

SPECIAL REPORT: HOTEL WORKOUTS & ASSET RECOVERY SERVICES



DISTRESSED SITUATIONS

Quorum was formed in 1987 for the express purpose of managing hotel assets impacted by the *Tax Reform Act of 1986*. Since then we have assisted with more than 40 distressed or REO situations. We believe the financial crisis of 2008 will produce a similar disruption in hotel ownership in the coming year.

OUR NICHE

First class and luxury, full service hotels in North America.

ABOUT US

The Company was founded in 1987 as a partnership between its senior executives and The Rank Group Plc and was known as Rank Hotels North America until November 1994. At that time senior management purchased Rank's interest and introduced the Quorum name.

OUR JUDGES

- Aetna Realty
- AIG Global Real Estate
- Anschutz Entertainment Group
- Liquid Realty Partners
- MacFarlane Partners
- RREEF Real Estate Fund
- Somera Capital Management
- SunAmerica
- The Rank Group, Plc
- Transwestern Realty Finance
- UBS Realty Advisors

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9th Largest Hotel Management Group founded 21 years ago to concentrate on distressed hotel assets.

MARKET WATCH

The percentage drop in Q4 2008 lodging demand has to date been greater than that experienced after 9/11. The falloff in **transient** business has been extreme as travelers have remained at home, impacted by the economy, airline prices and capacity reduction, and general fear of spending. Interestingly, the **luxury** sector has been the hardest hit. Most industry experts are predicting that 2009 will be more of the same. A leading investment advisory firm noted on December 11th that "...a 10% drop in RevPAR can result in a 25% to 50% decline of many properties' net operating income."

It is apparent that debt markets are not responding to federal stimulus and that lodging transactions will remain frozen for most of 2009. The industry is poised for 12 months of tough financial rehab.

Since March 2008, Quorum's Asset Management Group has taken on nine (9) distressed hotels. In each situation the asset was losing cash and customers, and needed an immediate infusion of leadership. The primary concerns related to daily operating supplies, staff retention, and franchise (brand) relations. Most of the hotels were in default to the franchise regarding mandatory Property Improvement Programs (PIPS) that had been delayed due to capital constraints.

Quorum's relationships with the major franchising companies enabled us to renegotiate short term action plans for each, resulting in either the retention of the brand and expedited renovations, or where necessary, a new brand relationship.

HOTEL SOLUTIONS

Hotels are the most complicated form of commercial real estate. They are both capital and labor intensive and a specialized undertaking. Without the right brand, reservation system and management, they are just expensive buildings with beds. Quorum has **three** distinct service groups that can help.

Our **Corporate Operations Group** can take over *direct management* of a hotel asset. We will employ and train all staff members, establish and maintain all operating budgets, bank accounts, insurance policies, permits and licenses.

If you have an imbedded brand operator, our **Asset Management Group** can provide ongoing monitoring of your operator- we "*manage the manager*" for you. We will attend all meetings, review and approve all budgets and capital requests, and audit all contractual obligations of the operator.

Our **Corporate Consulting Group** can perform *operating assessments* to help evaluate your current or targeted lodging assets. We will provide our experienced viewpoint regarding the market strengths and weaknesses of the asset, current and available brands, physical condition, capex needs and exit strategies.

All three of these groups are backed by our corporate "talent sheets" - over 200 years of collective hotel experience including experts in finance, accounting, human resources, revenue management, and operations.



Hotel Workouts & Asset Recovery Case Studies

Q: Give some examples of troubled hotels you have repositioned through *direct management*.

Property: Hilton Phoenix East, Mesa, Arizona, 260-Keys
Services: Quorum was engaged by the lender in 1990 to take over management of this 260-key Hilton franchised property upon foreclosure. Quorum improved operations and formed an investment group to purchase the property from the lender in 1993.

Other Properties Operated on behalf of this lender client:

- Embassy Suites, Denver, Colorado 236 Keys
- Holiday Inn Boca Raton, Florida 184 Keys
- Holiday Inn Park Central, Orlando, Florida 344 Keys
- Holiday Inn Casper, Wyoming 200 Keys
- Holiday Inn Executive Center, VA Beach 331 Keys

Property: Radisson Suites, Tucson, Arizona, 300-keys

Services: Quorum was engaged by the lender of the then Doubletree Suites. Quorum repositioned the hotel to a Radisson franchise (there were too many Doubletree products in the market) and supervised a \$4M± renovation of the facility.

Other REO Properties Repositioned Thru Direct Operations:

- Brown Palace Hotel, Denver, Colorado 240 Keys
- Denver Inn (now Comfort Inn), Colorado 230 Keys
- Hilton Lake Arrowhead, CA 281 Keys
- Holiday Inn, Lawrence, Kansas 116 Keys
- Holiday Inn, Manhattan, Kansas 192 Keys
- Hotel Plaza II, Toronto, Canada 258 Keys
- Radisson Fort Worth, Texas 517 Keys
- Sheraton Galleria, Houston Texas 314 Keys
- Tremont Hotel, Chicago, Illinois 130 Keys
- Whitehall Hotel, Chicago, Illinois 221 Keys

Q: Give some examples of troubled hotels you have repositioned through *asset management*.

Property: The Ritz-Carlton Hotel & Spa New Orleans
Services: Quorum was engaged in 2000 by the majority partner to replace the developer of this 3-hotel, \$300 million, 800-key complex under construction in New Orleans, Louisiana. Quorum

assumed the role of General Partner and supervised the completion of construction and the opening activities of the Ritz-Carlton Hotel Company. Since opening, Quorum has also served as the Asset Manager.

In 2005, Quorum was tasked with the enormous rebuilding process in the aftermath of Hurricane Katrina and the coordination of ownership’s \$110M insurance claim. The complex was successfully re-opened in December 2006. Quorum continues to asset manage the activities of Ritz-Carlton.

Other Asset Management Assignments:

- Crowne Plaza Omaha 223 Keys
- Embassy Suites Minneapolis 216 Keys
- Hyatt Charlotte, Charlotte, North Carolina 260 Keys
- Hyatt Fair Lakes, Fair Lakes, Virginia 280 Keys
- Hyatt Dulles, Dulles, Virginia 280 Keys
- Iberville Suites, New Orleans, Louisiana 230 Keys
- Maison Orleans, New Orleans, Louisiana 75 Keys
- Marriott City Center, Charlotte, NC 434 Keys
- Ritz-Carlton Coconut Grove, Florida 115 Keys
- Westin St. Louis, St. Louis, Missouri 262 Keys
- Westin Beechwood, Fort Worth, Texas 286 Keys

Q: Underwriting, Consulting and Due diligence experience?

Services: Yes. Institutional clients engage Quorum to assist in their underwriting of hospitality assets. They utilize Quorum’s services to provide an operator’s perspective as to the condition and market potential of various assets, including:

- Birmingham Marriott 300 Keys
- Burlington Marriott, Massachusetts 404 Keys
- Cincinnati Airport Marriott 300 Keys
- Cincinnati North Marriott 297 Keys
- Cincinnati Northeast Marriott 300 Keys
- Columbus Northwest Marriott 297 Keys
- DFW Marriott 300 Keys
- Embassy Suites, Alexandria, Virginia 298 Keys
- Essex House, New York, NY 515 Keys
- Grand Hyatt San Diego, California 1,625 Keys
- Grand Wailea, Maui, Hawaii 780 Keys
- Hartford Marriott 301 Keys

QUORUM HOSPITALITY SERVICES

•Hilton Alexandria, Virginia	241 Keys
•LA Live Convention Center Hotel	1,089 Keys
•Rancho Bernardo Resort, California	288 Keys
•Savannah DeSoto Hilton, Georgia	245 Keys
•Sonesta Key Biscayne Resort, Miami, FL	389 Keys
•Sonesta Boston, Massachusetts	400 Keys
•Stamford Marriott, Stamford, Connecticut	506 Keys
•Surf & Sand Resort, Laguna, California	164 Keys
•Westin Galleria, Dallas, TX	432 Keys

**TONY FARRIS
CHAIRMAN/CEO & PRINCIPAL**

Mr. Farris is a founding member of the company and responsible for the overall direction and operation of the company. Prior to forming Quorum, Farris spent 12 years with Metro Hotels, a Dallas-based hotel development and management company, last serving as EVP of Operations. Previously, he served as CFO for several years.

Before joining Metro Hotels, Farris served with ITT-South Florida Development as CFO and with ITT Sheraton as Controller of the Sheraton British Colonial and Emerald Beach hotels in Nassau, Bahamas. Farris also held various management positions with a Dallas-based hotel company that owned the Adolphus Hotel, Stoneleigh Hotel, Biltmore Hotel in Los Angeles and the Hong Kong Hilton.

Farris has served as Treasurer of the Board of Trustees of the Educational Institute, a joint project of the American Hotel & Lodging Association (AH&LA) and American Hotel Foundation. Farris is past Co-Chairman of the AH&LA's select committee of financial management and the audit committee of the AH&LA. He is a certified hotel administrator (C.H.A.), a certified public accountant (C.P.A.) and a graduate of the University of Texas system.

**TED MOSLEY
PRESIDENT/COO & PRINCIPAL**

Mr. Mosley is a founding member of the company and is responsible for the day-to-day operations of the company's hotels and supervision of the Corporate Operations Group, Quorum's team of experts in the key areas of hotel operations.

Before joining Quorum, Mosley served as VP of Operations for Metro Hotels where he was responsible for the operations of 15 properties. He also served as VP of Operations for the Harpenau Hotel Corporation and has served as General Manager of Hilton, Marriott and Sheraton Hotels.

Mosley began his career with Hyatt Hotels after serving two years in the United States Army, where he managed the largest revenue producing officers' club in the Army Club system.

Mosley is an active member of the American Hotel and Motel Association, Dallas Chamber, a certified hotel administrator

(C.H.A.) and serves on the advisory board of the Florida State University School of Hotel and Restaurant Management. He also is a graduate of Florida State University with a double major in Hotel and Restaurant Management and Marketing Management.

**DREW MCCARNEY
EVP DEVELOPMENT & PRINCIPAL**

Mr. McCarney is a founding member of the company and since April 1989 has been responsible for overseeing acquisition activities, joint venture formation, project development and business development. From 1987-1989 he served as SVP of Administration coordinating the company's efforts in legal administration, human resources, corporate communications, contract negotiations, and risk management.

Prior to joining Quorum, he served as VP of Human Resources at Metro Hotels. McCarney also served as Director of Human Resource Planning for Amfac Hotels in Burlingame, CA, with responsibility for labor relations, recruitment and legal activities. He joined Amfac after serving as Regional Director of Industrial Relations for Hyatt Hotels at their New Orleans and San Francisco regions.

McCarney has served on the Board of Directors of the Council of Hawaii Hotels and the advisory committee in the School of Administration at Golden Gate University in San Francisco. He is a graduate of Bellarmine University, Louisville, Kentucky.

**ROB DRAWBRIDGE, EVP
ASSET MANAGEMENT & PRINCIPAL**

Mr. Drawbridge is a founding member of the company and is responsible for the day-to-day oversight of the company's Asset Management Group.

During the period 1991-1997, Drawbridge served as VP of Resort Operations of the company's Kingston Plantation Resort in Myrtle Beach, South Carolina. From 1987 to 1991 he directed the company's food & beverage operations.

Before joining Quorum, he served as VP of Food & Beverage for Metro Hotels, responsible for the food and beverage operations of 15 hotels, plus its restaurant division which included four (4) Travel Award-winning facilities.

His experience includes serving as Northeast Area Director of Food and Beverage for The Sheraton Corporation in Boston and As Executive Assistant Manager of Food and Beverage at Amfac's 1500-room hotel and resort in Dallas (now a Hyatt). He held a similar position at Amfac's four-star Silverado Resort and Conference Center in Napa, California.

Drawbridge spent five years with Hyatt Hotels, serving as Executive Assistant Manager of Food and Beverage at Hyatt's Birmingham, AL and Mission Bay, CA locations. He is a graduate of Vanderbilt University.

REX STEWART, CFO

Mr. Stewart assumed his duties in 2006 with primary responsibility for the accounting, tax, treasury, risk management, and technology functions of the company. Prior to joining Quorum, he served as an investor and CFO of *Sonny Bryan's*, a Dallas based, 14-unit restaurant company.

He previously served as EVP & CFO of Patriot American Hospitality, supervising the establishment of the hotel accounting and financial reporting systems as that company advanced from IPO to over 200 owned and managed hotels. He also directed external and SEC compliance reporting and new offering filings; assisted in the valuation of all asset acquisition opportunities, and actively participated in the negotiation of agreements and closings.

Stewart served as EVP and CFO of Dallas-based Metro Hotels from 1986-1995, where he was associated with the senior officers of Quorum. He joined Metro in 1986 after serving as VP of Finance for Lincoln Hotels. He began his finance career with Arthur Andersen, having joined them upon leaving the U.S.A.F. as a First Lieutenant.

A Certified Public Accountant (CPA), he received an MBA in Finance from the University of Southern California and a B.B.A from Texas A & M University.

**JEAN HUNGERFORD, VP
MARKETING & ROOMS OPERATIONS**

Ms. Hungerford joined Quorum Hotels & Resorts in 1987 with an extensive background in rooms division and revenue

management. She is responsible for the design, development and operation of the company's marketing and rooms division operations, including sales training, rate management systems and training, advertising, CRS relations, property management systems and telecommunications.

Before joining Quorum, Hungerford was General Manager at the Embassy Suites in Austin, Texas and Tampa, Florida, and also served as Executive Assistant Manager-Rooms Division at the Dallas/Fort Worth Executive Conference Center and the Fort Worth Hilton for Metro Hotels.

Hungerford served as Assistant Director of Rooms Operations for Amfac Hotels at their 1500-room D/FW Airport Hotel and as the Director of Central Reservations (CRS) in Burlingame, CA, responsible for all central reservation functions for Amfac's eight mainland and nine Hawaiian hotels. She began her management career as the Reservations Manager of the Hyatt Regency Kansas City, Missouri.

PAM MacRAE, VP HUMAN RESOURCES

Ms. MacRae joined the company upon its formation in 1987 and is currently responsible for the oversight of its human resources division including: recruitment, labor relations, legal compliance, benefit management and training. MacRae began her tenure with Quorum as Manager of Administrative Services aiding in the original development of the company's human resources function. She later served as Director of Human Resources at Quorum's Pan American Ocean Resort, successfully establishing the HR function for that hotel.

MacRae previously served as Director of Human Resources for Stonebridge Ranch, a 6,000-acre, Mobil Land Development community with 300 employees in McKinney, Texas.

GARY LEVINE, VP FOOD & BEVERAGE

Mr. Levine is responsible for directing the food and beverage operations of Quorum's managed properties and is based at the company's Hilton Hotel in Mesa, AZ.

Levine first joined the company in 1987 as food and beverage director for the Brown Palace. He was promoted in 1992 to corporate food and beverage director for Quorum's hotel portfolio and served in that role until 1997 when he left the company. He returned as VP of Food and Beverage in June 2004.

In the interim, he served as VP of operations at General Cigar Company in New York, NY; VP of food and beverage at the MGM/Mirage Beau Rivage Resort & Casino in Biloxi, MS; and, as director of food and beverage at the world renowned Lodge at Pebble Beach. A native of Massachusetts, he began his hotel career with Sheraton Hotels.

LARRY MALONEY CORPORATE CONTROLLER

Mr. Maloney joined the corporate staff in June 2004 with responsibility for corporate and project accounting and was promoted to his current role in November 2004. He is responsible for all hotel accounting and reporting for the company.

He originally joined the company in 1993 as Assistant Controller at the Hilton Phoenix East in Mesa, AZ and was promoted in 1994 to Controller at the Holiday Inn Lawrence, Kansas. He held similar responsibilities from 1996-2002 at the company's Tampa Westshore property. During the period 2002-2004, Maloney was responsible for special corporate financial projects, including assignments involving various hotel assets.

Prior to joining Quorum in 1993, he had served as Food and Beverage Controller and Assistant Controller at the Registry Resort in Scottsdale, AZ. A native of Damascus, Maryland, Maloney received a B.S. in Political Science from James Madison University in Virginia in 1986 and was awarded his MBA from the University of South Florida in 2002.

MARRE BRANTNER, DIRECTOR REVENUE MANAGEMENT

Ms. Brantner joined the Quorum corporate staff in January 2003 to assume enterprise-wide responsibility for revenue generation and yield management practices for all Quorum properties. She joined Quorum from Starwood Hotels &

Resorts where she most recently served as Complex Director of Revenue Management for a number of their Denver based hotels. She also served on various Starwood Task Forces, helping in the design and development of revenue strategies in other markets containing multiple Starwood managed facilities.

Her prior industry experience includes serving in a number of key positions at the Sheraton Colorado Springs Hotel, including Front Office Manager and Reservations Manager.

Brantner began her hospitality career with the Radisson Inn North, Colorado Springs, CO.

NATALIA MALEK SENIOR REAL ESTATE ANALYST

Ms. Malek joined the company in May 2008 with primary responsibilities for real estate analysis, asset management reporting and business development support. In this position, she participates closely with the senior principals of the company in the oversight, analysis and financial reporting related to existing investments as well as the research and preparation of all financial analysis regarding proposed acquisitions and joint ventures.

Before joining Quorum, Ms. Malek was an Assistant General Manager with CAPSTAR at Mockingbird Station in Dallas - a major, mixed-use project consisting of retail, residential and office components. She joined CAPTSTAR after serving a number of years with Deloitte as an Associate in their Tax department.

A Certified Public Accountant (CPA) and native of Dallas, Malek received a Masters in Public Accounting and a Bachelors Degree in Business Administration from the University of Texas at Austin.

