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October 22, 2002
F107NWF.DOC

PRESS RELEASE

Contact: Thomas P. Friery, City Treasurer
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Sacramento, California. October 22, 2002. In response to investor requests for information relative to the Sacramento Hotel Corporation, Thomas P. Friery, Treasurer, city of Sacramento, stated, "Annual on-going disclosure requirements are current. However, in an effort to comply with investor requests and maintain updated information on current operations we will provide periodic updates as they become available on hotel industry activity."

Friery further stated, "We cannot assure that this information will always be available, nor can we commit to when such information will be provided since the information is developed for the Sacramento Hotel Corporation Board. However, we will release it when it is available."

Regarding the information provided, PKF Consulting, a leading hotel and hospitality industry-consulting firm that is headquartered in San Francisco, California, has been contracted by the Sacramento Hotel Corporation to provide quarterly operating and financial performance reports for the Sheraton Grand Sacramento. These reports provide an indication of how the Sheraton Grand is performing in relation to local, regional, and national markets. Projections of future results are based on an analysis of actual results and forecasts that are submitted by senior executives of the Sheraton Grand Sacramento.

Friery cautioned, "The information provided is un-audited and is intended for the Sacramento Hotel Corporation as a management tool only, and does not necessarily reflect actual future results."

We are hopeful investors will review the information and find it useful.

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August 29, 2002

Mr. Micah Runner
Economic Development Specialist
City of Sacramento
Economic Development Department
1030 – 15th Street, Second Floor
Sacramento, California 95814

Re: *Sheraton Grand, Sacramento*
First and Second Quarter 2002

Dear Mr. Runner:

We have completed our quarterly market and operational analysis of the operating and financial performance of management of the Sheraton Grand hotel for first and second quarters of 2002 (January 1 through June 30, 2002) based on available information made available to us on the property as of the date of this report.

As the Sacramento Hotel Corporation is supplied with financial analysis both from the ownership of the hotel and also the City controller's office, based on your request, our financial analysis in this report is limited. Instead, we have opted to review those areas that stand out in need of comment from a qualitative or market ranking standpoint. Our review has included analyses of the following information:

- 2002 business plan for the hotel
- 2002 capital expenditure plans for the hotel
- Executive summaries of operations for January to May 2002
- Forecast income statements January to May 2002
- Summary financial statements for the property January to May 2002
- Trend reports for the lodging properties in Northern California and Sacramento
- Complimentary rooms and food/beverage reports for the hotel
- Booking pace for the hotel as of May 2002
- Accounts receivable aging from December 2001 to May 2002
- Accounts receivable write-offs as of May 2002
- Inspection of the property on several occasions during 2002
- Overnight stay at the hotel in May 2002
- Interviews with management of the hotel in July 2002

A. HOW IS THE HOTEL PERFORMING?**1. Occupancy and Average Daily Room Rate (ADR)**

The following statistics indicate the year-to-date (YTD) performance for the overall lodging market in Northern California, the regional lodging market in the Sacramento market, and the competitive set for the Sheraton Grand.

- Regional market: No. Calif. Market for YTD June 2002: 63.9% at \$136.93
- Local market: Sacramento Market for YTD June 2002: 71.0% at \$ 89.85
- Competitive market: Competitive Set for YTD May 2002: 73.6% at \$119.32. The competitive set statistics are presented in more detail in the following table. Due to the confidentiality of this data, the names of the competitive hotels are disguised.

Competitive Set Occupancy and Average Daily Room Rate (ADR)				
	YTD May 2002		YTD May 2001	
	Occ	ADR	Occ	ADR
Hotel A	79.2%	\$136.53	78.2%	\$159.95
Sheraton Grand	70.2%	\$131.01	55.3%	\$137.67
Hotel B	76.6%	\$105.96	79.0%	\$110.80
Hotel C	72.4%	\$105.63	76.8%	\$111.08
Hotel D	69.9%	\$101.64	77.8%	\$104.25

As can be noted in the preceding table, the Sheraton Grand attains the second highest ADR within the competitive set, and also within Sacramento. The occupancy of the hotel, which is still in a ramp-up mode, is at the low-end of the competitive set, but close to the overall average for the Sacramento market. Of note is that the quoted room rates of many full service hotels in the San Francisco Bay Area and in Southern California have dropped, causing pressure on Sacramento hotels to drop room rate quotes accordingly to maintain the discount margin associated with the perceived image of Sacramento being a less-expensive lodging market.

As a matter of interest, the new hotel entry to the downtown market, the new Embassy Suites Hotel, is reported to be running at an occupancy level in the high 70 percent range at an ADR of approximately \$115.00 in its first few weeks of operation.

2. Financial Performance of the Sheraton Grand Against Competitors

As indicated, we have highlighted the performance of the Sheraton Grand as compared to available data from competing hotels in Sacramento and general hotel industry financial trends. The following table compares recent operating performance of the Sheraton Grand as compared to two competitive Sacramento hotels. These

hotels are properties for which PKF Consulting has available financial statement data.

Financial Performance of Sheraton Grand Against Competitors				
	Sheraton	Hotel C	Hotel D	National Full-Service
	YTD May 2002	Year-End 2001	Year End 2001	
Food Revenue – per available room	\$19,053	\$14,887	\$16,281	\$11,037
Beverage Revenue – per available room	\$3,051	\$1,691	\$2,764	\$2,288
Telephone Revenue – per available room	\$1,118	\$428	\$512	\$1,182
Gross Operating Profit (% of Total Revenue)	56.9%	62.3%	58.7%	59.8%
Net Operating Income* (% of Total Revenue)	29.3%	31.2%	27.9%	30.3%
*Note: Prior to deduction for reserve for capital replacement				

As can be noted in the preceding chart, the Sheraton Grand earns a premium in revenue for food, beverage, and telephone revenue as compared to two competitive hotels and the national average for full-service hotels. The gross operating profit for the Sheraton Grand is 56.9 percent, lower than the other two properties, but close for a property that is still in a ramp-up phase, and close to the national average. This operating margin should improve over the next 24 months. The net operating income for the Sheraton Grand is 29.3 percent, within the range of the other two hotels, close to the national average, and, considered strong for a large, full-service property.

B. NEW HOTEL PROPERTIES

With the recent growth in demand for hotel rooms in the Sacramento area over the last several years as a result of large increases in commercial office space, numerous hotel developers have expressed an interest in building new hotels in the Sacramento area. According to discussions with city officials, local developers, and general managers of the competitive hotels, we have identified 24 hotels in the Sacramento area that are currently at varying stages of development. A table outlining these developments can be found on the following page, which details approximately 957 rooms which are currently under construction, 362 rooms that are currently approved, 1,882 rooms that are either proposed, speculative, or on hold. These projects comprise a total of approximately 3,200 rooms.

Sacramento Metropolitan Area Hotel Market Summary of Proposed Additions to Supply					
	Hotel	Location	Rooms	Status	Estimated Opening Date
1.	Comfort Suites	Sacramento / Howe Ave.	68	Completed	June 1, 2002
2.	Embassy Suites	Sacramento	242	Completed	June 13, 2002
3.	Hawthorn Suites	Rancho Cordova/Gold River	61	Completed	June 18, 2002
4.	Holiday Inn Express	West Sacramento	55	Under Construction	3rd Quarter-2002
5.	Holiday Inn Express	Elk Grove - Laguna Blvd. / 99	119	Under Construction	3rd Quarter-2002
6.	Residence Inn	Folsom / East Bidwell	107	Under Construction	3rd Quarter 2002
7.	Comfort Suites	Elk Grove - Elk Grove Blvd / I-5	65	Under Construction	1st Quarter 2003
8.	Courtyard by Marriott	Roseville	125	Under Construction	Feb 2003
9.	Homewood Suites	Roseville	115	Under Construction	March 2003
Subtotal			957	-	-
10.	Hilton Garden Inn	Laguna / South Sacramento	117	Approved	Jan. 2004
11.	Courtyard by Marriott	Folsom	125	Approved	Jan. 2004
12.	Radisson Hotel Expansion	Natomas/Cal-Expo Area	120	Approved	TBD
Subtotal			362	-	-
13.	Larkspur Landing Expansion	Folsom	100	Proposed	Mid-2003
14.	Rivage Boutique Hotel	South Sacramento	94	Proposed	TBD
15.	Hampton Inn & Suites	El Dorado Hills	118	Proposed	Jan. 2004
16.	Residence Inn	Downtown / 15th & L Streets	255	Proposed	4th Quarter 2004
17.	Union Station Hotel	Downtown / 5th & I Streets	275	Speculative	TBD
18.	Pomo Indian Casino Hotel	West Sacramento	400	Speculative	TBD
19.	Extended Stay America	West Sacramento / Highway 80 at Reed Avenue	104	Speculative	TBD
20.	Extended Stay America	South Natomas / Venture Oaks	98	On hold	TBD
21.	Extended Stay America	Folsom / Blue Ravine Road & Folsom Boulevard	113	On hold	TBD
22.	U.C. Davis Conference Hotel	U.C. Davis Campus	75	On hold	TBD
23.	Conference Hotel	Roseville	150	On hold	TBD
24.	El Dorado Town Center Hotel	El Dorado Hills	100	On hold	TBD
Subtotal			1,882	-	-
Total Potential Additions to Supply:			3,201	-	-
* TBD: To Be Determined					
Source: PKF Consulting & Various City Planning Departments					

Of the hotels listed, there are four projects either recently completed or proposed for development in the downtown area. The 242-room Embassy Suites located on Capitol Mall adjacent to the Sacramento River opened on June 13, 2002. A proposed 255-unit Residence Inn has reached an advanced stage of planning and is to be located a short distance from the Sheraton Grand at 16th and L Streets, with an opening date of late 2004. Two other proposed projects proximate to downtown, the 94-room Rivage Boutique hotel and a 275-room hotel to be located at the historic Southern Pacific Railroad Station, are considered highly speculative at this time.

C. SERVICE QUALITY

Management is working to improve service quality and housekeeping. For example, additional capital investment in interior finishes and equipment as requested in the capital budget, such as vinyl on walls of elevator landings, black-out curtains, armoires, additional interior signage, and awnings will help accomplish these objectives. The proposed 2002 capital budget is presented in this report in Addendum C. According to management, progress is being made on the procurement of each of the identified items with the exception of new awnings which are on hold at this time.

In addition, Starwood hotels is working to further upgrade the market image of all Sheraton Hotels through a reorganization of the "Sheraton Service Promise". Based on our interview with management at the property, the hotel is rated by Starwood on a standardized service scale as compared to 14 other Sheraton convention hotels located in the United States. On an overall basis, the property ranks in 5th place in overall quality based on 212 returned questionnaires, achieving a score of 8.33 out of a possible 10.

Of note is the fact that based on the physical composite ranking, the hotel is ranked first out of the 14 properties, no doubt attributable to the newness of the facility. A number of various different ranking levels are provided in addition to the overall scores, such as "Overall Experience with the Reservation Process" and "Helpfulness of Bell Staff. The hotel received it lowest rankings in restaurant and front desk staff and service issues.

D. SALES AND MARKETING EFFORTS

We have reviewed the 2002 Sales and Marketing Plan. Staff in the sales department are following the 2002 marketing plan, key objectives of which are:

- Attain 40.0 percent of rooms nights occupied as "premium retail"
- Attain off-peak demand of 25,600 room nights through discounted rates
- To book group rooms business 61,500 room nights at \$131, and, to secure 85.0 percent of the 2003 group room night target of 65,800 room nights at \$140.
- Secure \$1,754,000 in 2002 banquet revenue from in-house groups
- Secure \$2,500,000 in 2002 catering revenue from outside groups and functions.

As indicated by the hotel's advance booking report, the hotel has 54,846 group bookings for 2002, ahead of budget in peak night bookings by 4,024 and behind budget in non-peak bookings by 9,338. The average rate for 2002 is \$121.18, comprised of \$124.86 for peak and \$116.04 for off-peak, representing \$6,646,000 in

rooms revenue, or approximately 43.0 percent of total budgeted rooms revenue for 2002. Looking forward, definite group bookings for 2003 are 33,449 at \$134.26; for 2004 29,867 at \$136.92; and, for 2005, 16,358 at \$140.76.

Group Booking Report 2002 to 2005 Summary as of May 31, 2002		
	Definite Room Nights	ADR
2002	54,846	\$121.18
2003	33,449	\$134.26
2004	29,867	\$136.92
2005	16,358	\$140.76

The 2002 marketing plan also indicates the implementation of a number of high-tech systems such as broadband reservations access and a revenue management system (Top Line Prophet). Further, additions to the property in future years will be the new Sheraton Bed concept and the Sheraton Bath concept, both guest room enhancements. Our understanding based on interviews with management is that the Sheraton Bed concept will be largely implemented by the end of 2003, with the Bath concept to follow at a later date. The Bed concept will include new duvet-style bed covers and two additional bed pillows.

E. ACCOUNTS RECEIVABLES AND PAYABLES

Past due accounts over 90-days old have dropped to a total of \$98,008 which is down substantially from \$279,820 as of December 2001.

It has been our pleasure to conduct this analysis for you. Should you have any questions or should you require any further information, please do not hesitate to contact me.

Yours sincerely,
PKF Consulting

By: Kenneth Kuchman,
Vice President

ADDENDA

ADDENDUM A
STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

Economic and Social Trends - The consultant assumes no responsibility for economic, physical or demographic factors which may affect or alter the opinions in this report if said economic, physical or demographic factors were not present as of the date of the letter of transmittal accompanying this report. The consultant is not obligated to predict future political, economic or social trends.

Information Furnished by Others - In preparing the report, the consultant was required to rely on information furnished by other individuals or found in previously existing records and/or documents. Unless otherwise indicated, such information is presumed to be reliable. However, no warranty, either express or implied, is given by the consultant for the accuracy of such information and the consultant assumes no responsibility for information relied upon later found to have been inaccurate. The consultant reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.

Hidden Conditions - The consultant assumes no responsibility for hidden or unapparent conditions of the properties, subsoil, ground water or structures. No responsibility is assumed for arranging for engineering, geologic or environmental studies that may be required to discover such hidden or unapparent conditions.

Hazardous Materials - The consultant has not been provided any information regarding the presence of any material or substance on or in any portion of the subject property, which material or substance possesses or may possess toxic, hazardous and/or other harmful and/or dangerous characteristics. Unless otherwise stated in the report, the consultant did not become aware of the presence of any such material or substance during the consultant's inspection of the subject property. However, the consultant is not qualified to investigate or test for the presence of such materials or substances. The consultant assumes no responsibility for the presence of any such substance or material on or in the subject property, nor for any expertise or engineering knowledge required to discover the presence of such substance or material. Unless otherwise stated, this report assumes the subject property is in compliance with all federal, state and local environmental laws, regulations and rules.

Zoning and Land Use - Unless otherwise stated, the subject property is assumed to be in full compliance with all applicable zoning and land use regulations and restrictions.

Licenses and Permits - Unless otherwise stated, the property is assumed to have all required licenses, permits, certificates, consents or other legislative and/or administrative authority from any local, state or national government or private entity or organization that have been or can be obtained or renewed for any use on which the performance estimates contained in this report are based.

Engineering Survey - No engineering survey has been made by the consultant. Except as specifically stated, data relative to size and area of the subject property was taken from sources considered reliable and no encroachment of the subject property is considered to exist.

Subsurface Rights - No opinion is expressed as to the value of subsurface oil, gas or mineral rights or whether the property is subject to surface entry for the exploration or removal of such materials, except as is expressly stated.

Maps, Plats and Exhibits - Maps, plats and exhibits included in this report are for illustration only to serve as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced or used apart from the report.

Legal Matters - No opinion is intended to be expressed for matters which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate consultants.

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

(Continued)

Right of Publication - Possession of this report, or a copy of it, does not carry with it the right of publication. Without the written consent of the consultant, this report may not be used for any purpose by any person other than the party to whom it is addressed. In any event, this report may be used only with properly written qualification and only in its entirety for its stated purpose.

Archeological Significance - No investigation has been made by the consultant and no information has been provided to the consultant regarding potential archeological significance of the subject property or any portion thereof. This report assumes no portion of the subject property has archeological significance.

Compliance with the Americans with Disabilities Act - The Americans with Disabilities Act ("ADA") became effective January 26, 1992. It is assumed that the property will be in direct compliance with the various detailed requirements of the ADA.

Definitions and Assumptions - The definitions and assumptions upon which our analyses, opinions and conclusions are based are set forth in appropriate sections of this report and are to be part of these general assumptions as if included here in their entirety.

Utilization of the Land and/or Improvements - It is assumed that the utilization of the land and/or improvements is within the boundaries or property described herein and that there is no encroachment or trespass.

Dissemination of Material - Neither all or any part of the contents of this report shall be disseminated to the general public through advertising or sales media, public relations media, new media or other public means of communication without the prior written consent and approval of the consultant(s).

Distribution and Liability to Third Parties - The party of whom this report was prepared may distribute copies of this report only in its entirety to such third parties as may be selected by the party for whom this report was prepared; however, portions of this report shall not be given to third parties without our written consent. Liability to third parties will not be accepted.

Use in Offering Materials - This report, including all cash flow forecasts, market surveys and related data, conclusions, exhibits and supporting documentation may not be reproduced or references made to the report or to PKF Consulting in any sale offering, prospectus, public or private placement memorandum, proxy statement or other document ("Offering Material") in connection with a merger, liquidation or other corporate transaction unless PKF Consulting has approved in writing the text of any such reference or reproduction prior to the distribution and filing thereof.

Limits to Liability - PKF Consulting cannot be held liable in any cause of action resulting in litigation for any dollar amount which exceeds the total fees collected from this individual engagement.

Legal Expenses - Any legal expenses incurred in defending or representing ourselves concerning this assignment will be the responsibility of the client.

ADDENDUM B

***SUMMARY FINANCIAL STATEMENTS FOR THE SHERATON GRAND
FOR YEAR-TO-DATE MAY 2002***

Sheraton Grand, Sacramento
Prior Budget Estimates Compared to Current Period Results

	Prior Budget Estimates			Current Period Results and Projections				Variances	
	Offering - Annual ⁽¹⁾	PMB LLC - Annual ⁽²⁾	May - Month	May 2002	Year-to-Date	Jun. - Dec.	PMB LLC - Revised ⁽³⁾	Annual v. Revised	Revised v. Offering
Occupancy	69.45%	64.89%	67.88%	74.06%	70.19%	-	66.48%	1.59%	-2.97%
Average Daily Room Rate (ADR)	\$ 136.00	\$130.01	\$136.34	\$135.55	\$131.01	-	\$127.62	(\$2.39)	(\$8.38)
Revenues									
Rooms	\$ 17,126,000	\$ 15,487,528	\$ 1,443,047	\$ 1,565,387	\$ 6,984,808	\$ 8,590,260	\$ 15,575,068	\$ 87,540	\$ (1,550,932)
Food	7,086,000	10,102,998	810,544	862,684	3,964,737	4,630,301	8,595,038	(1,507,960)	1,509,038
Beverage	1,417,000	-	152,734	154,272	634,885	1,025,876	1,660,761	1,660,761	243,761
Telephone	780,000	611,371	54,290	50,463	232,724	352,705	585,429	(25,942)	(194,571)
Parking	992,000	542,637	48,186	51,979	213,597	313,052	526,649	(15,988)	(465,351)
Other Operated Dept's and Income	709,000	-	17,207	17,276	89,729	101,107	190,836	190,836	(518,164)
Rentals and Other Income	248,000	217,624	2,007	1,412	-	24,593	24,593	(193,031)	(223,407)
Total Revenues	28,358,000	26,962,158	2,528,015	2,703,473	12,120,480	15,037,894	27,158,374	196,216	(1,199,626)
Departmental Expenses									
Rooms	4,375,000	3,953,860	348,672	398,142	1,736,870	2,249,930	3,986,800	32,940	(388,200)
Food and Beverage	6,960,000	7,151,937	668,606	716,101	3,214,564	3,834,354	7,048,918	(103,019)	88,918
Telephone	351,000	310,124	27,455	13,918	61,667	179,066	240,733	(69,391)	(110,267)
Parking	298,000	309,074	25,756	28,235	157,468	180,294	337,762	28,688	39,762
Other Operated Departments	531,000	99,832	8,865	11,678	53,754	57,593	111,347	11,515	(419,653)
Total Departmental Expenses	12,515,000	11,824,827	1,079,354	1,168,074	5,224,323	6,501,237	11,725,560	(99,267)	(789,440)
Departmental Profit	15,843,000	15,137,331	1,448,661	1,535,399	6,896,157	8,536,657	15,432,814	295,483	(410,186)
Undistributed Expenses									
Administrative and General	2,226,000	1,761,430	150,852	217,888	905,426	1,069,126	1,974,552	213,122	(251,448)
Marketing	2,251,000	1,548,862	134,842	190,301	812,597	988,038	1,800,635	251,773	(450,365)
Property Operations and Maintenance	1,283,000	890,220	76,957	89,773	417,198	584,732	1,001,930	111,710	(281,070)
Energy and Utilities	744,000	776,596	58,106	46,218	251,283	492,935	744,218	(32,378)	218
Total Undistributed Expenses	6,504,000	4,977,108	420,757	544,180	2,386,504	3,134,831	5,521,335	544,227	(982,665)
Gross Operating Profit	9,339,000	10,160,223	1,027,904	991,219	4,509,653	5,401,826	9,911,479	(248,744)	572,479
Fixed Charges and Management Fees									
Management Fee Base (Starwood)	1,133,000	650,004	54,167	54,167	270,835	379,169	650,004	-	(482,996)
Management Fee 3rd Party (PMB)	-	435,396	36,283	36,283	181,415	253,981	435,396	-	435,396
Property Tax Allocation	659,000	801,696	66,808	66,808	334,040	467,656	801,696	-	142,696
Rented Equipment	-	116,700	9,725	20,736	74,357	97,111	171,468	54,768	171,468
Insurance Allocation	366,000	232,308	19,359	19,359	96,795	135,513	232,308	-	(133,692)
Total Fixed Charges	2,158,000	2,236,104	186,342	197,353	957,442	1,333,430	2,290,872	54,768	132,872
Income Before Reserves	7,181,000	7,924,119	841,562	793,866	3,552,211	4,068,396	7,620,607	(303,512)	439,607
Reserves for Replacement	567,000	539,243	50,560	54,069	242,410	300,758	543,167	3,924	(23,833)
Net Operating Income ⁽⁴⁾	\$ 6,614,000	\$ 7,384,876	\$ 791,002	\$ 739,797	\$ 3,309,801	\$ 3,767,638	\$ 7,077,440	\$ (307,436)	\$ 463,440

Notes: (1) Annual operating results (January 1 to December 31) as stated by PKF Consulting in the 1999 bond offering memorandum.

(2) Annual operating results estimated by PMB LLC as of April 30, 2002.

(3) Revised operating results estimated by PMB LLC as of May 31, 2002.

(4) Accrued operating results after reserves, but before interest, amortization, depreciation, rent, and income taxes.

Numbers may not foot due to rounding.

Source: **PKF Consulting and PMB LLC**

Sheraton Grand, Sacramento
Historical Operating Results and Current Budget

	May 2002				Year-to-Date May 2002				Pro-Forma Budget (6)			
	\$	%	PAR ⁽¹⁾	POR ⁽²⁾	\$	%	PAR ⁽¹⁾	POR ⁽²⁾	\$	%	PAR ⁽¹⁾	POR ⁽²⁾
Number of Keys	503				503				500			
Occupancy	74.06%				70.19%				69.45%			
Average Daily Room Rate	\$135.55				\$131.01				\$136.00			
Revenues												
Rooms	\$ 1,565,387	57.9%	\$36,642	\$135.55	\$ 6,984,808	57.6%	\$ 33,566	\$131.01	\$ 17,126,000	60.4%	\$ 34,252	\$136.00
Food	862,684	31.9%	20,194	74.70	3,964,737	32.7%	19,053	74.36	7,086,000	25.0%	14,172	56.27
Beverage	154,272	5.7%	3,611	13.36	634,885	5.2%	3,051	11.91	1,417,000	5.0%	2,834	11.25
Telephone	50,463	1.9%	1,181	4.37	232,724	1.9%	1,118	4.37	780,000	2.8%	1,560	6.19
Parking	51,979	1.9%	1,217	4.50	213,597	1.8%	1,026	4.01	992,000	3.5%	1,984	7.88
Other Operated Dept's and Income	17,276	0.6%	404	1.50	89,729	0.7%	431	1.68	709,000	2.5%	1,418	5.63
Rentals and Other Income	1,412	0.1%	33	0.12	-	0.0%	-	-	248,000	0.9%	496	1.97
Total Revenues	2,703,473	100.0%	63,283	234.11	12,120,480	100.0%	58,246	227.34	28,358,000	100.0%	56,716	225.21
Departmental Expenses ⁽³⁾												
Rooms	398,142	25.4%	9,320	34.48	1,736,870	24.9%	8,347	32.58	4,375,000	25.5%	8,750	34.74
Food and Beverage	716,101	70.4%	16,762	62.01	3,214,564	69.9%	15,448	60.29	6,960,000	81.9%	13,920	55.27
Telephone	13,918	27.6%	326	1.21	61,667	26.5%	296	1.16	351,000	45.0%	702	2.79
Parking	28,235	54.3%	661	2.45	157,468	73.7%	757	2.95	298,000	30.0%	596	2.37
Other Operated Departments	11,678	67.6%	273	1.01	53,754	59.9%	258	1.01	531,000	74.9%	1,062	4.22
Total Departmental Expenses	1,168,074	43.2%	27,342	101.15	5,224,323	43.1%	25,106	97.99	12,515,000	44.1%	25,030	99.39
Departmental Profit	1,535,399	56.8%	35,941	132.96	6,896,157	56.9%	33,140	129.35	15,843,000	55.9%	31,686	125.82
Undistributed Operating Expenses												
Administrative and General	217,888	8.1%	5,100	18.87	905,426	7.5%	4,351	16.98	2,226,000	7.8%	4,452	17.68
Marketing	190,301	7.0%	4,455	16.48	812,597	6.7%	3,905	15.24	2,251,000	7.9%	4,502	17.88
Property Operations and Maintenance	89,773	3.3%	2,101	7.77	417,198	3.4%	2,005	7.83	1,283,000	4.5%	2,566	10.19
Energy and Utilities	46,218	1.7%	1,082	4.00	251,283	2.1%	1,208	4.71	744,000	2.6%	1,488	5.91
Total Undistributed Expenses	544,180	20.1%	12,738	47.12	2,386,504	19.7%	11,469	44.76	6,504,000	22.9%	13,008	51.65
Gross Operating Profit	991,219	36.7%	23,202	85.83	4,509,653	37.2%	21,672	84.59	9,339,000	32.9%	18,678	74.17
Fixed Charges and Management Fees												
Management Fee Base (Starwood)	54,167	2.0%	1,268	4.69	270,835	2.2%	1,302	5.08	1,133,000	4.0%	2,266	9.00
Management Fee 3rd Party (PMB)	36,283	1.3%	849	3.14	181,415	1.5%	872	3.40	-	0.0%	-	-
Property Tax Allocation	66,808	2.5%	1,564	5.79	334,040	2.8%	1,605	6.27	659,000	2.3%	1,318	5.23
Rented Equipment	20,736	0.8%	485	1.80	74,357	0.6%	357	1.39	-	0.0%	-	-
Insurance Allocation	19,359	0.7%	453	1.68	96,795	0.8%	465	1.82	366,000	1.3%	732	2.91
Total Fixed Charges	197,353	7.3%	4,620	17.09	957,442	7.9%	4,601	17.96	2,158,000	7.6%	4,316	17.14
Income Before Reserves	\$ 793,866	29.4%	#####	\$ 68.74	\$ 3,552,211	29.3%	\$ 17,071	\$ 66.63	\$ 7,181,000	25.3%	\$ 14,362	\$ 57.03
Reserves for Replacement ⁽⁴⁾	\$ 54,000	2.0%	\$ 1,264	\$ 4.68	\$ 242,000	2.0%	\$ 1,163	\$ 4.54	\$ 567,000	2.0%	\$ 1,134	\$ 4.50
Net Operating Income ⁽⁵⁾	\$ 739,866	27.4%	#####	\$ 64.07	\$ 3,310,211	27.3%	\$ 15,908	\$ 62.09	\$ 6,614,000	23.3%	\$ 13,228	\$ 52.53

Notes: (1) PAR - Per Available Room.
(2) POR - Per Occupied Room.
(3) Departmental expense ratios are based on the respective department's revenue, not total revenue.
(4) The amount stated is an imputed amount based on contractual obligations. The actual amount is funded by the Trustee from the "waterfall" account.
(5) Net cash flow after reserves, but before interest, amortization, depreciation, rent, and income taxes.
(6) Revenues and NOI reflect the cash flows indicated in the final offering memorandum. Amounts reflect period January 1 to December 31.
Numbers may not foot due to rounding.

ADDENDUM C

CAPITAL EXPENDITURE BUDGET FOR 2002

**Sheraton Grand Sacramento
2002 Capital Budget**

Description	Budget	Justification
Black-Out Blinds in Guest Rooms	\$ 116,000	Guests have complained that light cannot be totally shut out of rooms.
Top Line Profit System	59,000	A Revenue Management System being installed throughout Starwood-managed properties. Allows on-site and corporate revenue managers to set the best pricing in a real-time setting by trending current and historical data.
Discretionary Allowance	50,000	Unanticipated capital items at the discretion of the General Manager.
Elevator Electronic Key-Card Readers	26,000	To increase security for club-room floors.
Oracle License	23,000	Renew license for system used by hotel.
Vinyl on Walls of Elevator Landings	20,000	Improve appearance and reduce maintenance due to "scuffing" caused by guests' luggage.
Food Refrigeration Units	19,000	Install food refrigeration units to enhance the quality of food service in the ballrooms.
Miscellaneous Housekeeping Equipment	17,000	As needed throughout the year.
Armories	17,000	Armories in 31 rooms without closets.
Restaurant Miscellaneous Equipment	15,000	As needed throughout the year.
Banquet Miscellaneous Equipment	15,000	As needed throughout the year.
Kitchen Miscellaneous Equipment	15,000	As needed throughout the year.
Security Cameras	<u>15,000</u>	To enhance security in public spaces within the hotel.
Subtotal	\$ 407,000	

Sheraton Grand Sacramento
2002 Capital Budget

Description	Budget	Justification
Subtotal	\$ 407,000	
Hotel Awnings	13,000	To provide protection from weather at hotel entrances.
Notebook Computers	10,000	For department managers who need portability throughout the hotel.
Miscellaneous Engineering Equipment	10,000	As needed throughout the year.
Banquet Six-foot Tables	10,000	More six-foot tables are needed for room set-up.
Interior Directional Signage	7,000	To enhance guest way-finding within the hotel.
Banquet Risers	5,000	Additional staging is needed for room set-up.
Upgrade Building Management System	5,000	Enhancements and new generation software.
Tile in Glides Area	5,000	Upgrade counters to allow on-site food preparation.
Glass Entrance Door-Sales/Catering	5,000	Upgrade appearance.
Portable Heaters	3,000	To provide heating for outdoor dining area.
Deli Refrigerator	3,000	To provide on-site food preparation in Glides.
Cafeteria Upgrades	3,000	Furniture and other upgrades for employee cafeteria.
Wall-mounted Telephones	2,000	To replace current phones in meeting rooms.
File Cabinets	<u>2,000</u>	Four files for sales department.
Total	<u>\$ 490,000</u>	