LCCCA Plan of Finance

Presented by:

GK Baum and Company & Susquehanna Capital Advisors

December 13-14, 2006

Financing Structure

- $63.990 million of LCCCA Hotel Tax Revenue Bonds consisting of:
  - $40 million of remarketed 2003 Bonds
  - $23.990 million of 2006 Bonds
- Term of 2003 Bonds is 2043
- Term of 2006 Bonds is 2046
- Variable Rate Demand Bonds
- Interest Rate fixed by a 67% of LIBOR Interest Rate Swap.
- Bonds credit enhanced by a Wachovia Bank Letter of Credit.
- Sold to sophisticated tax-exempt investors

Financing Team

- Credit Enhancement – Wachovia Bank
- Trustee – M&T Bank
- Swap Counterparty – Wachovia Capital Markets
- Swap Advisors – GK Baum and Susquehanna
- Underwriter – Wachovia Capital Markets
- Underwriter’s Counsel – Fox Rothschild
- Bank Counsel – Eckert Seamans
- Bond Counsel – Stevens & Lee

Sources and Uses

	Hotel	LCCCA	Total	
USES				
Site Acquisition/Sunk Costs (1)	4,151,181	3,157,000	7,308,181	Already Spent.
Hard Cost (2)	42,948,630	60,008,599	102,957,229	Bid/Contracted.
FF&E	7,192,393	7,977,037	15,169,430	Per Interstate.
Soft Cost	8,658,348	9,145,358	17,803,706	Largely Spent.
Contingency	3,049,681	3,134,753	6,184,434	Still Available, Will Fund R/R if Unused.
Total Cost	66,000,233	83,422,747	149,422,980	
Capitalized Interest	1,986,140	5,024,736	7,010,876	Known at Closing.
Reimbursement of 2003 Capitalized Interest (3)	-	1,211,873	1,211,873	Known/Spent
Operating and Rate Stabilization Reserve Funding (4)	-	1,925,000	1,925,000	Vs. $900,000 from 11/18 per Wachovia, Interstate.
Authority Administation, Legal, Negotiations (5)	-	1,409,000	1,409,000	2-yrs Worth of Estimated Authority Operating Budget.
Debt Service Reserves	1,000,712	4,344,844	5,345,556	Per Wachovia for LCCCA.
Financing Cost	992,000	677,971	1,669,971	Reduced from 11/18 on LCCCA Side.
Total Cost	3,978,852	14,593,424	18,572,276	
Total Cost	69,979,085	98,016,171	167,995,256	
Sources				
Hotel Tax Revenue Bonds Series 2003 (Tax Exempt)	-	40,000,000	40,000,000	Wachovia Commitment for up to $64 million of Bonds.
Hotel Tax Revenue Bonds Series 2006 A (Tax Exempt)	-	23,990,000	23,990,000	
RACL Revenue Bonds Series 2004 (Taxable)	24,000,000	-	24,000,000	PSP has Commitment for Construction Funding.
IFIP Bonds	13,600,000	-	13,600,000	Commitment from Fulton Bank to Buy Loan.
Interest Income	-	2,136,000	2,136,000	Projected Based on Draw Schedule.
OGP, UDP, IDP Grants	7,250,000	-	7,250,000	In-Hand.
State Grant I	-	15,000,000	15,000,000	All Conditions will be Met by Christmas.
RACP Grant II	7,000,000	-	7,000,000	Grant Agreement and Conditions in Place.
State Site Development RCAP Grant	6,500,000	-	6,500,000	
Equity	11,000,000	-	11,000,000	PSP Equity Commitment.
IFIP Grant in Aid of Construction	629,085		629,085	Represents First State Grant Payment Under IFIP.
LCCCA Prefunded Cost	-	9,325,000	9,325,000	Represents Pre-Funded Costs for the LCCCA.
Net Proceeds from Sale of King Street Properties	-	456,400	456,400	Agreement of Sale Being Negotiated.
Accumulated Tax Revenue (1/1/07 to 11/1/08)	-	7,108,771	7,108,771	Estimated Available Hotel Taxes Over Next 2 years.
Total	69,979,085	98,016,171	167,995,256	
Gap	-	-	-	

Notes:-

(1) Consisting of: Land Acquisition costs: $1,440,000, Payable (est.); $717,000, Sovereign Line of Credit Balance: $1,000,000, **Total = $3,157,000**

(2) Includes 19 prime contract bid amounts less V.E. savings, Direct purchase savings and allocations to HPT and Montgomery house and city.

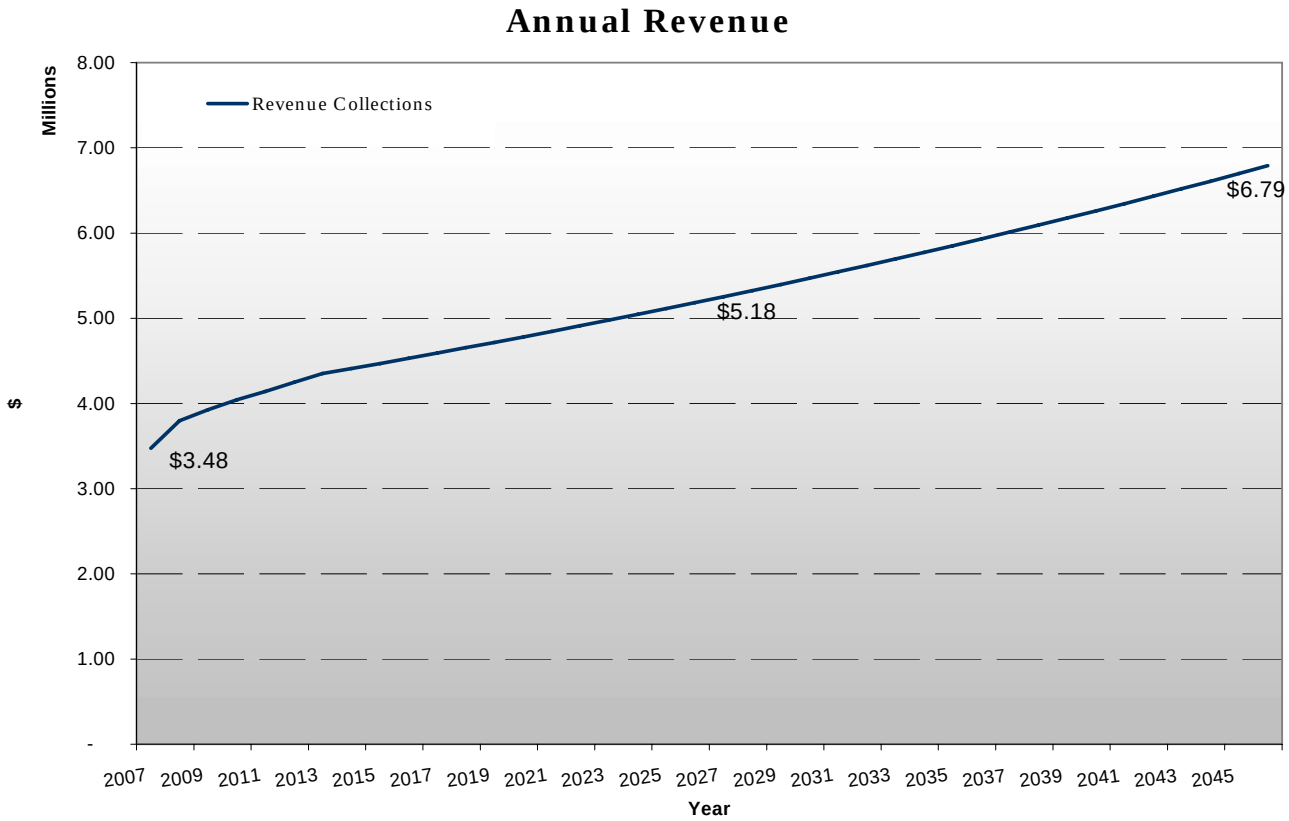
(3) Consisting of: Amount of 2003 Bonds: $40,000.000, less 2003 Bond Proceeds ($38,788,127), **Sub total = $1,211,873**.

(4) Consisting of: Working Capital Deposits (2/07-8/08): $1,475,000, Rate Stabilization Deposits: $450,000, **Total Reserves:- $1,925,000**.

(5) Consisting of Authority Admin Budget @ $40,000/month for 24 months =$960,000; Additional Legal (Negotiations) @ $18,708 for 24 months =$449,000, **Total = $1,409,000**

Revenue to Pay Debt Service

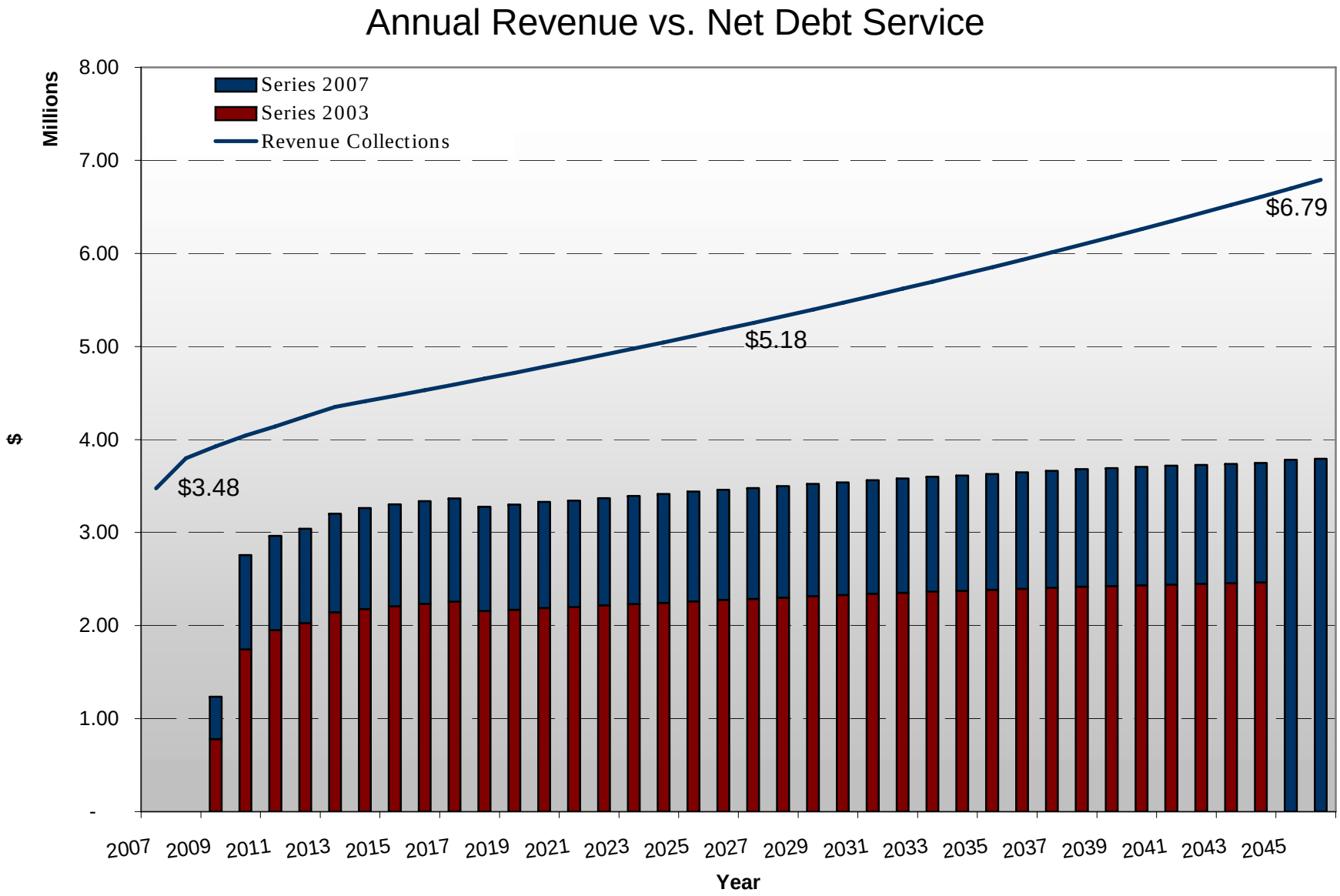
- Current Annual HRRT Revenues $3.3 mm.
- 6 year growth rate -2.84%.
- Marriott open Aug 2008. Generates $240,000 of new tax revenue initially.
- Conservative Projections: HRRT base projected to grow at 2.5% annual 2006-2013 and 1.3% thereafter.



Debt Service

- Net Debt Service consists of variable rate debt payments, swap payments, LOC annual payments and remarketing payments less interest earnings and maturing principal amounts of the debt service reserve funds.
- Swap receipts and variable rate payments typically net out, resulting in a synthetically fixed rate payable to the swap counterparty.
- Final term of the bonds is 40 years from 2006. The 2006 new money portion is “wrapped” around the 2003 remarketed portion.
- This results in no extension of maturity for the 2003 Bonds.
- 2003 Average Bond Debt Service is $2,132,000.
- Annual net debt service peaks at $3,986,898 million net in 2041.

Debt Service



Costs

- All-In Rate (AIC) of 4.942%
- This is a combination of the swap rate, LOC and Remarketing and Costs of Issue
- Swap Rate is *estimated* at 3.65%. This will be locked-in on or before the Closing
- LOC (per annum)
  - 1.25% on Series 2006
  - .90% on Series 2003
- Remarketing of .09%
- Placement Fee of $3/$1,000

Summary

- Sources and Uses are balanced now based on current and anticipated agreements with the Developer, Operator and Owners.
- The transaction documents are being finalized.
- The Wachovia Commitment Letter will bind the Authority and Wachovia to proceed to closing subject to conditions precedent.
- The Resolution authorizes the negotiation, execution and delivery of documents related to the:
  - Commitment Letter
  - Swap – ISDA Master, Schedule and Confirmation
  - Reimbursement Agreement between Bank and the Authority
  - Amendments to 2003 Trust Indenture and Supplement
  - 2007 Trust Indenture
  - 2003 Remarketing Memorandum and 2007 Official Statement
  - Bond Purchase Agreement
  - Continuing Disclosure Agreement
  - Bonds
  - Other documents as required