PROJECT UPDATE

August 11, 2015

Presented by Jeff Appelbaum
• CONSTRUCTION STATUS
• BUDGET STATUS
• PROJECT OVERSIGHT
• INCLUSION PROGRAM STATUS
• HILTON SALES TEAM
• CURRENT MATTERS
VIEW FROM ROCK HALL
VIEW LOOKING NE FROM STANDARD BUILDING
VIEW LOOKING WEST FROM MALL
VIEW LOOKING SE FROM LAKESIDE / ONTARIO
ESCALATORS AT LEVELS 1 AND 2
VIEW NE

VIEW SE

VIEW FROM 26TH FLOOR
• Construction is **56%** Complete
• GMP Buyout is **100%** Complete

• Overall Development Project is **50%** Complete
• FF&E Buyout is **39%** Complete
  Examples: Carpet and Wallcovering
• Art Buyout is **18%** Complete
• OS&E Buyout is **2%** Complete
• IT Systems Buyout is **1%** Complete

Components Outside of Design Build Contract
• To date 1461 workers have performed work on the Project
• Approximately 482,064 man hours have been expended on site (through June 30, 2015)
• There has been only 1 injury that has resulted in a worker’s lost time (and that was an engineer—not a construction worker!)
Peaking at 365 MM in June
<table>
<thead>
<tr>
<th>Milestones</th>
<th>Date</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abatement Complete</td>
<td>1/24/14</td>
<td>Completed</td>
</tr>
<tr>
<td>Demolition Complete</td>
<td>2/28/14</td>
<td>Completed</td>
</tr>
<tr>
<td>Deep Foundations Complete</td>
<td>6/11/14</td>
<td>Completed</td>
</tr>
<tr>
<td>Concrete Foundations Complete</td>
<td>9/3/14</td>
<td>Completed</td>
</tr>
<tr>
<td>Start of Steel Erection</td>
<td>9/17/14</td>
<td>Completed</td>
</tr>
<tr>
<td>Podium Structure Complete</td>
<td>12/8/14</td>
<td>Completed</td>
</tr>
<tr>
<td>Tower Structure Complete</td>
<td>9/18/15</td>
<td>Projected</td>
</tr>
<tr>
<td>Exterior Wall Complete</td>
<td>10/20/15</td>
<td>Projected</td>
</tr>
<tr>
<td>Build Out Complete</td>
<td>3/30/16</td>
<td>Projected</td>
</tr>
<tr>
<td>Substantial Completion</td>
<td>4/1/16</td>
<td>Projected</td>
</tr>
<tr>
<td>Hotel Grand Opening</td>
<td>6/1/16</td>
<td></td>
</tr>
</tbody>
</table>

Topping out Ceremony around 10/1/2015
## Project Development Budget

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design Builder GMP</td>
<td>$217,053,982</td>
</tr>
<tr>
<td>+ FF&amp;E</td>
<td>$27,806,815</td>
</tr>
<tr>
<td>+ Art</td>
<td>$1,565,000</td>
</tr>
<tr>
<td>+ Utility Costs</td>
<td>$1,768,241</td>
</tr>
<tr>
<td>+ Permits</td>
<td>$1,356,610</td>
</tr>
<tr>
<td>+ Soft Costs (Consultants)</td>
<td>$12,742,496</td>
</tr>
<tr>
<td>+ Insurance</td>
<td>$674,582</td>
</tr>
<tr>
<td>+ Owner Contingency</td>
<td>$9,285,274</td>
</tr>
<tr>
<td>Sub-Total</td>
<td>$272,253,000</td>
</tr>
<tr>
<td>+ Additional Design Contingency</td>
<td>$4,000,000</td>
</tr>
<tr>
<td>Development Sub-Total</td>
<td>$276,253,000</td>
</tr>
<tr>
<td>+ Additional Owner Contingency</td>
<td>$34,128,105</td>
</tr>
<tr>
<td>Total Development Budget</td>
<td>$310,381,105</td>
</tr>
</tbody>
</table>

(incl. $12 mil contingency)
## Initial Operations Budget

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hilton Pre-Opening</td>
<td>$6,300,000</td>
</tr>
<tr>
<td>+ Hilton Working Capital</td>
<td>$900,000</td>
</tr>
<tr>
<td>+ Property Taxes during Const.</td>
<td>$2,100,000</td>
</tr>
<tr>
<td>+ Interest Costs during Const.</td>
<td>$23,812,200</td>
</tr>
<tr>
<td>+ Hotel Security Escrow</td>
<td>$4,750,000</td>
</tr>
<tr>
<td>+ Operating Reserve</td>
<td>$4,750,000</td>
</tr>
<tr>
<td><strong>Total Operations Budget</strong></td>
<td><strong>$42,612,200</strong></td>
</tr>
</tbody>
</table>
## Total Development and Initial Operations Budget (Uses)

- **Project Development Budget**: $310,381,105
- **Initial Operations Budget**: $42,612,200
- **Grand Total**: $352,993,305

## Project Funding (Sources)

- **Net Bond Proceeds**: $230,885,000
- **Construction Reserves**: $41,088,210
- **City of Cleveland Contrib.**: $8,000,000
- **Bond Proceeds**: $23,812,200
- **Interest earned during Const.**: $643,230
- **Residual Sales Tax Collection**: $43,814,665
- **Key Money from Hilton**: $4,750,000
- **Total Funding**: $352,993,305
### Owner Contingency Summary

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
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<tbody>
<tr>
<td>Base Budget Contingency</td>
<td>$9,285,274</td>
</tr>
<tr>
<td>Additional Design Contingency</td>
<td>$4,000,000</td>
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<tr>
<td>Additional Owner Contingency</td>
<td>$34,128,105</td>
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<tr>
<td><strong>Total Contingency</strong></td>
<td><strong>$47,413,379</strong></td>
</tr>
</tbody>
</table>

### Contingency Use To Date*

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contingency Use (approved to date)</td>
<td>approx. $8,600,000</td>
</tr>
<tr>
<td>Anticipated Additional Use</td>
<td>approx. $3,000,000</td>
</tr>
<tr>
<td><strong>Total Contingency Use</strong></td>
<td>approx. $11,600,000</td>
</tr>
</tbody>
</table>

*Potential unquantified risks:
- Excessive lost weather days (cold and wind)
- Potential labor issues

Total Owner Contingency                           | $47,413,379  |
Less Anticipated Contingency Use to Date          | - $11,600,000 |
Remaining Contingency                             | $35,813,379  |

Additional Opportunities: Return of DB Contingency; Owner Holds and Unused Allowances; FF&E Buyout Savings
Contingency Use (greater than $200,000):

- Glass Operable Walls at Level 3 & 5 Meeting Rms: $221,600
- Created Centralized Fire/Smoke Dampers: $(597,074)
- Additional Anticipated Concrete Scope: $556,678
- Revised Restaurant Entry: $299,358
- Acoustic Isolation at Sky Bar: $221,000
- Payment Credit adjustment: $400,000
- Replace monumental stair with escalators: $331,538
- Podium Roof Cornice Steel: $737,377
- Porch Column Trellis Steel: $231,316
- Added Granite Base to Precast: $205,970
- Added more WAPs on Guest Floors: $212,068
- Misc. 90% CD changes: $475,460
- Final Millwork Scope Adjustment: $1,510,071
- Unused Owner Allowances to date: $(500,000)
• Hotel Operator/Architect/Contractor Selection
• Owner Consultant Selection (testing, commissioning, purchasing)
• Preliminary Program Development
• Budget Management
• Schedule Management
• Design Review and Management
• Stakeholder and Public Outreach
• Scope and GMP Reconciliation
• Inclusion Facilitation
• Sub-Contractor Scope Review
• Operator Design Review Management and Coordination
• Art Review and Coordination
• Review Change Orders and Approval Letters
• FF&E / OS&E / IT Review and Management
• Interview Operator Key Personnel
• Owner / Architect / Contractor Meetings
• Owner / Contractor Meetings
• Field Observation and Problem Solving
• Pay Application Review and Approval
• Turnover and Transition Management and Coordination
Overview

- Cuyahoga County has adopted an 11-point Best Practices Plan for the SBE Diversity and Inclusion Program
- Diversity and Outreach Team – Cuyahoga County, Minority Business Solutions, The Sanchez Group, Turner/Ozanne/VAA
Participation Tracking (through June 2015)

- **Contracting Participation Goals**
  - 32.01% SBE (30% goal) — 131 contracts, $53.252m
  - 15.78% MBE (15% goal) - 66 contracts, $26.255m
  - 13.73% FBE (7% goal) — 61 contracts, $22.834m
  - 8 first-time sub-prime/prime contracting (6.1%)

- **Workforce Participation Goals**
  - 48% Cuyahoga County residency (40% goal)
  - 18% City of Cleveland residency (20% goal)
  - 8% "Low Income Person" (4% goal)
  - 20% Minority Workforce (20% goal)
  - 5% Female Workforce (6% goal)
  - 3% Hispanic Workforce (voluntary)
The Light and Warmth of Hospitality Comes to Cleveland
Introductions

Teri Agosta
General Manager Hilton Cleveland Downtown

Ronnie Collins
Director of Sales & Marketing Hilton Cleveland Downtown
Market Positioning

• Attract larger and more frequent citywide bookings into Cleveland
• Capitalize on the power of the medical market in Cleveland
• Create new group demand through Hilton National Sales
• Partner with Destination Cleveland, Cleveland Convention Center and the Global Center for Health Innovation to drive awareness and cultivate a cross selling culture
• Take full advantage of the exposure created by RNC
• Encourage site inspections and Experiential Trips to the destination to allow the charm of the city to be on full display
County Partnership

- Completion of 5 year master plan, most importantly pedestrian bridge and lakefront development
- Commitment to renovation of Huntington Garage – guests’ first impressions
- Increasing city center way finding
- Increasing destination advertising/marketing and PR and direct selling to convention clients (FAMs)
- Increase airlift into Hopkins International Airport
- Allow hotel to remain competitive with pricing structure
- Increase public transportation options
- Orchestrate citywide services and venues
Current Sales/Marketing/PR Update

SEND US YOUR FAVORITE CLEVELAND PHOTO

WIN A FREE WEEKEND STAY

Go to mycleveandphoto.com for your chance to win
Current Sales/Marketing/PR Update

• Currently at 50.3% of annual booking quota while exceeding all ADR goals
• Completed over 70 well-qualified site inspection/model room tours
• Pass-through image in the Convention Center
• Model rooms experience
• Branded website launched as of April 15, 2015
• Completed seven sales missions/sales trips with several more upcoming
• Hosted a tour and visit for all Food and Beverage and Culinary leadership from Hilton Brand
• PR Agency selected – Brokaw
• Driving awareness and participation – crowd-sourced art project
Current Sales/Marketing/PR Update

- Partnership through collaboration – Downtown GM/DOSM Meeting
- Project review with Hilton Brand Management
- Hilton eCommerce launch game plan in place
- Maximize unique Suite product
- Hilton Worldwide Sales engagement
- Over 8.7 million media impressions to date
Future Sales Action Plans

- Upcoming HWS Visits – October 5-9
- Several Sales Missions in concert with HWS or CVB
- Social Media launch
- Project update blog/microsite
- Virtual brochure and updated fact sheet
- Topping Off Ceremony – October 1
- Experiential visits for key Third Parties
- Grand Opening and Ribbon Cutting
Business Drivers

• Group Segment:
  • Corporate
  • Association
  • Specialty Markets
  • Third Parties

• Transient Segment:
  • Business (local and corporate negotiated)
  • Leisure (wholesale and destination/event driven)
  • Membership organizations (AAA, AARP)

• Local Catering:
  • Corporate day meetings
  • Galas and fundraisers
  • Destination weddings and other social events

• Signature Food and Beverage facilities
SOME CURRENT MATTERS UNDER CONSIDERATION

• Hotel operations, staffing and training
• Naming of meeting rooms, restaurant, bar and sky bar
• Huntington Garage – Design and Operations
• Asset Manager
• Campus Security
• Campus Connectivity