tax** A 2% transfer tax on the sale of property in Monroe County will be required. 1% of the sale amount is forwarded to the Commonwealth of Pennsylvania. The other 1% is shared equally by the Township of Tobyhanna and the Pocono Mountain

- **Local Services Tax** In accordance with Pennsylvania’s Local Services Tax Act of 2007, the Township of Tobyhanna has enacted an ordinance that requires workers in the Township earning \$12,000 or more annually to pay the annual local services tax of \$52. This is the maximum amount authorized in the Act. It is estimated that 727 full and part time employees of Kalahari employed during the Phase 1 of the development may be subject to this tax. The number of full and part time employees will increase by 500 additional full and part time employees with the expansion of Kalahari in Phase 2 with 400 additional guest rooms and other improvements. By year 7 of this TIF Plan a total of 1,227 full and part time employees earning in excess of the annual limit are expected to be paying this annual tax.
- **Earned Income Tax (“EIT”)** A 1% earned income tax exists in the community. This tax is shared equally by the Township and the School District. Although all workers in the Kalahari Development will be paying this tax, the Township and the School District will only retain the worker’s EIT if the worker also resides within the Township or in the case of the School District, the several municipalities the School District serves. The Authority estimates that 131 full time equivalent workers from Phase 1 will reside within the communities served by the School District and with the expansion in Phase 2, the number of workers residing in the School District’s communities will increase to 214 full time equivalent workers.

The number of employees residing in the Township is estimated by the Authority at 53 full time equivalent workers during the first Phase of the Kalahari Development and will increase to a total of 87 when Phase 2 of the Development is open and operating.

In projecting the number of full time workers for each Phase of the Kalahari Development, this TIF Plan considered two part time workers to be the equivalent of one full time worker. Thus, in Phase 1 the 403 part time workers are considered equivalent to 201 full time workers. In Phase 2, 223 full time and 227 part time workers are estimated to be added to the work force. The 227 part time workers are considered equivalent to 114 full time workers. Thus, the equivalent

full time workers for projecting the EIT are 525 for Phase 1 and 337 for Phase 2. The EIT taxes generated to the School District is estimated at approximately 25% of the work force in all phases. (Eight municipalities with a population of over 60,000 are served by the Pocono Mountain School District.) In the case of the Township, the estimate is that approximately 10% of the work force will reside in the Township.

- **County of Monroe Hotel Tax** The County has a 3% hotel tax based on rates. The Market Study for this TIF District projected the annual hotel taxes for the first ten years. The taxes start at \$1,141,000 in the first full year of operation and are listed at \$1,331,000 in year six. With the addition of 400 additional rooms by year 7, the annual hotel bed tax is projected to double to \$2,742,000 per year.
- **Phase 2 Retained Real Estate Taxes** As stated throughout the Tobyhanna Tax Increment Financing Plan, the Tax Increments will be allocated to the TIF Debt only from the additional taxes generated by Phase 1 of the Kalahari Development. Phase 2 will add 400 additional guest rooms and other improvements. Kalahari projects this development will occur in approximately five years. For conservative purposes, the Authority is estimating that the additional taxes generated by the Phase 2 expansion will not be realized until year seven of this TIF Plan. After comparing the estimated assessed provided by the Assessor for Phase 1 of \$14,212,650, the Authority estimates that Phase 2 will be assessed for by an additional \$7,000,000. 100% of the taxes on this additional estimated increase in assessed value will be retained by all three taxing bodies.

All of the taxes listed above are recurring taxes except for real estate transfer tax. The last page of this TIF Plan is a schedule of the recurring estimated taxes to be retained by each of the three taxing bodies. It also includes the tax increment base for each public body. It is noted that there have been no projections of increased millage rates for the tax increment base, nor the real estate taxes generated by the Phase 2 expansion. In regard to the EIT, the average annual hotel worker wage of \$29,203 has been used for the entire term of the TIF District. Also, no projection of additional tax revenues from the \$22,000,000 Phase 3 expansion by Kalahari is reflected in this schedule.

The Authority's intent is to present a conservative estimate of such tax revenues over the life of this TIF District.

At termination of the TIF District the annual real estate taxes generated from Phase One of the Kalahari development are projected without any increase in millage rates as follows.

County	\$ 302,019
School District	\$2,093,381
Township	\$ 215,890

The schedule shows that the School District is projected to receive a total of \$15,870,134 during the term of this TIF District. At the termination of the TIF District, the annual revenues are estimated at \$3,201,789. This amount includes 100% of the real estate taxes from Phases 1 and 2 and all other taxes.

The County is expected to receive \$45,769,540 over the life of the TIF District and the major source of such revenue is the Hotel tax for the estimated 850 guest rooms. In year 21, the annual taxes are projected to be \$3,203,621 for the County of Monroe.

Tobyhanna Township is projected to earn \$2,758,468 from the four taxes listed on the following schedule during the term of this TIF District. After the TIF District is terminated, the annual taxes per year are estimated at \$399,648.

In addition to the taxes described above, the Market Feasibility Study and Economic Impact Study, (Exhibit E) also projects visitor spending outside of the Resort and other impacts such as the impact of construction impact on jobs and earnings. This data is found in pages 10 through 20 of the Report.

(x) **List of Estimated Nonproject Costs**

Nonproject (off site) are considered costs incurred beyond the TIF District Boundaries which are essential to the objectives of the Tobyhanna Tax Increment Financing Plan. Such costs include the following:

• Improvements to Interstate 380 and State Roads	\$8,101,313
• Access Road from State Roads to the Project	\$2,000,000
• Water System extension	\$3,000,000
• Sewer System extension	\$3,000,000
• Natural Gas extension	\$4,500,000
• Internet extension & Coax or Fiber extension	\$2,000,000
• Electric Service extension	1,000,000
• Contingency	<u>\$1,000,000</u>
TOTAL	\$24,601,313

The water system extension requires the development of a well, a water treatment facility at the well and a water transmission line to a new water tank with a 1.0 million gallon capacity. A booster pump and water distribution line to the TIF District is included in this \$3,000,000 cost estimate.

The funding of these offsite improvements are needed not only for Phase One of the Kalahari Project but also are needed for the expansion of Kalahari in Phases Two and Three.

(xi) **Statement of Proposed Method for the Relocation of Families, Persons and Businesses to be Temporarily or Permanently Displaced from Housing or Commercial Facilities in the Project Area by Implementation of the Plan.**

This tax increment financing plan will not cause any temporary or permanent displacement of families or persons or commercial facilities.

Pocahontas Mountain School District										Monroe County										Tobikhanna Township									
Year	Tax Inc. Base	Phase 2 Taxes Retained	Earned Income Tax (EIT) ¹	Total School	Year	Tax Inc. Base	Hotel Taxes	Phase 2 Taxes Retained	Total County	Year	Tax Inc. Base	Phase 2 Taxes Retained ⁴	Local Services Tax ³	EIT ²	Total Township														
1	\$8,931	\$8,931	\$8,931	\$8,931	1	\$1,288	\$0	\$0	\$1,288	1	\$921	\$0	\$0	\$0	\$921														
2	\$8,931	\$8,931	\$8,931	\$8,931	2	\$1,288	\$0	\$0	\$1,288	2	\$921	\$0	\$0	\$0	\$921														
3	\$8,931	\$19,128	\$19,128	\$28,059	3	\$1,288	\$1,141,000	\$1,141,000	\$1,142,288	3	\$921	\$37,804	\$37,804	\$7,739	\$46,464														
4	\$8,931	\$19,128	\$19,128	\$28,059	4	\$1,288	\$1,239,000	\$1,239,000	\$1,240,288	4	\$921	\$37,804	\$37,804	\$7,739	\$46,464														
5	\$8,931	\$19,128	\$19,128	\$28,059	5	\$1,288	\$1,331,000	\$1,331,000	\$1,332,288	5	\$921	\$37,804	\$37,804	\$7,739	\$46,464														
6	\$8,931	\$19,128	\$19,128	\$28,059	6	\$1,288	\$1,371,000	\$1,371,000	\$1,372,288	6	\$921	\$37,804	\$37,804	\$7,739	\$46,464														
7	\$8,931	\$1,031,030	\$31,393	\$1,071,354	7	\$1,288	\$2,742,000	\$2,742,000	\$2,892,038	7	\$921	\$63,804	\$63,804	\$12,703	\$183,758														
8	\$8,931	\$1,031,030	\$31,393	\$1,071,354	8	\$1,288	\$2,742,000	\$2,742,000	\$2,892,038	8	\$921	\$63,804	\$63,804	\$12,703	\$183,758														
9	\$8,931	\$1,031,030	\$31,393	\$1,071,354	9	\$1,288	\$2,742,000	\$2,742,000	\$2,892,038	9	\$921	\$63,804	\$63,804	\$12,703	\$183,758														
10	\$8,931	\$1,031,030	\$31,393	\$1,071,354	10	\$1,288	\$2,742,000	\$2,742,000	\$2,892,038	10	\$921	\$63,804	\$63,804	\$12,703	\$183,758														
11	\$8,931	\$1,031,030	\$31,393	\$1,071,354	11	\$1,288	\$2,742,000	\$2,742,000	\$2,892,038	11	\$921	\$63,804	\$63,804	\$12,703	\$183,758														
12	\$8,931	\$1,031,030	\$31,393	\$1,071,354	12	\$1,288	\$2,742,000	\$2,742,000	\$2,892,038	12	\$921	\$63,804	\$63,804	\$12,703	\$183,758														
13	\$8,931	\$1,031,030	\$31,393	\$1,071,354	13	\$1,288	\$2,742,000	\$2,742,000	\$2,892,038	13	\$921	\$63,804	\$63,804	\$12,703	\$183,758														
14	\$8,931	\$1,031,030	\$31,393	\$1,071,354	14	\$1,288	\$2,742,000	\$2,742,000	\$2,892,038	14	\$921	\$63,804	\$63,804	\$12,703	\$183,758														
15	\$8,931	\$1,031,030	\$31,393	\$1,071,354	15	\$1,288	\$2,742,000	\$2,742,000	\$2,892,038	15	\$921	\$63,804	\$63,804	\$12,703	\$183,758														
16	\$8,931	\$1,031,030	\$31,393	\$1,071,354	16	\$1,288	\$2,742,000	\$2,742,000	\$2,892,038	16	\$921	\$63,804	\$63,804	\$12,703	\$183,758														
17	\$8,931	\$1,031,030	\$31,393	\$1,071,354	17	\$1,288	\$2,742,000	\$2,742,000	\$2,892,038	17	\$921	\$63,804	\$63,804	\$12,703	\$183,758														
18	\$8,931	\$1,031,030	\$31,393	\$1,071,354	18	\$1,288	\$2,742,000	\$2,742,000	\$2,892,038	18	\$921	\$63,804	\$63,804	\$12,703	\$183,758														
19	\$8,931	\$1,031,030	\$31,393	\$1,071,354	19	\$1,288	\$2,742,000	\$2,742,000	\$2,892,038	19	\$921	\$63,804	\$63,804	\$12,703	\$183,758														
20	\$8,931	\$1,031,030	\$31,393	\$1,071,354	20	\$1,288	\$2,742,000	\$2,742,000	\$2,892,038	20	\$921	\$63,804	\$63,804	\$12,703	\$183,758														
21	\$8,931	\$5,124,411	\$31,393	\$3,164,735	21	\$1,288	\$2,742,000	\$450,769	\$3,194,057	21	\$921	\$322,220	\$63,804	\$12,703	\$399,648														

¹ Increases in Local Services Tax projections have not been contemplated. Pursuant to Act 7-2007, SB 218-2007, the Local Services Tax shall not exceed \$52 per employee per year.
² Calculated based on 131 full-time equivalent full-time employees residing within the School District from Phase 1. In year 7, the full-time equivalent residing within the District is estimated at 21.
³ Calculated based on 53 full-time equivalent employees residing in the Township from Phase 1. In year 7, the full-time equivalent residing in the Township is estimated at 8.
⁴ The Phase 2 taxes retained and reflected in year 7 onward is based on an estimated assessment value of \$7,000,000.

EXHIBIT A
TIF DISTRICT LEGAL DESCRIPTION

Louis J. Weber & Associates, Inc.
Boundary & Construction Surveying
47 Woodport Road
Sparta, New Jersey
Bus. No. 973-726-4240 Fax No. 973-726-4239
Email: lou@webersurveying.com

**Legal Description of "Kalahari Site" in Tobyhanna Township, Monroe County, PA.
Part of PIN#19635400099554**

Commencing at the Point of Beginning (State Plane Coords being N348808.8860, E2620916.7979) more or less in the dividing line between Tobyhanna Township and Pocono Township, said point being South 17°15'55" West, a distance of 1659.04 feet from the center of a 33' wide Right-of-Way for Pocono Manor Drive (State Road 4007), a corner of the whole tract as shown on Tobyhanna Township Minor Subdivision Instruments 200642169-200642175;

thence

1. South 17°15'55" West, a distance of 802.61 feet along the Township Line; thence
2. South 87°36'55" West, a distance of 518.82 feet; thence
3. South 60°17'55" West, a distance of 790.8942 feet; thence
4. South 84°52'55" West, a distance of 450.07 feet; thence
5. South 49°37'55" West, a distance of 303.69 feet; thence
6. North 49°43'05" West, a distance of 344.74 feet; thence
7. North 30°40'05" West, a distance of 109.46 feet; thence
8. South 83°17'51" West, a distance of 553.10 feet; thence
9. South 06°42'09" East, a distance of 119.04 feet; thence
10. South 83°17'51" West, a distance of 646.14 feet to a point in the Eastern Right-of-Way line of Interstate Route 380, said point being North 06°42'09" West, a distance of 131.61 feet from a corner in the whole tract as shown on Tobyhanna Township Minor Subdivision Instruments 200642169-200642175; thence
11. Along said Right-of-Way, North 06°42'09" West, a distance of 63.09 feet; thence
12. Along the same, South 83°17'51" West, a distance of 75.00 feet; thence
13. Along the same, North 06°42'09" West, a distance of 650.00 feet; thence
14. Along the same, North 83°17'51" East, a distance of 10.00 feet; thence
15. Along the same, North 06°42'09" West, a distance of 350.00 feet; thence
16. Along the same, South 83°17'51" West, a distance of 10.00 feet; thence
17. Along the same, North 06°42'09" West, a distance of 273.46 feet; thence
18. Leaving the Right-of-Way of Interstate 380, North 51°52'51" East, a distance of 1361.85 feet; thence
19. North 83°35'21" East, a distance of 2008.44 feet; thence
20. South 37°20'11" East, a distance of 263.85 feet to the Northerly side of a 110' wide Right-of-Way\Easement for Kalahari Boulevard; thence
21. South 22°04'38" West, a distance of 498.51 feet along said Right-of-Way to the beginning of a curve tangent to said line; thence
22. Along the curve concave to the northwest an arc distance of 580.77 feet, having a radius of 545.00 feet and a central angle of 61°03'22"; thence
23. Still along said Right-of-Way, South 83°07'59" West, a distance of 81.50 feet; thence
24. Along the same, South 38°07'59" West, a distance of 39.03 feet; thence
25. Along the same, South 06°52'01" East, a distance of 54.80 feet; thence
26. Along the same, South 51°52'01" East, a distance of 39.03 feet; thence
27. North 83°07'59" East, a distance of 81.50 feet along the Southerly side of said Right-of-Way to the beginning of a curve tangent to said line; thence
28. Along the curve concave to the northwest an arc distance of 697.99 feet having a radius of 655.00 feet and a central angle of 61°03'22"; thence
29. Still along said Right-of-Way, North 22°04'38" East tangent to said curve, a distance of 433.49 feet; thence
30. South 37°20'11" East, a distance of 898.40 feet to the Point of Beginning.

Containing 150.9511 Acres (6,575,432 Sq. Ft.), more or less.

Ground Scale Coordinate Location Point: Traverse W-1 Rod & Cap N349219.7716, E2622182.8436 (on the north side of Tee Box #1 Pocono Manor West Golf Course).

EXHIBIT B

COUNTY PLANNING COMMISSION CERTIFICATION

RESOLUTION OF THE PLANNING COMMISSION OF THE COUNTY OF
MONROE CERTIFYING THE TOBYHANNA TOWNSHIP TAX INCREMENT
FINANCING PROJECT AS A REDEVELOPMENT AREA

WHEREAS, the Planning Commission of the County of Monroe is an advisory body to the Monroe County Commissioners on matters pertaining to the general planning of land uses, and;

WHEREAS, the Planning Commission of the County of Monroe has examined a certain area designated as the Tobyhanna Township Tax Increment Financing Project and further identified in Exhibit A attached hereto, and finds that it presents one or more of the following characteristics which warrant it being considered a Redevelopment Area within the meaning of the Urban Redevelopment Law of 1945, P.L. 991, as amended:

- a) Unsafe, unsanitary, inadequate and overcrowded conditions of dwellings therein
- b) Inadequate planning of the area
- c) Excessive land coverage of the buildings thereon
- d) Lack of proper light and air and open space
- e) Defective design and arrangement of the buildings thereon
- f) Faulty street and lot layout
- g) Economically or socially undesirable land uses

NOW, THEREFORE, BE IT RESOLVED by the Planning Commission of the County of Monroe that it is found and determined that the area described as the Tobyhanna Township Tax Increment Financing Project is a blighted area based on one or more of the conditions enumerated above, and;

That the above described area is hereby certified to the Monroe County Commissioners as a Redevelopment Area within the meaning of the Urban Redevelopment Law of 1945, P.L. 991, as amended.

I hereby certify that the foregoing is a true and correct copy of a Resolution adopted by the Planning Commission of the County of Monroe at its meeting held on November 13, 2012.

ATTEST

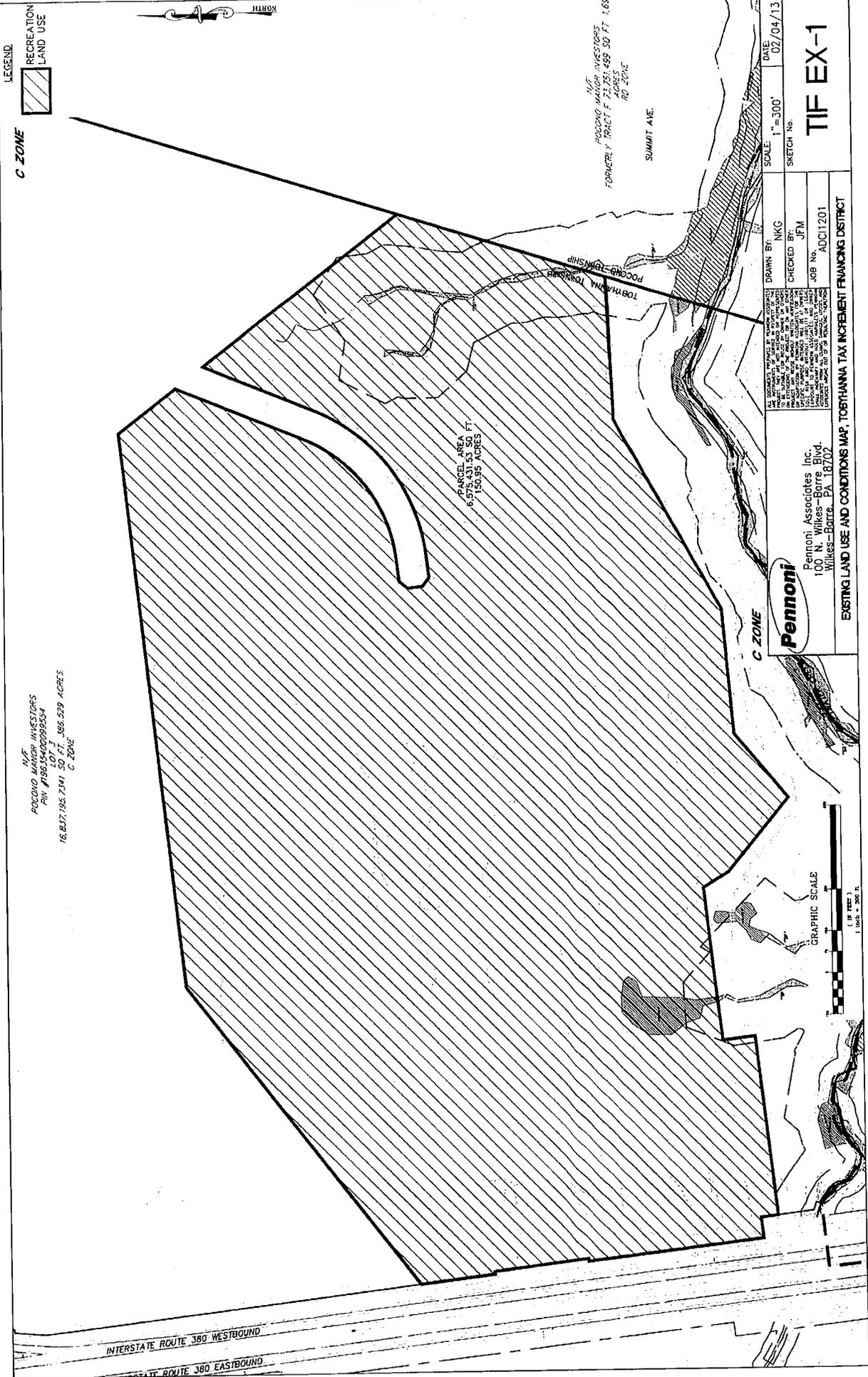
Christine Dettoe

(SEAL)

Robert Magnus
Chairman

EXHIBIT C

EXISTING LAND USE AND CONDITIONS MAP



N/E
 POCONO MAJOR INVESTORS
 PIN #195154-00099534
 LOT 1
 16,837,154.7141 SQ FT, 388.539 ACRES
 C ZONE

PARCEL AREA
 657.93 ACRES

N/E
 POCONO MAJOR INVESTORS
 TRACT F 21,751,459 SQ FT, 1,892
 ACRES
 C ZONE

SUMMIT AVE.

LEGEND
 C ZONE
 RECREATION
 LAND USE

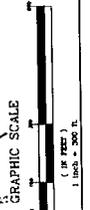
Pennoni
 Pennoni Associates, Inc.
 100 N. Wilkes-Barre Blvd.
 Wilkes-Barre, PA 18702

EXISTING LAND USE AND CONDITIONS MAP, TOSHANNA TAX INCREMENT FINANCING DISTRICT

SCALE: 1" = 300'
 DATE: 02/04/13
 SKETCH No.

DRAWN BY: NKC
 CHECKED BY: JFM
 JOB No. A011201

TIF EX-1



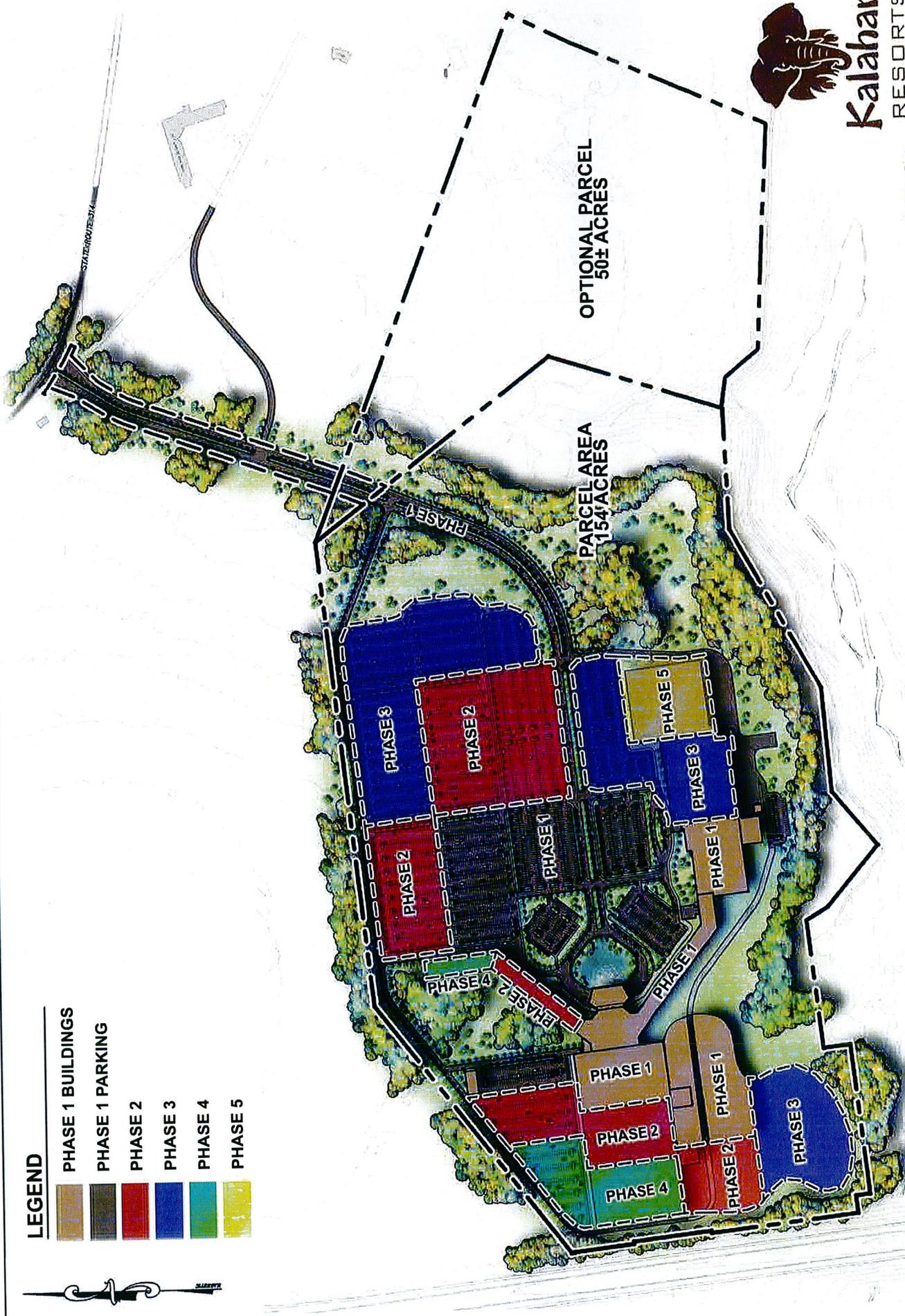
INTERSTATE ROUTE 380 WESTBOUND
 INTERSTATE ROUTE 380 EASTBOUND

EXHIBIT D

TIF DISTRICT SITE PLAN

LEGEND

- PHASE 1 BUILDINGS
- PHASE 1 PARKING
- PHASE 2
- PHASE 3
- PHASE 4
- PHASE 5



OPTIONAL PARCEL
50± ACRES

PARCEL AREA
154 ACRES



KALAHARI RESORT SITE PLAN

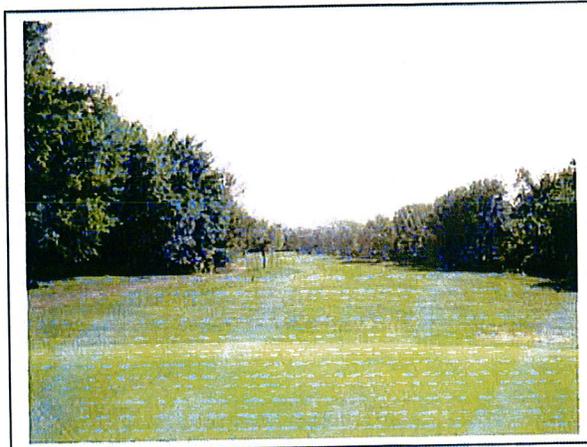
TOBYHANNA TOWNSHIP, PENNSYLVANIA

MARCH 2013

EXHIBIT E

MARKET FEASIBILITY AND ECONOMIC IMPACT STUDY

**SUMMARY OF MARKET FEASIBILITY AND
ECONOMIC IMPACT STUDY
FOR THE
PROPOSED KALAHARI RESORT POCONOS
SOUTHWEST QUADRANT OF ROUTE 314 AND
MANOR DRIVE
POCONO MANOR, MONROE COUNTY,
PENNSYLVANIA**



FOR

Mr. Todd Nelson
President
Kalahari Resorts
1305 Kalahari Drive
Wisconsin Dells, Wisconsin 53965

November 19, 2012

Mr. Todd Nelson
President
Kalahari Resorts
1305 Kalahari Drive
Wisconsin Dells, Wisconsin 53965

**RE: Proposed Kalahari Resort Poconos
Pocono Manor, Monroe County, Pennsylvania**

Dear Mr. Nelson:

We have prepared a summary of the Market Feasibility and Financial Analysis Study dated October 11, 2012, and the Economic Impact Study dated October 17, 2012, which we prepared concerning the proposal to develop the Kalahari Indoor Waterpark Resort in Pocono Manor, Monroe County, Pennsylvania. The subject site is located in Tobyhanna Township but will use Pocono Manor in the address. The property will be located in the southwest quadrant of Route 314 and Manor Drive. The subject site is located near the I-380/Route 940 interchange. The subject property will be located adjacent to the Inn at Pocono Manor. The consultants have prepared more than 1,000 similar studies over the past 20 years with various firms. This report is a summary of both of the studies, which we provided to you, that outline in more detail our analysis and projections. The studies are based upon market conditions observed as of the date of our market inspection on September 11, 2012.

Assumptions

The conclusions contained in our reports are based upon a review of information provided by you and on-site field work in the market area, which is described in the Scope of the Assignment sections in each report. As in all studies of this type, the conclusions reached do not take into account, or make provisions for, the effect of any sharp rise or decline in local or general economic conditions not presently foreseeable. The estimated results are based on competent and efficient management of the proposed hotel, as well as an aggressive marketing program prior to and after the opening of the proposed hotel. We assume the subject will hire appropriate management personnel to operate and market the hotel with indoor waterpark. We assume that the subject will be affiliated and managed by Kalahari Resorts. We assume the proposed hotel will open January 1, 2015. We presume no significant change in the competitive position of the hotel industry in the area from that as set forth in this report. We do not warrant that the estimates will be attained, but they have been conscientiously prepared on the basis of information obtained and our experience in the hotel industry.

It is expressly understood that the scope of this study and the report thereon do not include the possible impact of zoning regulations, licensing requirements, or other restrictions concerning the project, except where such matters have been brought to our attention and which are set forth in this report.

SUMMARY OF MARKET FEASIBILITY STUDY

The Kalahari Resort concept consists of a mix of resort rooms and suites with unique and authentic African furnishings and art; state-of-the-art indoor and outdoor waterparks; convention center facilities; and ancillary food, beverage, retail, arcade and salon/spa establishments designed to provide an affordable and fun family experience and capture a maximum amount of guest spending. The proposed subject development will offer 450 guest rooms along with an indoor waterpark totaling 103,000 square feet, and an outdoor waterpark area. Additionally, the facility will offer a 63,763 square foot conference center, spa, multiple restaurants, lounge, gift shops, an outdoor adventure park, and a 30,000 square foot indoor theme park incorporating an arcade, miniature golf, and other play area amenities. The Kalahari Resort facility can be described as a land-based cruise ship. It is designed to meet the year-round vacation needs of the entire family, as the combination of indoor and outdoor waterparks provides a comfortable atmosphere regardless of the weather conditions.

The proposed subject resort will be located adjacent to the Inn at Pocono Manor. The owners of the Inn at Pocono Manor own a total of 3,000 acres of land. The subject developers plan to purchase 153.50 acres of land for \$8 million from the owners of the Inn at Pocono Manor. This site is located in Tobyhanna Township. Most of the land that the subject developers plan to buy is part of the west golf course at the Inn at Pocono Manor. As part of the subject development, the management at the Inn at Pocono Manor indicated that the west course will be re-configured and will be operated as a 9-hole golf course. In addition to the 153.50 acres, the subject developers have an option to purchase an additional 50 acres for \$65,000 per acre. This additional land is located in Tobyhanna and Pocono townships.

The subject developers have indicated that the guests at the Inn at Pocono Manor will have access to the subject's indoor waterpark (for a fee). Furthermore, guests at the proposed subject resort will get access to the amenities at the Inn at Pocono Manor including golfing, horse riding, archery, hiking trails, Manor Sports Club, and sporting clays (for a fee).

The subject developers have approached the township and county for tax incremental financing (TIF) for the proposed subject development. A TIF committee has been established with one member each from the Pocono Mountain School District, Tobyhanna Township and Monroe County.

The following table highlights the planned facility for the proposed resort hotel in Pocono Manor, Monroe County, Pennsylvania.

Proposed Kalahari Resort Poconos Planned Facility			
Number of Units		450	
Room Mix	Units	Room Breakdown %	Size (S.F.)
Desert Room	322	72%	430
African Queen	48	11%	861
King Whirlpool Suite	20	4%	430
Hospitality Suite	4	1%	1,114
Two-Room Suite	51	11%	732
Presidential Suite	5	1%	1,291
Meeting Rooms		Square Feet	
Ballroom 1 (Divisible Into 8 Rooms)		25,038	
Additional Meeting Rooms (3)		8,877	
Breakout Rooms (4 rooms)		5,986	
Board Rooms		1,562	
Pre-function Space		22,300	
Total		63,763	
Food and Beverage Outlets			
Signature Restaurant			
Themed Family-Style Restaurant			
Indoor and Outdoor Waterpark Snack Bar (2)			
Indoor Entertainment Center Snack Bar			
Coffee Shop			
Sandy Store			
Waterpark Features		Sizing	
Indoor Square Footage		103,000	
Outdoor Square Footage		2-3 acres	
# of Lockers		800	
Birthday Party Rooms S.F. (Divisible Into 3)		1,500	
Theme			
African Safari Theme			
Additional Revenue Centers		Square Feet	
Outdoor Adventure Park			
Gift Shops		4,000	
Indoor Family Entertainment Center		30,000	
Spa		9,000	
Complimentary Amenities			
Business Center			
Fitness Room			
Complimentary Parking			
Access to amenities at Inn at Pocono Manor, including golf course, horseback riding, Manor Sports Club, sporting clays, hiking trails, spa, archery etc.			
Source: Hotel & Leisure Advisors			

The following bullets highlight the plans for the resort and our recommendations.

- The developer plans to offer 450 guest rooms with a mixture of queen/queen rooms, king rooms, and suites. The rooms will be similar to units at the existing two Kalahari resorts, which include a mixture of standard sized rooms and oversized suites. The different type of rooms at the existing properties include double queen (with sleeper sofa), king beds, king beds with whirlpool, and larger suites of various configurations including one-room and two-room suites.
- The subject plans to offer two restaurant/lounge options in addition to a coffee shop, candy store, and multiple snack bars located inside the indoor waterpark, outdoor waterpark, and family entertainment center. We recommend the subject offer a signature restaurant and a family style themed restaurant. The variety of food and beverage options would appeal to the leisure guests and convention attendees. We recommend a lounge be located adjacent to one of the restaurants. We project two waterpark snack bars will be located in the indoor waterpark area with an additional snack bar located in the indoor family entertainment center. We project a seasonal outdoor snack bar to be located in the outdoor waterpark area. The property will also have a candy store retail shop.
- The developers plan to offer a large conference center with approximately 63,763 square feet of meeting space. We recommend multiple large ballrooms and additional meeting rooms and breakout rooms. The conference center should be located on the opposite end of the building from the indoor waterpark to allow separation between two different types of users.
- The developers plan for an indoor theme park family entertainment center of approximately 30,000 square feet. This large facility will include laser tag, indoor miniature golf, bowling, rock climbing wall, and a wide range of redemption and arcade games.
- The developers plan to offer multiple retail shops with a total area of approximately 4,000 square feet. The shops will be run by the hotel and include a souvenir shop selling items related to the theme of the resort, swimming related items and a showcase shop selling authentic African souvenirs, a convenience store and kiosks with a variety of sales opportunities including a photo with a wild animal, hair braiding, and arts and crafts.
- The developers plan to offer a full-service spa and fitness center of approximately 9,000 square feet. The facility will offer multiple treatment rooms, hair, nails, and salon services, fitness room open to all hotel guests, and reception area. The spa will offer services such as massages, facials, therapies, and other treatments.
- We recommend amenities for business travelers including a small business center and availability of wireless Internet access.
- The developer plans to offer a two to three acre outdoor waterpark offering multiple slides and pools.

- The developer plans to feature an outdoor adventure park that will offer zip lines, ropes course and rock climbing.
- The developers plan to expand the facility in phases including the addition of more guest rooms, meeting space, and indoor waterpark area if the hotel's performance meets certain benchmarks.

Development Budget

The preliminary development budget by the Kalahari Resort indicates an overall budget of approximately \$189.17 million, which equals \$420,378 per available room.

Area Review

The subject site is located within the area known as the Pocono Mountains region, or simply the "Poconos," which is located in northeastern Pennsylvania. Forming a 2,400 square mile escarpment overlooking the Delaware Valley and Delaware Water Gap to the east, the mountains are bordered on the north by Lake Wallenpaupack, on the west by the Wyoming Valley, and to the south by the Lehigh Valley. The Poconos is a well-known outdoor recreation destination for visitors around the northeast, especially from the New York City MSA and the Philadelphia MSA. The Poconos encompasses the Delaware State Forest, including six designated natural areas, seven state parks, 17 state game lands, and one national park: The Delaware Water Gap National Recreation Area. There are extensive opportunities for water sports, with many of the lakes and rivers stocked for fishing. Hunters can also pursue white-tailed deer, wild turkeys, ruffed grouse, and other wildlife.

Competitive Hotel Market

The indoor waterpark resort and the addition of indoor waterparks to existing hotels have become more widespread phenomena since 2000 in North America. The growth of indoor waterparks is due to their popularity with children and the desire of parents and grandparents to select lodging locations that will be fun for their children. In addition, indoor waterpark resort properties are increasingly popular for short weekends and two- or three-day getaways for families that may not have time for longer vacations. Across the United States and Canada, new indoor waterparks have been added to existing hotels and new indoor waterpark destination resorts have been constructed. The primary growth of indoor waterparks in hotels and resorts is in historically summer resort locations, although they have also been developed in suburban and urban locations.

The proposed resort will be the largest indoor waterpark resort hotel in northeastern United States. With its proposed African theme and wide range of amenities including the indoor and outdoor waterparks and conference center, it will be a unique facility within the market. We have analyzed a grouping of competitive hotels including hotels with and without indoor waterparks. The primary competitor to the subject will be the Great Wolf Lodge in Poconos. The following chart lists the competitive properties and pertinent information about each hotel.

**Proposed Kalahari Resort Poconos
Summary of Market Feasibility and Economic Impact Studies**

Survey of Competitors									
#	Property	Location	% Comparable	# Rooms	Year Opened	Swimming Pool	Restaurant/Lounge	Meeting Space SF	Room Rates
1	Paradise Stream Resort	Mount Pocono, PA	100%	143	June-71	Indoor/ Outdoor	All Inclusive	0	\$310-\$600
2	The Inn at Pocono Manor	Pocono Manor, PA	100%	236	June-02	Indoor	Yes	27,187	\$99-\$169
3	Skytop Lodge	Skytop, PA	100%	193	June-28	Indoor/ Outdoor	All Inclusive	17,906	\$350-\$600
4	Chateau Resort and Conference Center	Tannersville, PA	100%	152	June-85	Indoor/ Outdoor	Yes	13,426	\$89-\$309
5	Woodloch Pines Resort	Hawley, PA	100%	167	June-58	Indoor/ Outdoor	Yes	24,552	\$300-\$900
6	Great Wolf Lodge Poconos	Scotrun, PA	100%	401	October-05	Waterpark	Yes	6,670	\$230-\$500
7	Split Rock Resort	Lake Harmony, PA	100%	221	June-46	Waterpark	Yes	45,274	\$99-\$348
8	Kalahari Resort Sandusky	Sandusky, OH	100%	890	May-05	Waterpark	Yes	143,696	\$140-\$1,500
9	Kalahari Resort Wisconsin Dells	Wisconsin Dells, WI	100%	752	May-00	Waterpark	Yes	71,894	\$109-\$2,800
Total				3,155					

Source: Hotel & Leisure Advisors

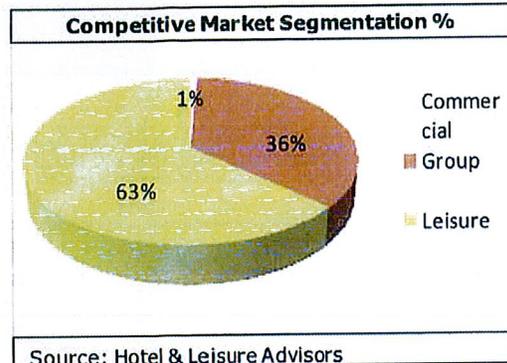
The following table provides their operating performance.

Proposed Kalahari Resort Poconos Historical Performance of Competitive Set			
Total Market Demand Segment	Historical		
	2010	2011	2012
Commercial	7,199	7,031	7,049
Group	260,362	260,320	261,993
Leisure	458,195	462,665	464,015
Total Room Night Demand	725,756	730,016	733,057
Total Room Demand Growth	-	0.6%	0.4%
Total Room Nights Available	1,151,575	1,151,575	1,151,575
Total Room Supply Growth	-	0.0%	0.0%
Adjusted Market Occupancy	63.0%	63.4%	63.7%
ADR	\$215.05	\$223.12	\$228.73
ADR Growth	-	3.8%	2.5%
RevPAR	\$135.53	\$141.44	\$145.60
RevPAR Growth	-	4.4%	2.9%

Source: Hotel & Leisure Advisors

As shown in the following table, the existing competitive supply is primarily focused on leisure and group demand. The market achieves its highest occupancy levels in the summer months.

Total Accommodated Demand Output	
Segment	2012 Room Nights
Commercial	7,049
Group	261,993
Leisure	464,015
TOTAL	733,057
Market Occupancy	63.7%
Market ADR	\$228.73
Source: Hotel & Leisure Advisors	



Projected Occupancy Level

We have assessed the projected competitive position of the subject property compared to the defined competitive lodging supply. Based on interviews with representatives of competitive hotels, our general knowledge of the market area, and consideration of factors such as competent and efficient management, a well defined marketing program, the location of the subject property, and the quality of the facility, we have estimated future market penetration of the subject. We consider the following property characteristics as competitive advantages and disadvantages when estimating future penetration rates for the different segments.

Positive Attributes:

- The subject's location in the Poconos region is projected to be a strong advantage because the proposed subject will offer a resort destination that will appeal to a variety of tourists and groups.
- The proposed resort is planning to offer a number of amenities including the indoor waterpark, outdoor waterpark, gift shop, arcade, fitness center, outdoor adventure park, miniature golf, restaurants, and lounges.
- The subject is located within driving distance of the New York City MSA and the Philadelphia MSA. The subject is projected to benefit from the large population base and from an increasing trend of people vacationing closer to home.
- The subject property will be the newest resort hotel within the competitive set. The proposed indoor waterpark at the subject will offer a range of slides and attractions. It is projected to be popular with families and children.
- The subject indoor waterpark resort will be located adjacent to the Inn at Pocono Manor, which offers a golf course, horse riding and other outdoor amenities. Guests at the subject hotel will have access to these amenities.
- The subject resort will offer a large conference center. It will be the newest meeting space in the Poconos region and will be large enough to hold larger meetings and

events. The subject's conference facility will attract groups and associations from the Northeast and Mid-Atlantic areas including Pennsylvania, New Jersey, and New York.

- The subject will offer the largest indoor waterpark facility in the Northeast. Although other projects are proposed in the Pocono Mountains, at the time of our research these have not started construction or been financed. The subject will offer a popular family experience for travelers year-round. Based on the success of the resorts in Wisconsin Dells, Sandusky, and the Great Wolf Lodge Poconos, it is our opinion that family oriented travelers from a two- to three-hour drive will enjoy coming to the subject to experience the waterpark and all the other amenities of the facility and area. Our research indicates that larger indoor waterparks attract substantially more interest in a resort, which allows it to achieve better occupancy levels. Unlike mid-sized indoor waterparks, the subject is projected to be popular with teenagers in addition to younger children due to its size and potential amenities.
- The subject will offer an attractive facility with a wide range of room types including a higher percentage of suites larger than a typical hotel. The planned restaurants, themed lobby, retail gift shop, family entertainment center, and other amenities will allow the subject to offer a memorable experience for leisure visitors.
- The subject has a strong potential to outperform the market, particularly during the winter and summer periods and weekends year-round with the addition of the indoor waterpark. The primary target time for families will be summer months, weekends, and winter months. The subject is expected to be a popular hotel during the summer months because demand is already strong during these months in the market.

Negative Attributes

- The subject will need to have extensive directional signage and billboards on I-80 and I-380 to direct visitors to the site. Although access is easy, we project that Route 314 will need expansion.

The following displays present the estimated demand penetration rates and occupancy for the subject hotel for the projection period.

**Proposed Kalahari Resort Poconos
Summary of Market Feasibility and Economic Impact Studies**

Subject Property Name: Proposed Kalahari Resort Poconos							
Room Nights by Segment	2015	2016	2017	2018	2019	2020	2021
Group	40,727	43,105	45,452	45,452	45,452	45,452	45,452
Leisure	72,836	76,615	79,379	79,379	79,379	79,379	79,379
TOTAL	113,563	119,720	124,831	124,831	124,831	124,831	124,831
Percent of Total Room Nights by Segment							
Group	35.9%	36.0%	36.4%	36.4%	36.4%	36.4%	36.4%
Leisure	64.1%	64.0%	63.6%	63.6%	63.6%	63.6%	63.6%
TOTAL	100.0%						
Subject Available Rooms per Day	450	450	450	450	450	450	450
Subject Available Rooms per Year	164,250	164,250	164,250	164,250	164,250	164,250	164,250
Subject Property Projections							
Subject Occupancy	69.1%	72.9%	76.0%	76.0%	76.0%	76.0%	76.0%
Market Share	13.4	13.8%	14.3%	14.3%	14.3%	14.3%	14.3%
Fair Share	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%
Penetration	107.4%	110.5%	114.2%	114.2%	114.2%	114.2%	114.2%
Market Occupancy	64.4%	65.9%	66.5%	66.5%	66.5%	66.5%	66.5%

In a stabilized year of operation, the subject is projected to achieve an occupancy level of 76.0%, which results in an overall penetration rate of 114.2%. The subject should outperform the market despite its low commercial demand, due to the many attractions created at the subject site. We project the market segmentation for the subject hotel to be predominantly leisure with lesser amounts of group. The stabilized occupancy reflects the anticipated results of the property over its remaining economic life, given all changes in the life cycle of the hotel. Thus, the stabilized occupancy excludes from consideration any abnormal relationship between supply and demand, as well as any nonrecurring conditions that may result in unusually high or low occupancies. Although the subject property may operate at occupancies above this stabilized level, we believe it equally possible for shifts in the local economy and changes in the market's demand patterns to force the occupancy below this selected point of stability.

Indoor Waterpark Attendance

We have analyzed the potential demand for a 103,000 square foot indoor waterpark facility. The following table indicates our projections of attendance from the connected subject hotel and local daily attendance.

Projected Attendance Proposed Kalahari Resort Poconos 103,000 square feet					
	Fiscal Years				
	2015	2016	2017	2018	2019
Proposed Kalahari Resort Poconos					
Subject property occupied rooms	113,563	119,720	124,831	124,831	124,831
Waterpark package occupied rooms	97,023	102,283	106,650	106,650	106,650
Segment property attendance	436,604	460,274	479,927	479,927	479,927
Local Daily Attendance					
Attendees	71,134	64,667	64,667	64,667	64,667
Total					
Subject property attendance	507,738	524,941	544,594	544,594	544,594
Available capacity (2,575/day)	939,875	939,875	939,875	939,875	939,875
Usage percentage	54%	56%	58%	58%	58%
Statistical information					
Projected attendance per square foot	4.9	5.1	5.3	5.3	5.3
Demand segmentation:					
Subject property occupied rooms	86%	88%	88%	88%	88%
Local Daily Attendance	14%	12%	12%	12%	12%
Source: Hotel & Leisure Advisors					

Subject Development Outlook

Overall, our study has revealed that the subject proposed indoor waterpark resort has a high probability of being viable depending upon development costs and the ability of the property to market to its region. The subject's location within the Poconos, which is within driving distance of Northern New Jersey, the New York City MSA and the Philadelphia MSA is its strongest attribute due to the high levels of household and disposable income and the existence of numerous families. The strong historical performance of the Great Wolf Lodge in the Poconos highlights that a good quality facility with a good management team can result in a successful indoor waterpark resort. Furthermore, the subject indoor waterpark will be operated by a mature, seasoned management team that has successfully operated the two Kalahari resorts located in Wisconsin Dells and Sandusky. We have included the historical performance of both of these resorts in our study.

Our analysis indicates that the development of the proposed 450-key indoor waterpark resort with approximately 103,000 square feet of waterpark area produces a positive return. The market area surrounding the subject site contains two indoor waterpark resorts, which have proven to be very popular with families for short vacations and getaways. The Great Wolf Lodge Poconos is one of the top performing indoor waterpark resorts in the country.

SUMMARY OF ECONOMIC IMPACT STUDY

We have estimated the economic impacts that may be generated by the proposed indoor waterpark resort. The "multiplier effect," or the effect that a proposed project has on an area, means that a project creates even more income and consumption in the area than what is initially spent on the project. The economic impacts of this project and its multiplier effect will be experienced on a temporary and permanent basis throughout many levels of the economy.

Construction Impact

H&LA estimated the economic impact of constructing the subject. This construction represents a one-time activity, expected to occur over approximately a two-year period. We have estimated the preliminary construction and development costs, which are shown in the following table.

Estimated Preliminary Construction and Development Costs Proposed Kalahari Resort Poconos	
Development budget per room	\$420,000
Projected number of rooms	450
Total development budget	\$189,000,000
% for construction	60%
Construction budget	\$113,400,000
% of construction budget for payroll	45%
Direct Payroll budget	\$51,030,000
Source: Hotel & Leisure Advisors	

We estimate the preliminary construction and development budget to equal \$189,000,000. We then estimated 60% of the budget for construction costs versus land value, furniture fixtures and equipment, and soft costs such as financing, fees, and contingency. We estimate that 45% or \$51,030,000 of the construction budget would be payroll related.

The construction costs were analyzed based upon the final demand multiplier and the resulting indirect multiplier. The following table indicates the direct construction impacts from the development of the subject.

Direct Construction Impacts Proposed Kalahari Resort Poconos	
Construction payroll	\$ 51,030,000
Median construction wage in Northeastern PA	\$43,217
Direct jobs created (annual)	1,181
Source: Hotel & Leisure Advisors	

The median construction wage presented above represents the inflated estimate available from the U.S. Department of Labor's Bureau of Labor Statistics and was taken from the May 2011 U.S. Department of Labor Occupational Employment Statistics for the Northeastern Pennsylvania Nonmetropolitan Area. Based upon our analysis, we estimate that the development of the subject would result in a construction budget of approximately

\$113,400,000 of which \$51,030,000 would be attributable to construction payroll. Utilizing the average annual construction wage estimate of \$43,217 for the area, we estimate that approximately 1,181 annual full-time equivalent direct jobs will be created.

Allocation of Construction Budget: In County vs. Out of County

For the purposes of our report, we have utilized the construction budget rather than the total development budget for estimating the economic impact as the purchases of furniture fixtures and equipment and soft costs represent expenditures that are unlikely to occur in the county. Typically, construction materials such as steel, wood, concrete, etc., are not produced in the place where they are utilized and have to be imported from various places. The following table highlights our allocation of the In County vs. Out of County construction budget.

Proposed Kalahari Resort Poconos	
Allocation of Construction Budget: In County vs. Out of County	
Construction Budget	\$113,400,000
% In County	35%
In County	\$39,690,000
% Out of County	65%
Out of County	\$73,710,000
Source: Hotel & Leisure Advisors	

We estimate that 35% of the goods and services utilized in the construction would be local in nature and would be produced in Monroe County. We project that the majority of this in county expenditure will be payroll related.

Construction Conclusion: H&LA utilized the RIMS II multipliers to project the impacts of the proposed indoor waterpark resort construction. Our analysis indicates that the construction of the subject facility will result in the following economic impacts in Monroe County, Pennsylvania.

Proposed Kalahari Resort Poconos	
Construction	
Earnings	\$66,430,000
Jobs	1,567
Total Output	\$172,100,000
Source: Hotel & Leisure Advisors	

Operation and Visitor Impacts

The following table indicates the direct impacts from the operation of the subject in its first year in 2013 dollars.

Direct Impacts - First Year Operations Proposed Kalahari Resort Poconos	
Payroll/household earning	\$14,159,000
Average hotel wage in county	\$29,203
Direct jobs created	485
Source: Hotel & Leisure Advisors	

Based upon our analysis, we estimate that the development of the subject would result in approximately \$14,159,000 in payroll/household earnings. Utilizing the average annual accommodation/service industry wage estimate of \$29,203 for the area, we estimate that approximately 485 annual full-time equivalent direct jobs will be created in the county. The actual number of jobs will be higher as many hotel, waterpark, and service industry workers are part-time. Specifically, we estimate that the actual number of jobs including part-time and full-time employment will be approximately 1.5 times the number of full-time equivalent jobs or 727 full- and part-time positions.

Operations Impact - First Year Conclusion: H&LA utilized the RIMS II multipliers to project the impacts of the proposed indoor waterpark resort operations. Our analysis indicates that the development of the subject indoor waterpark resort will result in the following economic impacts in the first year of the projection in Monroe County, Pennsylvania.

Proposed Kalahari Resort Poconos Operations Impact	
Earnings	\$22,457,000
Jobs	840
Total Output	\$93,013,000
Source: Hotel & Leisure Advisors	

Impact of Increased Visitor Spending

The proposed indoor waterpark resort will also have an impact on the economy of the surrounding area as a result of the increase in visitors and visitor spending. The proposed subject indoor waterpark resort is projected to draw new visitors to Monroe County and the Poconos area. Economic impact results from the import of new dollars from spending primarily by nonresidents into the local economy. The extent to which visitor dollars are retained locally depends on the types of establishments that visitors utilize. The following table indicates the direct impacts from the operation of the subject in its first year in 2015 dollars.

Direct Impacts - First Year Operations	
Visitor Spending Outside of Resort	
Payroll/household earning	\$3,281,250
Average service wage in county	\$29,203
Direct jobs created	112
Source: Hotel & Leisure Advisors	

Based upon our analysis, we estimate that the development of the subject would result in a total increase of \$3,281,250 in household earnings to establishments outside of the resort, which visitors will utilize. Utilizing an average annual wage estimate of \$29,203 for the Northeastern Pennsylvania Nonmetropolitan Area employees in the range of occupations under study, we estimate that approximately 112 annual full-time equivalent direct jobs will be created. The actual number of jobs will be higher as many service industry workers are part-time.

Visitor Spending Outside of the Resort First Year Conclusion: H&LA utilized the RIMS II multipliers to project the impacts of the visitor spending outside of the resort operations. Our analysis indicates that the development of the subject indoor waterpark resort will result in the following economic impacts from non-resort visitor spending in the first year of the projection in Monroe County, Pennsylvania.

Proposed Kalahari Resort Poconos	
Visitor Spending Outside of Resort	
Earnings	\$4,856,250
Jobs	192
Total Output	\$18,890,000
Source: Hotel & Leisure Advisors	

Tax Revenue Impact Methodology

Tax revenue impacts consist of state, county, and township tax revenues that result from the net new spending and income related to the activities at the subject indoor waterpark resort. In this analysis, fiscal impacts are shown for the governmental unit that levies the tax. Subsequent redistributions of tax revenue, such as state income or sales tax distributions to local government units were not estimated.

For each tax, H&LA estimated the appropriate tax base and multiplied it by the corresponding effective tax rate. The effective tax rate is the rate calculated after adjustments, exemptions, deductions, credits, and other tax provisions are taken into account. Estimates of taxable amounts of spending and income were based on the direct, indirect, and final estimates presented herein. Literally dozens of taxes, fees, and other government revenue source will be influenced by the subject's operations. Five of the major categories of tax revenues were considered in this analysis.

Sales Taxes – In Pennsylvania, sales taxes are levied on the sales and rental of tangible property and selected services. Certain items are exempted, but it is generally a broad-based sales and use tax. The total amount of sales tax paid in the subject area equals 6.00% for the state of Pennsylvania. In Pennsylvania, the sales tax excludes most clothing and food although beverages are taxed at a higher rate of 14%. Major items exempt from the tax include food (not ready-to-eat); candy and gum; most clothing; textbooks; computer services; pharmaceutical drugs; and residential heating fuels such as oil, electricity, gas, coal and firewood. Only the taxable portions of direct and indirect spending were considered part of the tax base.

Income Taxes – The Pennsylvania State income tax rate for a single individual earning the average wage of \$29,203 assumed in this report is 3.07%. The income tax applies to net income derived from Pennsylvania sources. There is a local wage tax in Tobyhanna Township of 1.00% of wages earned. In our analysis, we have used a state income tax rate of 3.07% of total payroll and a township wage rate of 1.00% of total payroll to represent the rates applied to a typical hotel or service industry employee. Income generated by the hotel activities includes the salaries and wages of employees and temporary workers and the indirect employment income. The employment income amounts were shown previously and estimated using the RIMS II multipliers.

The State of Pennsylvania has a business income tax, which averages 9.99%, that is applied to the projected resort's net operating income. It should be noted that these are nominal income tax rates. It is likely that many individuals and corporations will qualify for certain deductions and exemptions that are not contemplated by this study; therefore, the actual tax collections may be some amount less than projected in this study.

Hotel Tax – There is a hotel room tax collected in Monroe County, Pennsylvania, of 3.00% of room revenue. We have multiplied the hotel bed tax times the total room revenue.

Property Taxes – The subject is expected to pay real estate taxes, which will be received by Tobyhanna Township and Monroe County. We have included the real estate tax distribution received by the schools as part of the township receipts. The subject site has a tax rate of \$183.73 per \$1,000 of assessed value. The breakdown of current property tax rates is shown in the following table.

Breakdown of Property Taxes	
Description	% of Revenue
Tobyhanna Township (including schools)	88.4%
Monroe County	11.6%
State of Pennsylvania	0.0%
Total	100.0%
Source: Hotel & Leisure Advisors	

For the purposes of this report, we have used the estimates of real estate taxes contained in our feasibility study. These numbers will change as the project scope

For the purposes of this report, we have used the estimates of real estate taxes contained in our feasibility study. These numbers will change as the project scope becomes known and the assessor can apply a valuation to the project. In the first year of our analysis, we project real estate taxes of \$3,215,000. We have assumed no real estate tax abatement.

Other Taxes – The state, township, and county generate revenue from a set of excise and other taxes on cigarettes, fuel, alcohol, realty transfer and other items. The available data does not allow for specific estimation of each tax. In order to capture the fiscal impact of these various taxes, it was assumed that they generate 15% of the revenue generated by the other taxes shown in this analysis.

A summary of relevant taxes and tax rates is shown in the following table.

Tax Rate Assumptions				
Proposed Kalahari Resort Poconos				
	Pocono Mountain School District	Tobyhanna Township	Monroe County	Pennsylvania
Sales tax	0.00%	0.00%	0.00%	6.00%
Income tax - individual	0.50%	0.50%	0.00%	3.07%
Income tax - corporate	0.00%	0.00%	0.00%	9.99%
Hotel bed tax	0.00%	0.00%	3.00%	0.00%
Real property tax	80.2% of tax	8.3% of tax	11.6% of tax	0.0% of tax
Please note that Tobyhanna Township and the school district share 50% of the 1% of the Individual Income Tax				
Source: Hotel & Leisure Advisors				

Summary of Tax Impact Estimates

The projected tax revenue impacts for the school district, township, state and county are shown in the following table for a 10-year analysis.

**Proposed Kalahari Resort Poconos
Summary of Market Feasibility and Economic Impact Studies**

10-Year Tax Impacts												
Proposed Kalahari Resort Poconos												
Year	Rate	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Construction Earnings (2011 & 2012)		\$66,430,000										\$66,430,000
Individual income tax - Township & School District	1.00%	\$664,000										\$664,000
Sales Tax	3.07%	\$2,039,000										\$2,039,000
Individual income tax - State	6.00%	\$6,714,000	\$7,189,000	\$7,677,000	\$7,907,000	\$8,145,000	\$8,389,000	\$8,641,000	\$8,900,000	\$9,167,000	\$9,442,000	\$82,171,000
Individual income tax - Township & School District	1.00%	\$273,000	\$292,000	\$312,000	\$322,000	\$331,000	\$341,000	\$351,000	\$362,000	\$373,000	\$384,000	\$3,341,000
Individual income tax - State	3.07%	\$839,000	\$898,000	\$959,000	\$987,000	\$1,017,000	\$1,048,000	\$1,079,000	\$1,111,000	\$1,145,000	\$1,179,000	\$10,262,000
State Business Tax	9.99%	\$506,000	\$540,000	\$574,000	\$591,000	\$609,000	\$627,000	\$646,000	\$665,000	\$685,000	\$706,000	\$6,149,000
Occupancy bed tax - County	3.00%	\$1,141,000	\$1,239,000	\$1,331,000	\$1,371,000	\$1,412,000	\$1,454,000	\$1,498,000	\$1,543,000	\$1,589,000	\$1,637,000	\$14,215,000
Real Estate Taxes		\$3,215,000	\$3,312,000	\$3,411,000	\$3,513,000	\$3,619,000	\$3,727,000	\$3,839,000	\$3,954,000	\$4,073,000	\$4,195,000	\$36,857,000
Real estate tax - Township	8.3%	\$766,000	\$774,000	\$782,000	\$790,000	\$799,000	\$808,000	\$817,000	\$827,000	\$837,000	\$847,000	\$7,047,000
Real estate taxes - School District	80.7%	\$2,577,000	\$2,655,000	\$2,734,000	\$2,816,000	\$2,901,000	\$2,988,000	\$3,078,000	\$3,170,000	\$3,265,000	\$3,303,000	\$29,547,000
Real estate taxes - County	11.6%	\$372,000	\$383,000	\$395,000	\$406,000	\$419,000	\$431,000	\$444,000	\$457,000	\$471,000	\$485,000	\$4,763,000
Subtotal taxation impact		\$15,391,000	\$13,470,000	\$14,264,000	\$14,691,000	\$15,133,000	\$15,586,000	\$16,054,000	\$16,539,000	\$17,032,000	\$17,543,000	\$155,698,000
Additional state taxes	15.0%	\$2,309,000	\$2,021,000	\$2,140,000	\$2,204,000	\$2,270,000	\$2,338,000	\$2,408,000	\$2,480,000	\$2,555,000	\$2,631,000	\$23,356,000
Total taxation impact		\$17,700,000	\$15,491,000	\$16,404,000	\$16,895,000	\$17,403,000	\$17,924,000	\$18,462,000	\$19,015,000	\$19,587,000	\$20,174,000	\$179,054,000

Source: Hotel & Leisure Advisors

Our analysis indicates that the development of the subject hotel will result in the following additional taxes for the state and county over a 10-year period.

Projected 10-Year Taxation Impact Proposed Kalahari Resort Poconos		
<u>Taxing Authority</u>	<u>Projected Taxes</u>	<u>Ratio</u>
State of Pennsylvania	\$123,977,000	69.2%
Monroe County	\$18,478,000	10.3%
Tobyhanna Township	\$7,052,000	3.9%
Pocono Mountain School District	<u>\$29,547,000</u>	16.5%
Total for 10 years (rounded)	\$179,054,000	
Total annually (divided by 10)	\$17,905,400	
Source: Hotel & Leisure Advisors		

As shown, the state taxes will result from income taxes, Pennsylvania business tax, sales taxes, and miscellaneous state taxes. The county taxes will result from hotel bed taxes and real estate tax. Local taxes are collected from income taxes and real estate taxes.

With development of the subject, the annual fiscal impact is approximately \$17,905,400 (10-year figure divided by 10). Although the state receives the majority of the fiscal benefit, the county and township benefit from the redistribution of state taxes, the amounts of which have not been quantified in this analysis.

Income taxes related to the construction project are projected to generate \$2,039,000 for the state of Pennsylvania and \$664,000 for Tobyhanna Township split equally between the school district and the Township. Sales taxes are expected to generate a majority of the fiscal impact with \$82,171,000 in net sales tax revenues expected from the state sales taxes on hotel output and non-resort output after development of the subject. Income taxes are projected to generate \$10,262,000 for the state from income taxes paid by individuals, \$3,341,000 for Tobyhanna Township and school district from income taxes paid by individuals, and \$6,149,000 to be paid by the resort as Pennsylvania Business income tax.

Property taxes paid by the owner of the resort development will generate approximately \$36,857,000 in fiscal impact over a 10-year period. Property taxes benefit the county, local municipality and the school district.

Hotel room expenditures are expected to produce \$14,215,000 in total occupancy bed tax revenue after development, which will be received by the county.

Over the 10-year period, other taxes are expected to generate \$23,356,000. This amount includes revenue for cigarette taxes, alcohol taxes, licenses and permits fees, motor vehicle fuel taxes, realty transfer tax and other miscellaneous state, county and township revenue sources.

Real Estate Impact

We have analyzed the impact of the proposed indoor waterpark resort in Monroe County. We analyzed the impact on the marketability and value of the existing properties in the subject neighborhood in addition to analyzing what new developments could occur in the area if the proposed development is constructed.

Our analysis indicates that the Poconos area should achieve an increase in visitation with the development of the proposed indoor waterpark resort. Out-of-town visitors staying at the hotel will also visit the Crossings Outlet Mall and its many stores, and the offerings and attractions of the entire Pocono Mountain region. Additionally, the indoor waterpark resort will attract Monroe County and regional day users to utilize the waterpark and area stores.

The development of the proposed project will positively influence the overall neighborhood and will enhance the development of the Poconos as a destination area. The construction of the proposed project will cause increased real estate development within the neighborhood. These real estate holdings will be positively influenced by the presence of the proposed indoor waterpark resort and the increased visitor spending from its guests. We have already accounted for this influence in the previous projections, which indicate the direct and indirect impact from visitor spending both at the subject and in the surrounding area. In our opinion, the development of the subject, especially considering the magnitude of its size and development budget, is projected to raise property values in the immediate neighborhood of the subject.

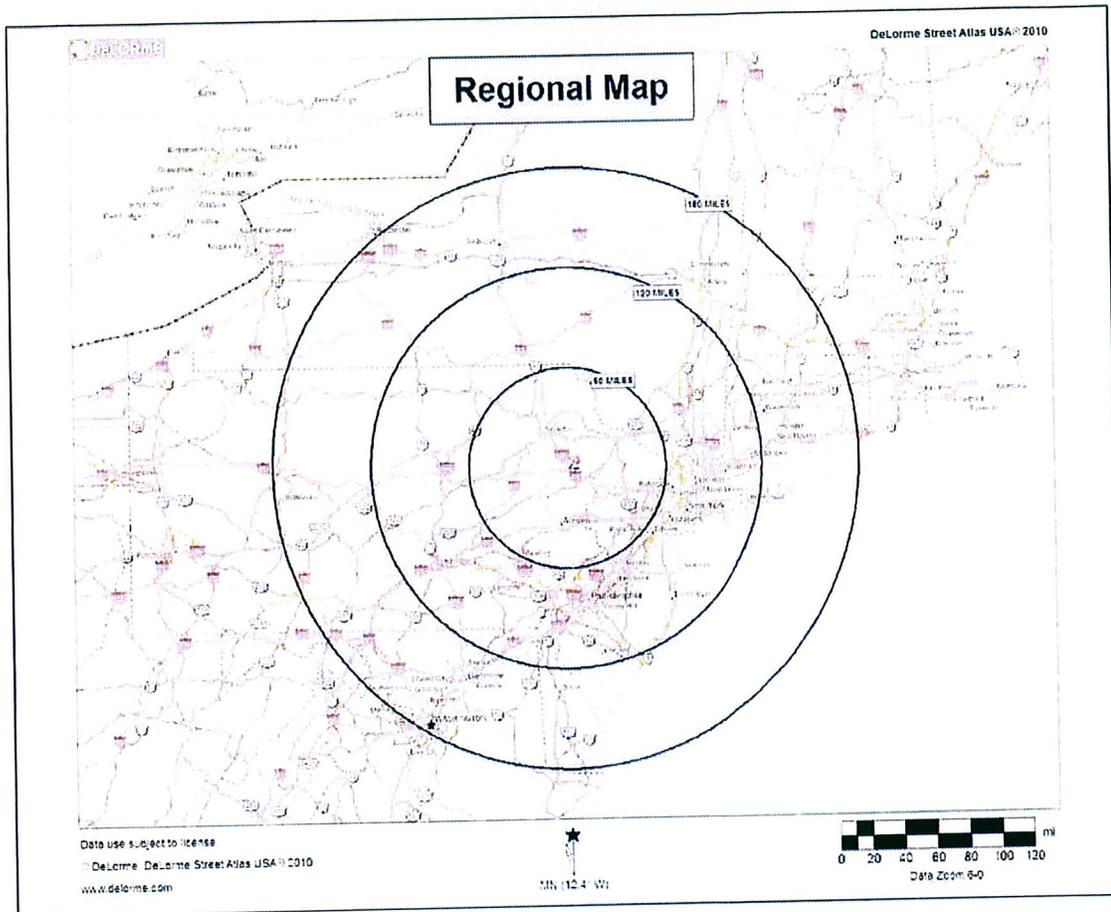
Impact on Other Hotels in the Community

We have analyzed the impact the subject will have upon other hotels within the county. The market section in our market feasibility study indicates performance figures of hotels in Monroe County and other nearby resort destinations. The market feasibility study indicated the projected market occupancy before and after opening the subject hotel. With the opening of the subject hotel, the market is projected to decline in occupancy level as demand shifts among the new hotels and existing hotels due to the additional competition. The projected market occupancy decline is typical as a new hotel tries to establish itself in a community and causes the overall occupancy to decline. The subject will charge a relatively high average daily rate; therefore, the overall average daily rate of the market is projected to actually increase with the opening of the subject.

After the subject has been open a few years, we project the market to achieve higher occupancy levels than it had achieved prior to the opening of the subject. This is due to increased demand from the subject's waterpark and conference center as well as the subject attracting additional leisure demand to Monroe County. It is possible that a few of the lower quality, under-managed properties in less popular locations could achieve a long-term decline in occupancy levels.

Visitor Draw of Project

The proposed indoor waterpark resort is projected to draw overnight visitors from within a three-hour drive, which we have analyzed as a 180-mile radius. These overnight visitors to the hotel will utilize the indoor waterpark and other components of the resort. We project a majority of visitors to the indoor waterpark will be overnight guests visiting because of the indoor waterpark and other water related activities. The following map indicates the communities included within 180 miles.



The proposed indoor waterpark resort will be unique within Pennsylvania. There are only a few indoor waterpark resorts located in eastern Pennsylvania. The subject will be the largest indoor waterpark resort in the Northeast. The subject is anticipated to compete for family travelers with the Great Wolf Lodge in Scotrun, Pennsylvania, and the H2Ooooohh! Indoor Waterpark at Split Rock Resort in Lake Harmony, Pennsylvania. Additional information concerning new supply and the existing supply is contained in our market feasibility study.

Other Benefits

The operation of the proposed subject is anticipated to create other significant benefits for the township, county, and state that are less explicit and more difficult to quantify. These benefits include:

- Anchor for year-round commerce in the Poconos region
- Community pride and identity
- Regional and national exposure
- Improved quality of life
- Prestige associated with having a large new hotel development
- Expanded food and beverage and entertainment outlets

The value and impact of these benefits have not been estimated in this study.

Other Costs

It is difficult to identify the interests of all potential stakeholders for a project as large as the proposed subject, which has the potential to greatly impact a community. It is possible that there are additional costs not contemplated by this study. Potential additional costs could include:

- Additional traffic during peak periods
- Increased demand on municipal services
- Increased crime
- Increased inflation
- Widening of roads to accommodate additional traffic

Our analysis of numerous other resort projects indicates that these other costs are a relatively small addition to a municipality's expenses in comparison to the revenues that the resort generates. The most common cost which can occur is the additional traffic during times when the resort may have larger meetings and events letting out. The value and impact of these costs have not been estimated in this study.

Conclusion: Our analysis indicates that the proposed Kalahari Resort has a very strong potential for success at the subject site. The development of the proposed Kalahari resort will produce many new jobs in the community as well as high levels of tax revenues for the township, county, and state.

This report and its contents are intended solely for the information of our client and for related third-party reviewers of the proposed project relative to determining the feasibility and economic impact of the project. The report should not be relied upon for any other purpose. Otherwise, neither our report nor any of its contents nor any reference to Hotel & Leisure Advisors, LLC (H&LA) may be included or quoted in any document, offering circular, registration statement, prospectus, sales brochure, other appraisal, or other agreement without our prior written approval. Such permission will not be unreasonably withheld.

We are available to perform additional consulting services on this proposed property as the scope of the development is finalized. We appreciate the opportunity to be of service to your organization and look forward to working with you again.

Respectfully submitted,

Hotel & Leisure Advisors, LLC

David J. Sangree

David J. Sangree, MAI, ISHC
President

N. Maredia

Nuresh Maredia
Project Manager

STANDARD CONDITIONS

The following Standard Conditions apply to real estate consulting engagements and appraisals by Hotel & Leisure Advisors, LLC (H&LA). Extraordinary Assumptions are added as required.

1. The report is to be used in whole and not in part. The report, engagement letter and these standard conditions constitute the entire understanding and agreement between the parties with respect to the subject matter hereof and supersedes any and all prior or current agreements or understandings between the parties, whether in writing or orally. The report and engagement letter may not be amended except in writing signed by the parties hereto. These standard conditions shall survive the completion of the assignment.
2. Publication of the report or engagement letter without the prior written consent of H&LA is prohibited unless otherwise stated in the letter of engagement. Neither the report nor engagement letter may be used by any person other than the party to whom they are addressed nor may they be used for purposes other than that for which they were prepared. Neither the engagement letter, nor the report, nor their contents, nor any reference to the appraisers or H&LA or any reference to the Appraisal Institute, International Society of Hospitality Consultants, American Institute of Certified Public Accountants, or the American Institute of Architects, (or the MAI, ISHC, CPA or AIA designations) may be included or quoted in any offering circular or registration statement, prospectus, sales brochure, other appraisal, loan, or other agreement or document without H&LA's prior written permission, in its sole discretion. Moreover, "H&LA" is a registered trademark of Hotel & Leisure Advisors, LLC. The client agrees that in event of a breach of this Section 2, in addition to any other rights and remedies of H&LA, and hereby consents to injunctive relief.
3. No responsibility is assumed for the legal description or any matters which are legal in nature. Title to the property is assumed to be good and marketable and the property is assumed to be free and clear of all liens unless otherwise stated. No survey of the property was performed. Sketches, maps, photos, or other graphic aids included in the reports are intended to assist the reader in ready identification and visualization of the property and are not intended for technical purposes.
4. The information contained in the assignment is based upon data gathered from sources the consultant or appraiser assumes to be reliable and accurate. Some of this information may have been provided by the owner of the property. Neither the consultants nor H&LA shall be responsible for the accuracy or completeness of such information including the correctness of public records or filings, estimates, opinions, dimensions, sketches, exhibits, and other factual matters.
5. The report may contain prospective financial information, estimates, or opinions that represent the consultants' or appraisers' view of reasonable expectations at a particular point in time. Such information, estimates, or opinions are not offered as predictions or as assurances that a particular level of income or profit will be achieved, that events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by H&LA's prospective financial analyses will vary from those described in the report, and the variations

may be material. The financial projections stated in the report and any opinions of value are as of the date stated in the report. Changes since that date in external and market factors or in the property itself can significantly affect property value or performance.

6. H&LA has not considered the presence of potentially hazardous materials and contaminants such as asbestos, urea formaldehyde foam insulation, toxic waste, PCBs, pesticides, mold, lead-based paints, or other materials. The appraisers and consultants are not qualified to detect or report on hazardous material contamination and H&LA urges the client to retain an expert in this field if desired.
7. Unless noted, H&LA assumes there are no encroachments, zoning violations, or building violations encumbering the subject property. It is assumed that the property will not be operated in violation of any applicable government regulations, zoning, codes, ordinances, or statutes. No responsibility is assumed for architectural design and building codes. The analysis and concept drawings included in the report are not intended for technical purposes.
8. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless specified otherwise.
9. Real estate consulting engagements and appraisal assignments are accepted with the understanding that there is no obligation to furnish services after completion of the original assignment. We are not required to give testimony or attendance in court by reason of this analysis without previous arrangements, and the client will be obligated to pay in advance for the standard per diem fees and travel costs.
10. No significant change is assumed in the supply and demand patterns indicated in the report. The appraisal or consulting engagement assumes market conditions as observed as of the current date of the market research stated in the letter of transmittal. These market conditions are believed to be correct; however, H&LA or the consultants assume no liability should market conditions materially change because of unusual or unforeseen circumstances.
11. The quality of a lodging facility or other leisure property's management has a direct effect on the property's economic viability. It should be specifically noted by any prospective reader that the engagement assumes that the property will be competently managed, leased, and maintained by financially sound owners over the expected period of ownership. H&LA is not responsible for future marketing efforts and other management or ownership actions upon which actual results will depend.
12. The forecast of income and expenses are not predictions of the future. Rather, they are the consultants' best estimates of current market thinking on future income and expenses. We do not warrant that the estimates will be obtained, but that they have been prepared in a conscientious manner on the basis of information obtained during the course of this study.
13. The subject property is valued assuming all items of furniture, fixtures, equipment, working capital, and inventory are in place. Should items essential in the operation of the hotel prove to be missing, we reserve the right to amend the opinion of value expressed in an appraisal report.

14. H&LA does not, as part of this consulting report or appraisal, perform an audit, review, or examination (as defined by the American Institute of Certified Public Accountants) of any of the historical or prospective financial information used and therefore, does not express any opinion with regard to it.
15. The consulting engagement or appraisal report has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice and the Code of Ethics of the Appraisal Institute. No other code, ordinance, rule or regulation of any kind or nature whatsoever shall apply.
16. It is agreed that the maximum damages recoverable from H&LA or its affiliates or their respective employees relative to this engagement shall be the amount of the money actually collected by H&LA or its affiliates for work performed pursuant to the engagement letter. The client acknowledges that H&LA cannot and does not guarantee and makes no representations as to the success of the project. H&LA shall not be liable for any incidental, breach of warranty, consequential or punitive damages, expenses, costs or losses whatsoever directly or indirectly arising out of the services performed hereunder (including negligence and/or gross negligence). In addition, there is no accountability or liability to any third party.
17. The client hereby releases and discharges H&LA, its directors, officers, and employees, from and against any and all claims and demands of any nature or kind whatsoever arising as a result of the design, development, operations, and performance of the proposed or existing project. The client furthermore agrees to indemnify, defend and hold harmless H&LA and its directors, officers and employees, from any and all claims of any nature whatsoever, including attorney fees, expenses and costs.
18. The report does not address the project's compliance with the federal statute commonly known as the Americans with Disabilities Act as well as regulations and accessibility guidelines promulgated thereunder.
19. The provisions of the report, the engagement letter and these standard conditions shall be severable, and if a court of competent jurisdiction holds any provisions of the report, engagement letter and these standard conditions invalid, illegal or unenforceable, the remaining provisions shall nevertheless remain in full force and effect as written.

Competency of the Consultants

Hotel & Leisure Advisors, LLC is a national hospitality consulting firm specializing in appraisals, feasibility studies, economic impact studies, and impact analyses for hotels, outdoor and indoor waterparks, resorts, ski resorts, golf courses, restaurants, conference and convention centers, and other leisure real estate. We work exclusively in the hospitality industry and concentrate our efforts on in-depth understanding of the trends and factors related to this industry. Our participation in industry associations and trade groups keeps us abreast of developments affecting our clients and gives us access to rich sources of data. We follow news and transactions occurring in the hospitality industry on a daily basis. The consultants of the firm have performed more than 1,000 hotel studies since 1987 at various firms. Mr. David J. Sangree, MAI, CPA, ISHC has written articles concerning hotels, resorts, and waterparks for *Hotel Management Magazine*, *Lodging*

Hospitality, World Waterpark Magazine, Midwest Real Estate News, Aquatics Magazine, Hotel Online, and Cornell Hotel and Restaurant Administration Quarterly and is a national expert on these types of properties. He has appeared on Good Morning America and CNBC concerning shows on resorts and waterparks. He has inspected most of the open indoor waterpark resorts in the United States and Canada. We maintain databases and files concerning various types of hospitality properties. Therefore, we possess the knowledge and experience to conduct the inspection, analysis, and reasoning necessary to estimate the feasibility of the subject.

Certification

We certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, conclusions, and recommendations.
- We have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
- We have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- We have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Nuresh Maredia has made a personal inspection of the property that is the subject of this report. David J. Sangree, MAI, ISHC has previous viewed the subject site.
- Kyle Mossman provided significant real property appraisal or appraisal consulting assistance to the person signing this certification.
- As of the date of this report, David J. Sangree, MAI, ISHC has completed the continuing education program of the Appraisal Institute.
- As of the date of this report, Nuresh Maredia has completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members.

David J. Sangree

David J. Sangree, MAI, ISHC
President

N. Maredia

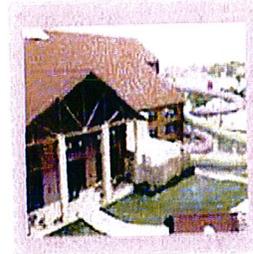
Nuresh Maredia
Project Manager

Qualifications of Hotel & Leisure Advisors

H&LA

Our Mission:

Provide thorough and thoughtful analysis to our clients in all sectors of the hospitality industry.



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www.hlaadvisors.com

Summary of Qualifications

Section A

Services

Section B

- Market & Financial Feasibility Studies
- Appraisals & Tax Appeal Appraisals
- Economic Impact Studies
- Impact Analysis
- Management Company Analysis
- Litigation Support & Expert Witness Testimony
- Property Reviews & Management Services
- Other Development Services
- Seminars, Presentations, & Industry Research

Property Type Specialties

Section C

- Hotels & Resorts
- Indoor Waterpark Resorts, Waterparks,
& Amusement Parks
- Golf Courses and Ski Resorts
- Restaurants
- Conference, Convention, & Exposition Centers

Resources

Section D

Clients and Assignments

Section E

Staff

Section F

- ❖ We work exclusively in the hospitality industry and concentrate our efforts on in-depth understanding of the trends and factors related to hospitality and real estate. We have a particular emphasis in hotels, waterparks, resorts, golf courses, ski resorts, amusement parks, casinos, restaurants, and conference and convention centers.
 - ❖ We participate in industry associations and trade groups to keep us abreast of developments affecting our clients and give us access to rich sources of data.
 - ❖ We follow news and transactions occurring in the hospitality industry on a daily basis.
-
- ❖ Our consultants have more than 100 years combined experience in the hospitality industry and have studied more than 2,000 properties throughout the United States, Canada, and the Caribbean.
 - ❖ Our consultants analyze a variety of property types and work with clients who have many different objectives.
 - ❖ We apply appropriate and detailed analysis to projects ranging from stand-alone properties to complex multi-component developments.
-
- ❖ The consultants of Hotel & Leisure Advisors have degrees from recognized hospitality programs at leading universities.
 - ❖ All consultants participate in continuing education programs provided by appraisal and hospitality organizations.
 - ❖ David J. Sangree (President) holds the MAI designation from the Appraisal Institute, is a state licensed Certified General Appraiser, a CPA, and is a member of the International Society of Hospitality Consultants (ISHC). Eric Hansen (Director of Development Services) is an American Institute of Architects (AIA) member and a member of the ISHC. Laurel A. Keller, Joseph Pierce and Nuresh Maredia all hold a State Certified General Appraiser license.
-
- ❖ Hotel & Leisure Advisors produces comprehensive, detailed reports that meet the high standards outlined by the Appraisal Institute and adheres to the Uniform Standards of Professional Appraisal Practice (USPAP).
 - ❖ We obtain statistical data from Smith Travel Research, PKF Hospitality Research, World Waterpark Association, International Association of Amusement Parks and Attractions, American Resort Development Association, National Golf Foundation, and National Ski Areas Association.
-
- ❖ Hotel & Leisure Advisors acquires much of its business from referrals by clients who recognize the quality and value of our reports. We are happy to provide references on request.
 - ❖ Our reports are respected by clients who acknowledge the reasoning and research behind our conclusions.
 - ❖ Our consultants are quoted in the media and contribute articles to leading industry publications.

Hotel & Leisure Advisors is proud to provide an extensive range of services to our clients. We will customize our reports to meet your needs and the specific details of your project.

Market & Financial Feasibility Studies

A market and financial feasibility study is prepared for proposed projects or for existing properties being considered for significant changes. The study is an analysis of market conditions, economic and demographic factors, site conditions, and their effects on the proposed project. Hotel & Leisure Advisors completes a detailed analysis of comparable properties' performance and conditions. We research and present information concerning properties that are closing and new supply additions. We analyze existing and projected demand generators in the market. The study estimates the operating performance of the proposed project and may suggest variations in size or scope that would improve performance.

Lenders may require a feasibility study as part of a financing application. Developers, investors, owners, and managers may use a feasibility study in their planning processes. H&LA prepares market and financial feasibility studies for all types of hotels and leisure real estate. We conduct extensive supply and demand interviews when researching performance levels of hotels and leisure real estate within local and regional markets. We utilize a sophisticated hospitality valuation and analysis model that provides a detailed analysis of a market by evaluating competitive factors, several databases of financial information, and comparisons with other similar properties and industry standard reports. We review data generated from Smith Travel Research, the Host Study, PKF, IAAPA, the World Waterpark Association, National Ski Area Association, the American Resort Development Association, the National Golf Foundation, and the National Restaurant Association.

Appraisals & Tax Appeal Appraisals

An appraisal is a professional opinion of the value of a property. It is often used in the process of obtaining financing and establishing a market value for a sale. Periodic appraisals may be required to assess the quality of a lender's portfolio. Appraisals are often ordered by lenders, buyers, sellers, owners wishing to refinance, and investors.

An appraiser with the MAI designation exceeds the state certification and licensing required of all appraisers. When you hire an MAI, you are receiving the services of a professional with specialized training and experience in the appraisal industry who adheres to specific standards and ethics and must fulfill continuing education requirements. David J. Sangree, MAI, CPA, ISHC, holds the Appraisal Institute's MAI designation and is licensed to conduct appraisals in Ohio and other states. He and the experienced staff of H&LA prepare the highest quality real estate appraisal reports for the hospitality industry. We also prepare appraisal reviews of other hospitality-related appraisals.

H&LA utilizes a sophisticated hospitality valuation model which provides a detailed analysis of a market and determines the valuation for a property. Our analysis considers the income capitalization approach, sales approach, and cost approach, with a primary focus on the income capitalization approach for a hospitality project.

A tax appeal appraisal is a specialized form of an appraisal that is typically done in relationship to a tax assessment appeal by either the government or the property owner to determine the real estate market value.

H&LA will prepare a market value appraisal to determine the real estate component of the going concern hospitality property. Our analysis includes a detailed review of the market and determines the going concern valuation. We then allocate that value among the real estate, personal property, and any business value component that may exist. David J. Sangree, Laurel Keller, Joseph Pierce, and Nuresh Maredia have testified in numerous tax appeal cases in various states for both the property owner and the government entities concerning appraisals we have completed.

Economic Impact Studies

An economic impact study analyzes the financial impact a particular project will have throughout the many levels of the economy, both locally and countywide. This impact will include both temporary and permanent effects on the economy. Temporary impacts will include jobs and revenues created during the construction of the facility as well as related costs. Permanent economic impacts will be generated by permanent jobs created, ongoing revenues realized by service providers, and other sources.

Our studies identify significant economic events resulting from construction and operations of a proposed facility, review and analyze event patron surveys throughout the nation to estimate spending patterns, analyze relevant municipal revenues, and project the impact on the market for the development of proposed facilities. We estimate three types of economic impact, including Direct-Effect Impact, Indirect or Induced Impacts, and Final Impacts on local economies. We utilize the RIMS II multipliers for output earnings and employment by industry for the county, which are generated by the U.S. Department of Commerce. We calculate the projected jobs and output for the proposed development for a ten-year period. We also calculate projected tax revenue from all sources for a ten-year period.

Impact Analysis

An impact analysis for a proposed project examines the effects of that project in a market where an existing franchise exists. An owner of an existing franchise or the franchising company may order an impact analysis when a new franchise is being considered in an area where similar properties are in operation.

David J. Sangree and Eric Hansen, AIA, ISHC are on the recommended list of many hotel companies to prepare impact analyses for their franchises. An impact analysis looks at the actual performance of the subject hotel and considers demand sources for the proposed hotel. After conducting various interviews in the market, we prepare an thorough analysis that considers the potential impact the proposed property will have on the existing property. We utilize a detailed computer-based model to determine the existing demand at the objecting property and consider specific demand segments that may switch to a new property if it were constructed. We analyze potential additional demand which could come to the objecting property from having another brand affiliation in a general market. We estimate the amount of occupancy, average daily rate, and room revenue impact that may occur from the addition of a new property to an existing market. We estimate both base and incremental impact.

Litigation Support & Expert Witness Testimony

Hotel & Leisure Advisors is available to provide expert witness testimony for attorneys in various litigation cases involving the hospitality industry or valuations. David J. Sangree, has testified in a number of courtrooms in various states concerning hotel- and hospitality-related projects. As an expert witness, he provides high level qualifications and strong research capabilities.

Management Company Analysis

A management company analysis is a review of an existing or proposed hospitality project and the identification of appropriate management companies to consider as operators of the facility. Hiring a qualified management company can make or break a hotel or resort development. Spending the appropriate resources to identify the most qualified management company is a useful analysis to perform. Hotel & Leisure Advisors is available to assist our clients in identifying appropriate management companies for all types of hospitality projects.

Using our extensive database of management companies, will obtain proposals and conduct interviews with companies that would be the most appropriate to consider for the project. We will provide our client with the profiles of competent and experienced management companies that will share similar goals and vision for the project.

Operational Analysis

The consultants of Hotel & Leisure Advisors have over 100 years of combined experience in managing, reviewing, and operating hotels. We offer a one-time operational analysis and review of an existing hotel to analyze areas where the hotel is performing well and areas that are in need of improvements. Our report considers both objective and subjective performance characteristics through our inspection of the property and the completion of various interviews. During the course of our research, we will interview management of the property, management of comparable properties, clients of the property, and knowledgeable city and county officials. We will also perform a financial review comparing the financial performance of the subject property with industry standards and our database of over 1,000 financial statements of hotels.

Asset Management Services

For hotels requiring ongoing operational analysis, Hotel & Leisure Advisors offers asset management services to optimize the performance of the property. Our qualified asset managers provide additional resources for the property to improve success. We will work with the hotel management company and the owner to optimize the value of the hotel property. Our experienced consultants will offer specific services tailored to the client and his/her property. Specific service offerings include market research, operations oversight, accounting review, meetings with management, contract negotiations, and advice on various aspects of operating and marketing the hotel property.

Property Condition Assessment

A property condition assessment is an analysis that assesses the general physical condition and maintenance status of an existing building and property. This survey provides recommendations for repair/renovation with cost estimates. This survey gives

receivers, owners, and lenders the opportunity to stabilize and protect the value of their hotels. Additionally, brokers can utilize hotel physical condition assessment surveys to enhance their property offering materials.

As Director of Development Services for Hotel & Leisure Advisors, Eric B. Hansen is a licensed architect and hospitality consultant. He and his staff leverage their knowledge of the development process and their financial acumen to assess and communicate the appropriate direction for a project.

Other Development Services

Hotel & Leisure Advisors offers other development related services on an as-needed basis. For site analyses and reviews, we research potential locations for lodging and leisure facilities, prepare a detailed analysis on the location, and review performance of comparable properties. Studies include analyzing traffic counts, access to the site, visibility, proximity and travel time, nearby visitor attractions, nearby corporate and group demand generators, and access to convention and event facilities. We analyze primary leisure, group, and commercial attractions and organizations within the market to identify distances from the site to potential demand generators.

Hotel & Leisure Advisors also provides the following development services:

- Site Verification
- RFQ/RFP Preparation
- Hotel Brand Facilitator
- Hotel Brand Selection Assistance
- Hotel Brand Compliance Services
- Product Research Assistance

Our services help the developer, corporate brand franchisor, and/or owner with their development needs.

Seminars, Presentations, and Industry Research

David J. Sangree and Eric Hansen have presented at seminars for a range of national hotel, waterpark, and amusement conferences. The consultants of H&LA are available to lead seminars and presentations for various organizations concerning hospitality industry topics or about a specific topic for a company or organization.

Hotel & Leisure Advisors conducts industry research concerning the hospitality industry on a wide range of topics. Our consultants have written numerous publications about various topics in the hospitality industry, including indoor waterpark resorts, hotel capitalization rates, hotel impact studies, management fees in hotels, overviews on various markets within the United States, and other topics.

Hotel & Leisure Advisors specializes in hotels, resorts, waterparks, amusement parks, casinos, golf courses, restaurants, conference and convention centers, ski resorts, and other leisure real estate. Our focus on these property types provides our clients with access to the latest industry trends and resources.

Hotels & Resorts

- We have analyzed more than 2,000 existing and proposed hotels and resorts and have studied various markets throughout the United States, Canada, and the Caribbean.
- We have experience with a wide range of property types and hotel franchises.
- We have databases of thousands of hotel and resort financial statements, casino financial statements, sales comparables, and performance data

Indoor Waterpark Resorts, Waterparks, & Amusement Parks

- David J. Sangree is a recognized expert on indoor waterpark resorts and has visited most of the indoor waterpark properties in the United States and Canada.
- He has been a featured speaker and roundtable participant at industry conferences sponsored by the World Waterpark Association, International Association of Amusement Parks and Attractions, Aquatics International, and the International Society of Hospitality Consultants.
- H&LA has completed more than 200 studies of hotels and resorts with waterparks. H&LA has analyzed a range of waterparks and amusement parks with annual attendance from 50,000 to over 2,000,000 people.

Golf Courses

- We have analyzed a mixture of stand-alone golf courses, golf course resorts, and golf course residential developments throughout the United States.
- Our consultants are members of the National Golf Foundation.
- We maintain databases of golf course financial statements and sales comparables.

Ski Resorts

- We have analyzed a wide range of ski resorts in the northeastern United States.
- Our consultants are members of the National Ski Areas Association.
- We maintain databases of ski resort financial statements and sales comparables.

Restaurants

- We have analyzed a wide range of restaurants throughout the United States.
- Our staff has extensive work experience in a wide range of restaurants including chain-style and high-end facilities

Conference, Convention, & Exposition Centers

- We have conducted studies on larger conference and convention centers located in major metropolitan areas, as well as smaller conference centers in hotels.
- We have completed feasibility studies for proposed facilities and appraisals of existing centers.

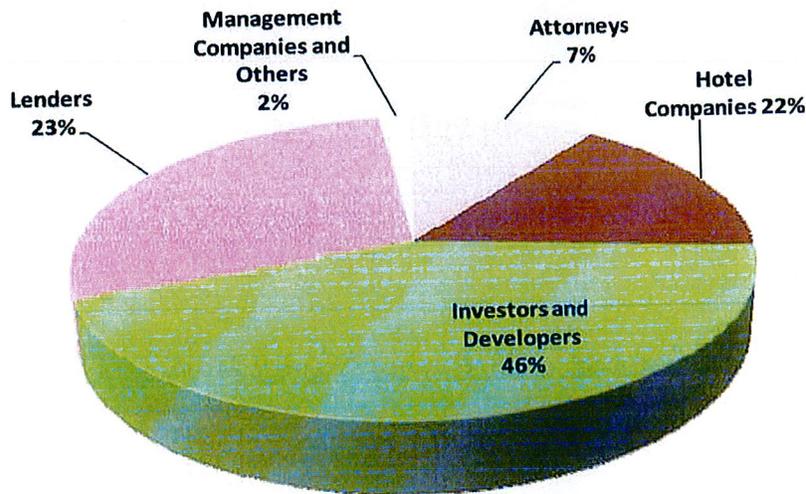
Hotel & Leisure Advisors' unique position in the hospitality industry allows us to access many resources that give more depth to the reports we prepare for our clients. We utilize the following resources:

- Reliable contacts with developers, lenders, architects, and franchise companies that provide information on performance, fees, and new supply information
- Financial statements database of more than 1,000 hotels and resorts throughout the United States and Canada
- Hotel sales database that contains more than 8,000 sales across a wide range of prices and brands
- Financial statements database and sales database for casino properties located throughout the United States including Native American owned properties
- Financial statements database and sales database for existing indoor waterpark resorts
- Updated list of new indoor waterpark resorts proposed in the U.S. and Canada
- World Waterpark Association and the International Association of Amusement Parks and Attractions memberships, which provide extensive data and research concerning indoor and outdoor waterparks, amusement parks, and family entertainment centers
- Financial and usage databases for outdoor waterparks, amusement parks, and family entertainment centers
- Smith Travel Research, PKF Trends, Lodging Econometrics, and other hotel data sources
- Golf course financial statements and golf course sales database
- Statistical data concerning the performance of golf courses from National Golf Foundation, Pellucid, and others
- Ski Resort financial statements database and ski resort sales database
- Ski resort data from National Ski Areas Association, RRC Associates, and others
- National Restaurant Association and related statistical restaurant data
- International Association of Assembly Managers, *Meetings Magazine*, and other sources that profile the meetings industry
- American Resort Development Association provides extensive information concerning timeshare and fractional interest resorts

Our consultants continue to find additional resources that provide valuable information for our clients and the respective projects we are analyzing.

Hotel & Leisure Advisors works with a wide range of developers, investors, hotel companies, lenders, management companies, attorneys, and others in providing appraisals, market feasibility studies, impact studies, and other consulting reports. The following chart represents a breakdown of our clients by category.

If you would like specific references relevant to your type of project, please contact us.



Breakdown of Client Types

Highlights

Developers and Investors

- Scott Enterprises
- CNL Lifestyle Companies
- Kalahari Resorts
- Ho-Chunk Gaming

Hotel Companies

- Best Western International
- Choice Hotels International
- Marriott International

Management Companies

- Hostmark Hospitality Group
- Cedar Fair
- Great Wolf Resorts
- Winegardner and Hammons

Lenders

- Wells Fargo
- US Bank
- Deutsche Bank
- M&T Bank

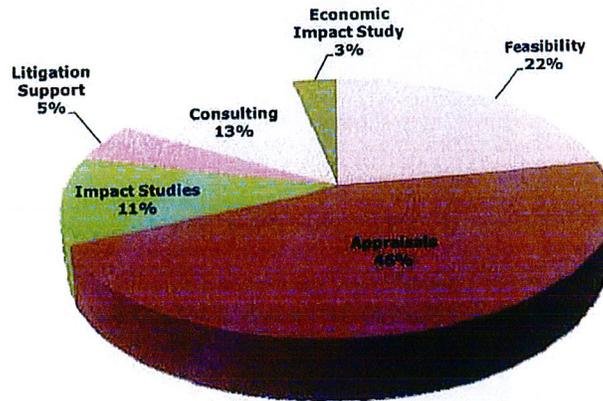
Attorneys

- Baker Hostetler
- Squire, Sanders & Dempsey
- Britton Smith Peters & Kalail

Other

- Ohio Department of Transportation
- Michigan State University
- Columbus Airport Authority
- FDIC

Our studies have taken us all across the United States and Canada. We have analyzed an extensive range of property types with a particular emphasis on hotels and waterparks. The chart below shows the types of assignments we have performed for our clients.



Breakdown of Assignment Types

We cover all segments of the hospitality industry and give expert analysis about hotels, waterparks, golf courses, ski resorts, restaurants, amusements parks, casinos, and conference and convention centers. The following highlights a small sample of properties we have studied in recent years. For a complete list of all of our projects by state, please visit our website at <http://www.hladvisors.com/projects.htm>.

Hotels

- Intercontinental Hotel – Boston, MA
- Westin Hotel – Chicago, IL
- Hotel Portfolio (9 properties) Various States
- Courtyard by Marriott – Cleveland, OH

Waterpark Resorts

- Kalahari Resort – Wisconsin Dells, WI
- Great Wolf Lodge – Concord, NC
- Key Lime Cove – Gurnee, IL
- Myrtle Waves Waterpark – Myrtle Beach, FL

Ski Resorts

- Greek Peak Ski Resort – Virgil, NY
- Peek n Peak Ski Resort – Findley Lake, NY
- Mountain Creek Ski Resort – Vernon, NJ

Conference Centers

- LaVista Conference Center – La Vista, NE
- I-X Convention Center – Cleveland, OH
- Proposed Conference Center – Columbus, IN

Resorts and Casino Resorts

- Peabody Hotel – Memphis, TN
- Wheeling Island Hotel, Casino, and Racetrack – WV
- Homestead Resort – Hot Springs, VA
- Marriott Resort – Orlando, FL

Golf Courses

- Keswick Club – Keswick, VA
- Stallion Mountain Country Club – Las Vegas, NV
- Red Tail Golf Club – Avon, OH
- Jack Frost National Golf Course – Blakeslee, PA

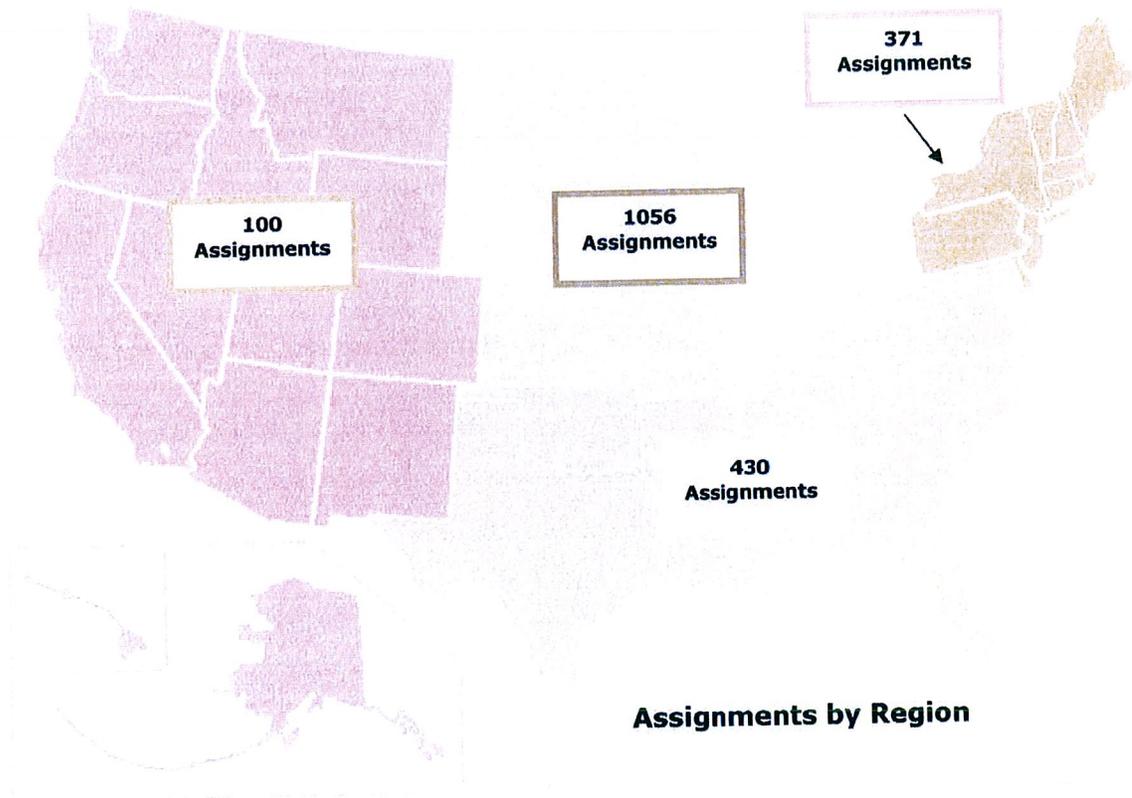
Amusement Parks

- Magic Springs Amusement Park – Hot Springs, AR
- Cypress Gardens Amusement Park – Winter Haven, FL
- Elitch Gardens Amusement Park – Denver, CO

Restaurants

- 21 Club – New York, NY
- McDonald's Restaurants – Cleveland, OH
- Quaker Steak and Lube – Erie, PA

H&LA works across the United States and Canada and in other international locations. This map highlights the number of assignments our consultants have worked on in the different regions of the United States. For a complete list of assignments in the United States and internationally, please review the H&LA website at <http://www.hladvisors.com/projects>.



Assignments by Region

Hotel & Leisure Advisors is a team of qualified appraisal professionals and support staff with more than 100 combined years of experience in the hospitality industry. Our knowledge of hospitality industry trends, access to superb resources, and experience result in detailed, functional, and informative reports for our clients.

David J. Sangree, MAI, CPA, ISHC - President

Mr. Sangree's expertise is in the appraisal and analysis of hotels, resorts, indoor and outdoor waterparks, amusement parks, casinos, conference centers, golf courses, restaurants, ski resorts, and other leisure real estate. He has completed studies on more than 2,000 existing and proposed hotels throughout North America in all price ranges, including economy, full-service, extended-stay, luxury hotels, resorts, and indoor waterpark resorts. Since 1987, Mr. Sangree has provided consulting services to banks, hotel companies, developers, management companies, and other parties involved in the lodging and leisure sectors throughout the United States, Canada, and the Caribbean. He is a state certified general appraiser in Ohio and many other states.

Mr. Sangree was formerly employed by US Realty Consultants in Cleveland and Columbus, Pannell Kerr Forster in Chicago, and Westin Hotels in Chicago, New York, Fort Lauderdale, and Cincinnati. Mr. Sangree received his Bachelor of Science degree from Cornell University School of Hotel Administration in 1984.

He has spoken at many seminars throughout the United States, has written numerous articles, and is frequently quoted in magazines and newspapers about the hospitality and waterpark industry. He has appeared on *Good Morning America* and *CNBC* in segments profiling resorts and waterparks. Mr. Sangree has twice been named one of *Aquatics International Magazine's "Power 25,"* an annual list of professionals it deems the most powerful people in the aquatics industry. Mr. Sangree was profiled as one of the first consultants serving the waterpark resort industry and for his expertise and experience in shaping some of the latest industry trends.

Eric B. Hansen, AIA, ISHC – Director of Development Services

Mr. Hansen offers 18 years of hospitality experience, working throughout the United States to provide consulting services for the hospitality industry. Along with skills in preparing consulting reports and designing hospitality properties, he has expertise in site planning and development services, planning and zoning expert witness testimony, jurisdictional due diligence, and PIP analysis. He has worked with various hotel company corporate offices and has extensive knowledge of brand criteria.

Mr. Hansen received his Bachelor of Architecture from the University of Cincinnati in 1989 and a certification in Hotel Financial Management from the Cornell University School of Hotel Administration Professional Development Program in 2007. Mr. Hansen was formerly employed by Cole + Russell Architects, Inc., as the Director of the C+RA Hospitality Studio. With a foundation in financial management, appraisal theory, and hospitality consulting, Mr. Hansen brings well-rounded expertise to various H&LA assignments and assists clients with their pre-development, consulting, and valuation needs.

Laurel A. Keller – Director of Consulting & Appraisal Services

Ms. Keller has been a hospitality consultant and appraiser since 2001, and has completed over 200 assignments in 32 states. She has appraised individual assets ranging in value from less than \$1,000,000 to well over \$100,000,000. She has held management positions with the Sheraton Cleveland Airport Hotel, the Sheraton Cleveland City Center Hotel, the Avon Oaks Country Club in Avon, Ohio, and the Onwentsia Country Club in Lake Forest, Illinois.

Ms. Keller manages projects completed by other associates and testifies at hearings regarding appraisals completed. She has generated appraisals, market feasibility studies, economic impact studies, operational reviews, and impact studies for a wide variety of leisure and hospitality oriented property types. Ms. Keller received her Bachelor of Science in Hospitality Management from Purdue University in 1997. She is a Certified General Real Estate Appraiser in Ohio and is currently working towards her MAI designation from the Appraisal Institute.

Joseph Pierce – Director of Consulting and Appraisal Services

Joseph Pierce has been a hospitality consultant and appraiser since 2003. He has completed appraisals, market feasibility studies, economic impact studies, and impact studies throughout the United States. Mr. Pierce has a wide range of experience in operations and accounting for hotels and resorts. Mr. Pierce was a Controller and Director of Finance and Accounting for Clarion, Renaissance, Marriott, and Westin Hotels. He also managed The Talbott Hotel, an independently-owned hotel in Chicago. Mr. Pierce received an MBA from Michigan State University's hospitality program in 1981 and a Bachelor of Science in Accounting from the State University of New York at Brockport in 1978. He is a Certified General Real Estate Appraiser in Ohio, Michigan and Pennsylvania.

Nuresh Maredia – Project Manager

Mr. Maredia is a hospitality consultant and appraiser and has completed assignments in over 30 states. Since joining Hotel & Leisure Advisors, Mr. Maredia has completed over 100 studies. He has generated appraisals, market feasibility studies, economic impact studies, and hotel impact studies for a wide variety of leisure and hospitality oriented property types. Mr. Maredia has a wide range of experience in hotels and resorts. He has worked in management positions at a hotel and restaurant in Texas and has also helped operate and manage four independent hotels near Mumbai, India. He has been a hospitality consultant since 2006. Mr. Maredia received a Masters of Science in Hospitality Business in 2005 and a Bachelor of Arts in Business Finance in 2003 from Michigan State University. He is a Certified General Real Estate Appraiser in Ohio, Michigan, and Texas.

Kyle Mossman – Senior Research Analyst

Mr. Mossman researches various hospitality-related topics for the firm and performs reviews and math checks of reports and prepares demographic and business analysis. He is a 1999 graduate of Otterbein College and obtained his Master's Degree in Library and Information Science from Kent State University in 2006.

Heidi Banak – Research Analyst/Administrative Assistant

Ms. Banak provides administrative support, conducts hospitality research, and performs reviews and math checks of reports. She manages our website and other communications and assists with marketing. She received a Bachelor of Arts from Kent State University in 2003.

Hollie Gibbs – Research Analyst

Ms. Gibbs provides research and administrative support to Hotel & Leisure Advisors' staff members and performs reviews and math checks of reports. She received her Bachelor of Science degree in Journalism and Mass Communication from Kent State University.

Laura M. Sangree – Business Manager

Mrs. Sangree manages accounting, human resources, and technology functions for Hotel & Leisure Advisors. She received an MBA from the University of Chicago in 1988 and a Bachelor of Arts from The College of Wooster in 1984.

Elaine Simon – Research Analyst

Ms. Simon provides research and administrative support and performs reviews and math checks of reports. She previously worked for Hotel Management Magazine, Hotel Design Magazine, and Hotel News Now. She received a Bachelor of Science degree in Journalism and Mass Communication from Kent State University in 1996.

David J. Sangree, MAI, CPA, ISHC

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www.hladvisors.com

Professional Affiliations

International Association of Amusement Parks and Attractions (IAAPA)
World Waterpark Association (WWA)
The School of Hospitality Business at MSU Real Estate & Development Advisory Council
Appraisal Institute, MAI (Former President, Northern Ohio Chapter)
The Appraisal Journal Review Panel
American Institute of Certified Public Accountants (AICPA)
Cornell Hotel Society (Past Treasurer - Chicago, IL chapter)
International Society of Hospitality Consultants (ISHC)
Ohio Hotel and Lodging Association
National Golf Foundation
National Ski Areas Association

Education

Bachelor of Science, Hotel Administration, Cornell University, 1984
Various International Society of Hospitality Consultants, Appraisal Institute, & CPA
continuing education courses

State Certification

Certified as a General Real Estate Appraiser in the states of Ohio, Michigan, Illinois, New York, Pennsylvania, Kentucky, Georgia, Texas, Virginia and Wisconsin. Temporary certification available in all other states.
Certified as a Public Accountant in the state of Ohio

Experience

- President, Hotel & Leisure Advisors, Cleveland, Ohio, since 2005
- Director of Hospitality Consulting and Principal, US Realty Consultants, Inc., Cleveland, Ohio, 2001-2005
- Director of Hospitality Consulting, US Realty Consultants, Inc., Columbus, Ohio, 1992-2001
- Financial & Training Consultant, Malawi National Credit Union League (US Peace Corps), Malawi, Africa, 1989-1991
- Senior Consultant in the Hospitality Group, Pannell Kerr Forster, Chicago, Illinois, 1987-1989

- Management positions with four Westin Hotels and Resorts in Cincinnati, Chicago, New York, and Fort Lauderdale, 1983-1987

Mr. Sangree's expertise is in the feasibility analysis and appraisal of hotels, resorts, indoor waterpark resorts, waterparks, amusement parks, conference centers, ski resorts, casinos, and golf courses. He has performed studies on more than 2,000 existing and proposed hotels in more than 46 states in all price ranges including economy, full-service, extended-stay, and luxury hotels and resorts including indoor waterpark resorts.

He has extensive experience in performing market and feasibility studies, impact analysis, appraisals, economic impact studies, financial analysis and performance projections, site selection, and financial reviews for hospitality properties. He has been an active appraiser/consultant since 1987 and also has 10 years of work experience in the hotel/restaurant industry including management positions with four Westin Hotels properties. He is active in the analysis and valuation of land and other income-producing property types including multi-property portfolios.

Mr. Sangree is a nationally recognized expert on waterpark resorts and has visited most of the open waterpark properties in the United States and Canada. He has performed more than 200 studies of hotels and resorts with indoor waterparks since 1999, and he maintains a database of statistical information concerning indoor and outdoor waterpark resorts. Mr. Sangree was named in 2008 one of *Aquatics International Magazine's* "Power 25." *Aquatics International* publishes an annual list of professionals it deems the most powerful people in the aquatics industry. Mr. Sangree was profiled as one of the first consultants serving the waterpark resort industry and for his expertise and experience in shaping some of the latest industry trends. Mr. Sangree has appeared on Good Morning America and CNBC on special reports concerning resorts and waterparks.

Recently Published Articles

"Perform Market Analysis with a Feasibility Study for Indoor Waterpark Resorts and Outdoor Waterparks" *Appraisal Journal* Spring 2012 and *WWA Development Guide*
"Top 10 Largest Hotel Brands Average Sale Prices" *Hotel News Now*, September 2011
"Waterpark Resorts Supply and Demand 2011 Update" *Hotel News Now*, August 2011
"The Lodging Market is Improving in Ohio's Big Cities" *Hotel Online*, September 2010
"Waterpark Resorts Supply and Demand 2010 Update" *Hotel Online*, June 2010
"Financing your Indoor Waterpark Resort in 2010" *Hotel News Now*, June 2010
"2009 Median Hotel Prices Plummet – Is it Time to Appeal Your Property Taxes?" *Hotel Online*, November 2009
"Financing Your Indoor Waterpark Resort in 2009" *Hotel Online*, September 2009
"Outdoor Waterparks: Private vs. Municipal" *Aquatics International*, September, 2009
"Indoor Waterpark Supply and Demand Mid-Year 2009 Update" *Hotel Online*, July 2009
"Indoor Waterpark Resort Supply Grows and Faces Challenges in 2009" *Hotel News Now* February, 2009
"Dealing With the Economic Downturn: 10 Ideas for Hotels and Resorts" *Hotel Online*, December, 2008
"Cleveland's Second Wind: 2008 Overview" *Hotel Online*, September, 2008
"Financing Your Indoor Waterpark," *World Waterpark Association's 2008 Development and Expansion Guide*
"Indoor Waterparks Surfing a Wave in North America in '08" *Hotel Online*, July 2008 and *Water Leisure and Lodging*, July, 2008

"Economic Impact Studies Help Land Financing" *Hotel Motel Management*, May 2008
"Unique Ways for Resorts to Radically Increase Revenue" *Developments Magazine and ARDA Publication*, April, 2008
"Indoor Waterparks Supply and Demand Growth in '07," *Lodging Hospitality*, September 2007
"Appraisal & Market Analysis of Indoor Waterpark Resorts," *Waterpark Development and Expansion Guide '07*
"Financing Your Indoor Waterpark Resort," *Waterpark Development and Expansion Guide '07 and Hotel Online*, August 2007
"Indoor Waterparks Make a Bigger Splash in North America," *Water Leisure & Lodging 2007 and Hotel Online*, July 2007
"Waterpark Resorts Top 10 by Revenue," *Waterpark Resorts Today Annual IT Book*, 2007-2008
"Number of Indoor Waterpark Destination Resorts Grow in 2007," *Hotel Online*, February 2007
"Riding the Wave, Indoor Waterpark Resort Numbers Increase in '06" *Water Leisure and Lodging and Hotel Online*, September 2006
"Appraisal & Market Analysis of Indoor Waterpark Resorts," *Waterpark Development and Expansion Guide '06 and Hotel Online*, September 2006
"Financing Your Indoor Waterpark Resort," *Waterpark Development and Expansion Guide '06 and Hotel Online*, September 2006
"Adding a Waterpark to a Hotel: Is it a Good Idea?" *Hotel & Motel Management*, June 2006
"Midwest Whets Appetite for Indoor Waterparks," *Heartland Real Estate Business*, May 2006
"Ohio's Lodging Market: Historical Analysis & 2006 Forecast," *Hotel Online*, March 2006
"Indoor Waterparks and Hotels, a Case Study," *Hotel Investment Issues and Perspectives Fourth Edition*, January 2006 & *Hotel Online*, February, 2006

Quoted extensively in *CNN.com, Columbus Business First, Columbus Monthly, Hotel Business, Chicago Sun Times, Columbus Dispatch, Cleveland Crain's, Cleveland Plain Dealer, Cincinnati Business Courier, Fort Myers News-Press, Hotel Interactive, Cornell Hotel and Restaurant Quarterly, Meeting News, Aquatics International, Midwest Real Estate News, New York Times, CNBC, Albany Times Union, RCI Ventures, Time Magazine, USA Today*, and other publications. He has appeared on CNBC and ABC on segments concerning resorts and waterparks.

Recent Speaking Engagements

"Waterpark Resorts Market/Feasibility Analysis and Appraisal" presentations at the World Waterpark Association annual conventions in 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004, and 2003
"Hotel Valuation Seminar" October 2012 at the Integra Realty Resources appraiser training in Las Vegas, NV
"Suburban Hotels Panel" July 2012 at the Midwest Lodging Investors Summit in Chicago, IL
"Overview of Cleveland Lodging Market" April 2012 at the Ohio Hotel and Lodging Association Cleveland Lodging Council Meeting, Cleveland Ohio
"Cleaning up Hotel Distress" July 2011 at the Midwest Lodging Investors Summit in Chicago, IL
"Valuation Issues Affecting Hotel Properties in the Current Real Estate Economy" August 2010 at the Institute for Professionals in Taxation in Cleveland, OH
"Indoor Waterpark Resorts: Where Are the Opportunities?"

July 2010 at the Midwest Lodging Investors Summit in Chicago, IL
"Opportunities for Innovation" April 2010 at the Cornell University School of Hotel Administration's Hotel Ezra Cornell (HEC) conference, Ithaca, NY
"Case Study Presentation on Performing a Market Feasibility Study" October 2009 at the International Society of Hospitality Consultants annual conference in Québec City
"Insights into 2010 Market Performance" October 2009 - a video segment on Hotel News Network interviewing Mr. Sangree along with other leading ISHC consultants
"Hotel Financing Track - Taking Advantage of Distress: Where are the Opportunities?" July 2009 at the Midwest Lodging Investors Summit in Chicago, IL
"Seminar on Hospitality Industry" February 2008 at the Northern Ohio Chapter of the Appraisal Institute quarterly meeting in Cleveland, OH
"Challenges of Obtaining Financing for Indoor Waterpark Resorts," November 2007 at the World Resort Leadership and Development Conference in Orlando, FL
Port Clinton Ohio City Council Meeting, Provided description of resort feasibility study and economic impact study performed for the city council and attendees in September and October, 2007
"Water Park Wars" An in depth news segment on Good Morning America on June 23, 2007 featured Mr. Sangree as an interviewee
"Feasibility Analysis for Indoor Waterpark Resorts," October 2006 at Cornell University's School of Hotel Administration Development Class

Litigation Assignments Involving Expert Testimony

Hamilton County Board of Revision
(2012)
Re: Five Seasons Country Club,
Cincinnati, Ohio

Cuyahoga County Board of Revision
(2012)
Re: 3 McDonald's Restaurants in
Cuyahoga County, Ohio

U.S. Bankruptcy Court (2012)
Re: Holiday Inn Express Houston, Texas

Franklin County Board of Revision
(2012) Re: Hilton Garden Inn &
Comfort Suites Columbus, Ohio

State of Tennessee Administrative Court
(2012) Re: Embassy Suites
Murfreesboro, Tennessee

Clark County District Court (2012)
Re: Stallion Mountain Country Club, Las
Vegas, Nevada

State of Michigan Tribunal (2011)
Re: Radisson Hotel, Kalamazoo,
Michigan

Franklin County Board of Revision
(2011)
Re: Sheraton Suites, Columbus, Ohio

Nebraska Tax Equalization and Review
Commission (2011)
Re: LaVista Conference Center, LaVista,
Nebraska

State of Virginia Circuit Court (2011)
Re: Keswick Club, Charlottesville,
Virginia

Licking County Board of Revision (2010)
Cherry Valley Lodge and CoCo Key
Indoor Waterpark, Newark, Ohio

Ohio Board of Tax Appeals (2010)
Re: Doubletree Hotel, Independence,
Ohio

Ohio Board of Tax Appeals (2010)
Re: Courtyard Hotel, Willoughby, Ohio

San Diego Superior Court (2010)
Re: La Costa Resort and Spa, Carlsbad,
California
Board of Revisions Tax Appeal (2010)
Re: Crowne Plaza and Fairfield Inn,
Sharonville, Ohio

United States Bankruptcy Court (2010)
Re: Peek 'n Peak Resort, Findley Lake,
New York

Nationwide Insurance versus Motor Inn,
Inc. (2003)
Re: Drawbridge Inn, Fort Mitchell,
Kentucky

Board of Review Tax Appeal, Lake
Delton, Wisconsin (2009)
Re: Great Wolf Lodge Wisconsin Dells

Board of Revisions Tax Appeal (2008)
Re: Residence Inn, Cleveland, Ohio

Marion County Indiana Superior Court
(2008)
Re: Indiana Stadium and Convention
Building Authority vs. Michael A. Maio

New York Supreme Court, Niagara
County (2008)
Re: Splash Outdoor Waterpark

State of Virginia Circuit Court (2005 and
2008)
Re: Keswick Club, Charlottesville,
Virginia

Board of Revision Tax Appeal (2006)
Re: Five Seasons Country Club,
Cincinnati, Ohio

Board of Revision Tax Appeals (2005)
Re: Various Residence Inns, Hilton
Garden Inn, Embassy Suites, Cuyahoga
County, Ohio

United States Bankruptcy Court (2004)
Re: Days Inn, Monroeville, Pennsylvania

State of Florida Circuit Court (2004)
Re: Howard Johnson Plaza, Orlando,
Florida

Board of Revision Tax Appeal (2003)
Re: Preston Hotel, Sharonville, Ohio

College Park Holdings, LLC versus
RaceTrac Petroleum, Inc. (2002)
Re: Radisson Hotel-Old National
Highway, College Park, Georgia

Board of Revision Tax Appeal (2003)
Re: Radisson Gateway Hotel, Cleveland,
Ohio

Nuresh Maredia

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Web: www.hladvisors.com

Professional Affiliations

Associate Member of the Appraisal Institute
Michigan State University Alumni Association
World Waterpark Association
Ohio Travel Association
Ohio Hotel and Lodging Association
National Golf Foundation
National Ski Areas Association
International Association of Amusement Parks and Attractions (IAAPA)

Education

Masters of Science in Hospitality Business, Michigan State University, 2005
Bachelor of Arts in Business Finance, Michigan State University, 2003

Appraisal Institute courses:

- Basic Appraisal Principles
- Basic Appraisal Procedures
- Basic Income Capitalization
- Advanced Income Capitalization
- National USPAP
- Fair Housing
- General Appraisal Site Valuation & Cost Approach
- Real Estate Finance Statistics and Valuation Modeling
- General Market Analysis & Highest and Best Use
- General Appraiser Sales Comparison Approach
- General Appraiser Report Writing and Case Studies

State Certification

Holds license as a Certified General Real Estate Appraiser in the States of Ohio, Michigan, and Texas

Experience

- Project Manager, Hotel & Leisure Advisors, Cleveland, Ohio since December 2011
- Senior Associate, Hotel & Leisure Advisors, Cleveland, Ohio, Aug 2011 - Dec 2011
- Associate, Hotel & Leisure Advisors, Cleveland, Ohio, February 2006 - July 2011
- Assistant Manager, Comfort Suites, Houston, Texas, June 2003 – December 2003

- Assistant Manager, Samarkand Restaurant, Houston, Texas, 2002 - 2003

Mr. Maredia has management experience with both hotels and restaurants. He is a hospitality consultant and appraiser and has completed assignments in over 30 states. He has a wide range of experience in operations in hotels and resorts. Since joining Hotel & Leisure Advisors, Mr. Maredia has completed over 100 studies. He has generated appraisals, market feasibility studies, economic impact studies, and hotel impact studies for a wide variety of leisure and hospitality oriented property types, including:

- Hotels and resorts
- Timeshare, and whole ownership condominium resorts
- Golf courses
- Traditional ski resorts and artificial ski and snowboard slopes
- Indoor and outdoor waterpark resorts
- Water Sports Complex
- Other assets such as sports complex, zipline and ropes challenge courses, family entertainment centers, and mixed-use retail centers

Published Articles

"Impact of Oil Boom on Hotels: Williston, North Dakota Market Overview" *Hotel Online*, September 2011

"Dry Ski Slopes: Year Round Skiing without Snow" *Hotel Online*, December 2010

"Outdoor Waterparks: Private vs. Municipal" *Aquatics International*, September, 2009

EXHIBIT F

MILLAGE RATES 2008-2012

2008-2012 Millage Rates						
	2008	2009	2010	2011	2012	% Increase
Library	0.75	0.75	0.75	0.75	0.75	0%
County	14.5	17.25	17.25	17.25	21.25	46.55%
Township	14.44	14.44	14.44	14.44	14.44	0.00%
School Dist.	121.24	132.75	132.75	147.29	147.29	21.49%
Totals	150.93	165.19	165.19	179.73	183.73	21.73%

EXHIBIT G

DEVELOPMENT BUDGET-FIRST PHASE OF PROJECT

**Kalahari Resort Pocono Manor
Construction Budget**

General Contractor Budget		Budget \$
Hotel Lobby Core		7,446,600
ITP Lower Lobby Core		5,739,930
Hotel Towers, rooms only		49,412,375
Hotel Tower, Circulation, & Service area		2,005,065
Food Service & Laundry areas		1,884,720
Spa & Fitness		1,719,025
Indoor Water Park & MEP facility		15,745,905
Convention Center Building		14,066,052
BOH, Loading Docks, Central Storage		1,394,835
Porte Cochere / Valet Parking lanes (6)		910,000
Site Development		8,220,493
Total GC Budget		108,545,000
Kalahari Resort Development Budget		
Spa FF & E package		900,000
Laundry Equipment		510,000
FF&E Hotel Rooms only, 457 rooms		3,200,000
Indoor Waterpark Aquatics Package		28,330,000
IT Infrastructure Hotel Core		4,000,000
IT Infrastructure Convention Center		2,000,000
Outdoor Water Park & MEP facility		2,000,000
FF & E Convention Center		1,000,000
F & B , Kitchens, Central Kitchen		2,300,000
F & B , Kitchens, Concessions Kitchen		1,000,000
F & B , Kitchens, Convention Center		1,000,000
F & B , Kitchens, Lobby Kitchen		1,000,000
F & B FF & E Dining		2,000,000
Buildout Front Desk, Lobby, Admin		700,000
Common area African Art , Lobby Theme		750,000
ITP Attractions		200,000
Exterior Sign package		1,000,000
Interior Sign package		500,000
EDU's projected		2,000,000
Kalahari MFG - Railings, sconces, etc		350,000
Exterior landscaping & irrigatoin		1,000,000
Maintenace Building & equipment		350,000
Shuttle / Security Vehicles		125,000
BOH, housekeeping, common area		750,000
Total Development Budget		56,965,000
Kalahari Administrative Expense		
Pre-opening Advertising		2,500,000
Pre-opening Labor		1,500,000
Office Lease		50,000
Architectural/Design fees		3,750,000
Feasibility Analysis		40,000
Builders Risk Insurance		110,000
Title Insurance		100,000
Misc. Administrative Costs		240,000
Legal Fees		400,000
Total Administrative Expense		8,690,000
Land Acquisition		8,000,000
Kalahari Contingency		10,000,000
Construction Period Interest/Loan Fees		7,800,000
Off-site Infrastructure		
Ext, Water System Connection PMD	3,000,000	
Ext. Sewer Systemt Connection PMD	3,000,000	
Ext. Natural Gas connection	4,500,000	
Ext. Electrical Service connection	1,000,000	
Ext. Internet service connection	1,000,000	
Ext. Coax or Fiber for TV distribution	1,000,000	
PaDot Ext Roads, intersections, etc	8,101,313	
Access road to Project from State Highways	2,000,000	
Off-Site Contingency	1,000,000	
Subtotal	24,601,313	
Less maximum contribution by seller to off-site infrastructure	(4,000,000)	
Total Off-site infrastructure		20,601,313
Grand Total		220,601,313

EXHIBIT H

ESTIMATE OF IMPROVEMENTS FOR PENNDOT ROADS

COST ESTIMATE FOR KALAHARI-POCONO MANOR HIGHWAY IMPROVEMENTS

ITEM	QUANTITY	UNIT	Unit Cost	Total Cost
CLEARING AND GRUBBING	5	ACRE	\$3,000.00	\$15,000.00
SELECTIVE TREE REMOVAL	30	EACH	\$500.00	\$15,000.00
CLASS 1 EXCAVATION	6500	CY	\$8.00	\$52,000.00
CLASS 1B EXCAVATION	14000	CY	\$12.00	\$168,000.00
SUPERPAVE ASPHALT MIXTURE DESIGN, HMA BASE COURSE, PG 64-22, 0.3 To < 9 MILLION ESALS, 25mm Mix, 6" DEPTH	18000	SY	\$20.00	\$360,000.00
SUBBASE 6" DEPTH (NO. 2A)	18000	SY	\$6.00	\$108,000.00
SUPERPAVE ASPHALT MIXTURE DESIGN, HMA WEARING COURSE, RPS, PG 64-22, 0.3 To < 3 MILLION ESALS, 9.5mm Mix, 2 1/2" DEPTH, SRL-H	18000	SY	\$15.00	\$270,000.00
BITUMINOUS TACK COAT	18000	SY	\$0.40	\$7,200.00
PENNDOT TYPE 3 SHOULDER	6200	SY	\$15.00	\$93,000.00
CONSTRUCTION SURVEYING, TYPE A	1	LS	\$40,000.00	\$40,000.00
18" THERMOPLASTIC PIPE, GROUP I, 15'-1.5' FILL	2500	LF	\$65.00	\$162,500.00
STORMWATER BASINS-INFILTRATION	1	LS	\$950,000.00	\$950,000.00
SHAPE SWALES, INCLUDING ALL CLEARING OF VEGETATION, EXCAVATION, ROCK, HAND WORK, CLEANING OF OUTLETS.	4350	LF	\$25.00	\$108,750.00
TYPE D-W ENDWALL	20	EACH	\$3,500.00	\$70,000.00
ROCK APRON	200	SY	\$100.00	\$20,000.00
REMOVE EXISTING GUIDE RAIL (CONTRACTOR'S PROPERTY)	1005	LF	\$5.00	\$5,025.00
RELOCATE SR 4002 (POCONO MANOR DR)	1	LS	\$500,000.00	\$500,000.00
TYPE 2-S GUIDE RAIL	3400	LF	\$20.00	\$68,000.00
TERMINAL SECTION, SINGLE	12	EACH	\$250.00	\$3,000.00
TRAFFIC SIGNALS	2	EACH	\$500,000.00	\$1,000,000.00
HIGH VOLUME ENTRANCE	1	EACH	\$500,000.00	\$500,000.00
VIDEO DETECTOR	2	EACH	\$8,000.00	\$16,000.00
4" YELLOW WATERBORNE PAVEMENT MARKINGS	18000	LF	\$0.30	\$5,400.00
SIGNAGE	1	LS	\$200,000.00	\$200,000.00
ILLUMINATION	12	EA	\$22,000.00	\$264,000.00
Estimated Cost			\$4,400,875.00	

ITEM	QUANTITY	UNIT	Unit Cost	Total Cost
MAINTENANCE AND PROTECTION OF TRAFFIC	1		5.00%	\$220,043.75
MOBILIZATION	1		5.00%	\$220,043.75
EROSION AND SEDIMENT CONTROL	1		5.00%	\$220,043.75
UTILITY POLE RELOCATION	1		2.00%	\$88,017.50
RIGHT OF WAY	1			\$1,500,000.00
PADOT INSPECTION	1		8.00%	\$352,070.00
DESIGN AND PERMITTING	1		15.00%	\$660,131.25
CONTINGENCY			10.00%	\$440,087.50
Estimated Cost			\$3,700,437.50	

ESTIMATED TOTAL COST			\$8,101,312.50	
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EXHIBIT I
DEBT PAYMENT SCHEDULE
SOURCE AND USE OF FUNDS

Bond Summary Statistics
 Monroe County (PA) IDA
 Kalahari Resorts Poconos Project

Dated Date	7/1/2013
Delivery Date	7/1/2013
Last Maturity	7/1/2033
Arbitrage Yield	6.250000%
True Interest Cost (TIC)	6.438253%
Net Interest Cost (NIC)	6.369519%
All-In TIC	6.783760%
Average Coupon	6.250000%
Average Life (years)	13.596
Duration of Issue (years)	8.950
Par Amount	26,000,000.00
Bond Proceeds	26,000,000.00
Total Interest	22,093,750.00
Net Interest	22,516,250.00
Total Debt Service	48,093,750.00
Maximum Annual Debt Service	2,762,500.00
Average Annual Debt Service	2,404,687.50

Bond Component	Par Value	Price	Average Coupon	Average Life
2033 Maturity	26,000,000.00	100.000	6.250%	13.596
	26,000,000.00			13.596

Sources and Uses of Funds
Monroe County (PA) IDA
Kalahari Resorts Poconos Project

Sources:

Bond Proceeds:		
	Par Amount	26,000,000.00
		<u>26,000,000.00</u>

Uses:

Other Fund Deposits:		
	Debt Service Reserve	2,600,000.00
	Capitalized Interest Fund (24 Months)	3,250,000.00
		<u>5,850,000.00</u>

Transaction Costs:

1,172,500.00

Project Account:

Net Deposit at Closing	18,977,500.00
	<u>26,000,000.00</u>

Bond Debt Service
 Monroe County (PA) IDA
 Kalahari Resorts Poconos Project

Period Ending	Principal	Coupon	Interest	Debt Service
7/1/2014			1,625,000	1,625,000
7/1/2015			1,625,000	1,625,000
7/1/2016	600,000	6.250%	1,625,000	2,225,000
7/1/2017	700,000	6.250%	1,587,500	2,287,500
7/1/2018	800,000	6.250%	1,543,750	2,343,750
7/1/2019	900,000	6.250%	1,493,750	2,393,750
7/1/2020	900,000	6.250%	1,437,500	2,337,500
7/1/2021	1,000,000	6.250%	1,381,250	2,381,250
7/1/2022	1,100,000	6.250%	1,318,750	2,418,750
7/1/2023	1,200,000	6.250%	1,250,000	2,450,000
7/1/2024	1,300,000	6.250%	1,175,000	2,475,000
7/1/2025	1,400,000	6.250%	1,093,750	2,493,750
7/1/2026	1,500,000	6.250%	1,006,250	2,506,250
7/1/2027	1,600,000	6.250%	912,500	2,512,500
7/1/2028	1,800,000	6.250%	812,500	2,612,500
7/1/2029	1,900,000	6.250%	700,000	2,600,000
7/1/2030	2,100,000	6.250%	581,250	2,681,250
7/1/2031	2,200,000	6.250%	450,000	2,650,000
7/1/2032	2,400,000	6.250%	312,500	2,712,500
7/1/2033	2,600,000	6.250%	162,500	2,762,500
	26,000,000		22,093,750	48,093,750

Bond Pricing
 Monroe County (PA) IDA
 Kalahari Resorts Poconos Project

Bond Component	Maturity Date	Amount	Rate	Yield	Price
2033 Maturity:	7/1/2033	26,000,000	6.250%	6.250%	100.000
		26,000,000			

Dated Date	7/1/2013
Delivery Date	7/1/2013
First Coupon	1/1/2014
Par Amount	26,000,000.00
Original Issue Discount	

Bond Solution
 Monroe County (PA) IDA
 Kalahari Resorts Poconos Project

Period Ending	Proposed Principal	Proposed Debt Service	Total Adj Debt Service	Revenue Constraints	Unused Revenues	Debt Serv Coverage
7/1/2014		1,625,000	1,625,000	2,513,146	888,146	154.65514%
7/1/2015		1,625,000	1,625,000	2,538,627	913,627	156.22323%
7/1/2016	600,000	2,225,000	2,225,000	2,564,364	339,364	115.25230%
7/1/2017	700,000	2,287,500	2,287,500	2,590,357	302,857	113.23967%
7/1/2018	800,000	2,343,750	2,343,750	2,616,611	272,861	111.64207%
7/1/2019	900,000	2,393,750	2,393,750	2,643,127	249,377	110.41784%
7/1/2020	900,000	2,337,500	2,337,500	2,669,908	332,408	114.22068%
7/1/2021	1,000,000	2,381,250	2,381,250	2,696,957	315,707	113.25805%
7/1/2022	1,100,000	2,418,750	2,418,750	2,724,277	305,527	112.63161%
7/1/2023	1,200,000	2,450,000	2,450,000	2,751,870	301,870	112.32121%
7/1/2024	1,300,000	2,475,000	2,475,000	2,779,738	304,738	112.31266%
7/1/2025	1,400,000	2,493,750	2,493,750	2,807,886	314,136	112.59693%
7/1/2026	1,500,000	2,506,250	2,506,250	2,836,315	330,065	113.16966%
7/1/2027	1,600,000	2,512,500	2,512,500	2,865,028	352,528	114.03096%
7/1/2028	1,800,000	2,612,500	2,612,500	2,894,028	281,528	110.77620%
7/1/2029	1,900,000	2,600,000	2,600,000	2,923,318	323,318	112.43532%
7/1/2030	2,100,000	2,681,250	2,681,250	2,952,902	271,652	110.13153%
7/1/2031	2,200,000	2,650,000	2,650,000	2,982,781	332,781	112.55776%
7/1/2032	2,400,000	2,712,500	2,712,500	3,012,958	300,458	111.07681%
7/1/2033	2,600,000	2,762,500	2,762,500	3,043,438	280,938	110.16970%
	26,000,000	48,093,750	48,093,750	55,407,637	7,313,887	

Discussion of Key assumptions

Property Tax Increment Revenues – We have analyzed the property tax regime for each relevant and overlapping unit of local government for which property taxes are levied and collected on the subject project site (also the TIF District). From this analysis we were able to derive a figure of \$2,548,146 as the incremental property taxes to flow, in aggregate, from the TIF District in the first full tax year after the point which the project is expected to be complete.

***Additional Note regarding repayment revenues** – In this case, we have as part of our security structure as designed a Neighborhood Improvement District (NID) which will be coterminous with the TIF District. The NID will have an associated special Assessment levied, and available to pay debt service as a back-up/make whole source of revenue, should tax increment from regular Ad Valorem property taxes be insufficient to meet principal and interest obligations of any year in which the bonds are outstanding. The single property owner in the subject TIF District, Kalahari, would be responsible in this case for remitting this additional tax payment. As a theoretical matter, a bond issue could be structured whose size, and implied debt service schedule, is larger than could be supported by the forecasted Tax Increment alone. This is not the path we have taken in the course of deriving a base case, illustrative issuance. We have sized the bonds so that repayment can come from well within the Tax Increment stream only, without any implied NID Assessments necessary to augment that primary repayment revenue.*

Interest Rates – With a finite amount of revenues into which we would size, or fit, debt service on the bonds, the cost of capital is a determining figure for the size of the borrowing, and the various components contained within the issuance. In this analysis, we have used an assumed interest rate of 6.25% (coupon on the bonds), based on current market conditions for tax exempt bonds of a similar nature (inclusive of all costs, the effective rate is approximately 6.78% in this scenario). A higher interest rate actually attained upon the pricing of the bond issue will reduce the borrowing size, all other factors static, and a lower interest rate could deliver a larger borrowing size.

Debt Service Coverage – Generally, the base of likely investors who will purchase the bonds prefer to see some degree of cushion, or debt service coverage, structured into the assumed repayment stream. As a result of layering in this cushion, every dollar of forecasted revenue is not applied to debt service. A ratio of 1.15 times, when comparing revenues to debt service, is one structuring metric sometimes seen in the current marketplace. We have applied a ratio of 1.10 times in our base case bond sizing to appreciate: a) the back-up Neighborhood Improvement District Assessment as a feature that strengthens the repayment security; and, b) the fact that we included an additional \$35,000 in assumed annual District Administrative fees, as a subtraction in the cash flow. We may be able to lower the coverage ratio below 1.10 times once we go to market, which would further increase the amount of debt capacity we can generate from the same revenue stream.

***Additional Note regarding Bond Marketing restrictions and impact on Debt Service Coverage and the Bond "Solution"** – New money Tax Increment debt is almost always marketed and placed into the market*

without any credit ratings, which is somewhat unique for the U.S. municipal bond market. This issuance will not be an exception. As a result of the bonds being considered non investment grade, some care should and will be taken in the process of executing the placement of bonds only to investors with the sophistication and overall wherewithal to evaluate the investment proposition represented by the bonds. Non-rated or sub investment grade does not necessarily translate to the subject issue being somehow “not good”. The ratings agencies simply do not generally assign an investment grade rating to a financing with real, or perceived, construction risk, with a repayment stream which has not yet materialized, and with a concentration of the property ownership/repayment source (here, a single taxpayer). The marketing of the bonds will likely be a limited offering or private placement to a sub-set of institutional investors such as large mutual funds and/or insurance companies (Qualified Institutional Investors or QUIBs), and their purchases may also require them to sign a letter indicating that they are not buying the bonds to redistribute them, as well as an agreement, if they sell, to transfer bonds only to other QUIBs, or accredited investors. To this end, we generally issue the bonds such that the smallest divisible denomination is \$100,000, rather than \$5,000 which is the convention in the investment grade municipal market generally. This larger denomination is seen as a way to help keep the bonds out of less sophisticated, “retail-like” hands. The implication for the illustrative base case is that 1.10X will be a floor coverage as we solve for the debt schedule, and with the solution forced to round to a \$100,000 denomination, there will be some years in the repayment schedule as structured where the coverage is slightly higher than 1.10X.

Ascension in Debt Service repayment schedule – Also in our base case is an assumption that the revenue stream experiences an annual 1.00% increase, year over year. The bond market will accept some *modest* degree of embedded inflation for a credit such as a Tax Increment financing to account for the likelihood that the property value will improve over time, and tax increment revenues will then rise as well. The value driven aspect underlying this assumption is as important as, or more important than, the actual tax rate (or mill rate) applied since the tax rate will be subject to local government policy, while value is a more independent variable. However, the market also trusts that government budgets are likely to grow over time, so that whether it is from value or tax rate, the revenue stream is not overly inflated to ascend at 1% per annum. It is important to note that we will pursue the best overall outcome, within market constraints. As such, we may end up with an issue that features a flat debt service schedule, rather than ascending. But, for purposes of a comprehensive and fully illustrative base case, we thought it would be helpful to incorporate a modest ascension at this time.

Reserve Fund – New money Tax Increment financings are issued into the market, barring some unusual circumstances, with a Reserve Fund included into the total bond issue sizing. This is designed to supply a further cushion in the event of non payment of property taxes or assessments, or other dislocations in the repayment dynamics. This Fund is generally sized at 10% of the total bond issue size or equal to Maximum Annual Debt Service, according to the sections of the Internal Revenue Code governing tax exempt debt, as well as our own structuring and marketing constraints.

Capitalized Interest / Principal and Interest Schedule – Since we need to attain project completion to create the necessary value, and in turn, tax increment, to repay the borrowing, interest liability during the construction period is also pre-funded within and as part of the bond issue. In this case, with an 18 month expected build-out from groundbreaking to project completion, plus the need to be on the tax

roll and billing cycle in time for the incremental revenues to materialize for repayment, we assumed that we will fund 24 months of interest into the bond sizing. With these first two years pre funded into the issue, we would, in turn, schedule the first principal payment for the third anniversary after bond closing, and then annually thereafter through year 20 from closing. The first interest payment would occur on the 30th month after closing, and then occur semi-annually thereafter.

Transaction Costs – The costs associated with the financing are also capitalized into the borrowing. This includes legal expenses (Bond Counsel, IDA Counsel, Disclosure Counsel), advisory/economic development consulting, third party reports (Appraisal, Feasibility Study, Engineer’s Report), issuer fees, printing and other bond marketing expenses, underwriting/placement fees, and similar items.

Sources and Uses of Funds

Sources

Par Amount of Bonds	\$26,000,000.00
Total	\$26,000,000.00

Uses

Debt Service Reserve Fund (10%)	\$2,600,000.00
Capitalized Interest Account (24 months)	\$3,250,000.00
Transaction Costs (est.)	\$1,172,500.00
Project Account Deposit at Closing	\$18,977,500.00
Total	\$26,000,000.00

PUBLIC HEARING NOTICE
TOWNSHIP OF TOBYHANNA
Monroe County, Pennsylvania

Notice is hereby given that the Board of Supervisors of Township of Tobyhanna, Monroe County, Pennsylvania (the "Township") will conduct a public hearing on April 25, 2013 at 7:00 p.m., prevailing Eastern time, at the Township Building, 105 Government Center Way, Pocono Pines, PA 18350 (located off State Avenue, near the intersection of PA routes 940 and 423 in Pocono Pines), on a proposal to create a tax increment financing district within the Township, to be known as the "Tobyhanna Township Tax Increment Financing District", and the adoption of a project plan for the District. The District consists of 154 acres located near the intersection of I-380 and Pa. Route 940 (tax parcel 19635400099554) with proposed access off of PA Route 314 known generally as Manor Drive.

The hearing is being held pursuant to the Pennsylvania Tax Increment Financing Act for the purpose of affording interested parties a reasonable opportunity to express their views on the concept of tax increment financing, the proposed creation of the Tobyhanna Township Tax Increment Financing District and its proposed boundaries, the proposed adoption of a project plan for the District and the benefits to the Township.

A copy of the proposed Tobyhanna Township Tax Increment Financing District Plan is available and may be examined by any citizen at the office of the Township Secretary in the Township Building on any regular business day between the hours of 8:30 a.m. and 4:30 p.m., prevailing time.

Board of Supervisors
TOWNSHIP OF TOBYHANNA