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**From:** David Orowitz [/O=TRUMP ORG/OU=FIRST ADMINISTRATIVE GROUP/CN=RECIPIENTS/CN=DOROWITZ]  
**Sent:** 12/14/2011 8:06:35 AM  
**To:** 'Patricia Moore' [patriciamoore1504@gmail.com]  
**CC:** Edward V. Gregorowicz [evglaw@aol.com]; John J. Cullinane (jcullinane@jcaaia.com) [jcullinane@jcaaia.com]; Ivanka Trump [itrump@trumporg.com]; Jim Petrus [jpetrus@trumporg.com]; Joshua Seidner [jseidner@trumporg.com]; Andrew Weiss [aweiss@trumporg.com]  
**Subject:** RE: Meeting to Discuss OPO Presentation  
**Attachments:** GSA Letter to Trump Organization 12 13 2011.pdf; Trump Response to GSA Request for Additional Information 9-21-11.docx; Outline for 12-19-11 Presentation.docx  
**Importance:** High

All,

I have started brainstorming how we can approach the letter. In preparation for our call, please try to review the letter from the GSA thoroughly. In addition, read what I have attached and come prepared with viewpoints on how we can create the content that we need and how it should be incorporated into the 30 page presentation, slides, and our verbal scripts. I also have attached the letter response from September (no need to read that for our 10 a.m.).

Best,  
Dave

**David Orowitz**  
Vice President, Acquisitions and Development  
The Trump Organization  
725 Fifth Avenue | New York, NY | 10022  
p. 212.836.3252 | m. 646.315.4698 | f. 212.836.3202  
[dorowitz@trumporg.com](mailto:dorowitz@trumporg.com) | [trump.com](http://trump.com)

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**From:** Patricia Moore [mailto:patriciamoore1504@gmail.com]  
**Sent:** Wednesday, December 14, 2011 8:28 AM  
**To:** David Orowitz  
**Cc:** Edward V. Gregorowicz; John J. Cullinane (jcullinane@jcaaia.com); Ivanka Trump; Jim Petrus; Joshua Seidner; Andrew Weiss  
**Subject:** Re: Meeting to Discuss OPO Presentation

Got it; will call in @ 10 AM.

p

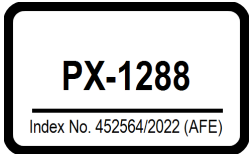
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On Wed, Dec 14, 2011 at 8:14 AM, David Orowitz <[dorowitz@trumporg.com](mailto:dorowitz@trumporg.com)> wrote:  
When: Wednesday, December 14, 2011 10:00 AM-11:00 AM (UTC-05:00) Eastern Time (US & Canada).  
Where: Trump Team in Small Conference Room / Dial-In Below

Note: The GMT offset above does not reflect daylight saving time adjustments.

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**Via E-Mail**

December 13, 2011

Ms. Ivanka Trump  
Executive Vice President, Acquisitions and Development  
The Trump Organization  
725 Fifth Avenue  
New York, NY 10022

Re: Confirmation of Presentation  
Redevelopment of the Old Post Office Building  
GSA Solicitation Number NR-73002105 – March 24, 2011

Dear Ms. Trump:

This is to confirm that your team is scheduled to make a presentation regarding the above-referenced solicitation on December 19, 2011 at 2:00 pm. In order to prepare for the presentation, please refer to the attached Question and Answer sheet.

Based upon a review of your initial proposal, the government has identified the following weaknesses/deficiencies:

**Factor 1**

- No references provided for financial partner; and
- No biographies or organization charts for financial partner.

**Factor 2**

- Annex meeting space seems awkward;
- Limited public access;
- Lack of specific documentation on exterior plans for public spaces;
- Design seems flamboyant, inconsistent with historic nature/character;
- Unclear access to clock tower;
- Unclear relation between Pennsylvania Avenues restaurants and North Plaza;
- Reception is hidden;
- Unclear service elevators;
- Is the Annex being totally rebuilt?;
- Unclear Annex plans;
- Unclear about the loading area location/design; and
- Concern about Pennsylvania Avenue vehicular access.

U.S. General Services Administration  
301 7th Street SW  
Washington, DC 20407-0001  
[www.gsa.gov](http://www.gsa.gov)

Factor 3

- Commitment from Colony not in writing;
- Financial statements appear to have multiple GAAP departures including but not limited to not including separately held entity financials, no provisions for income tax and the PV of the deposits not reflected;
- Please provide a statement regarding any bankruptcy or loan defaults on real estate development projects as specified under Factor 3; and
- Please provide financials on equity partner.

Factor 4

- Unclear on how tax credit would be applied;
- ADR assumptions seem optimistic;
- Permanent financing includes \$48MM cash out in year 3; and,
- Missing cash flows for years 6-13.

Your team is free to utilize the presentation period as it deems necessary. However, that being stated, the government suggests that your team focus its efforts on addressing the weaknesses stated above. In addition, the government is particularly interested in better understanding your team's vision for the Old Post Office.

Please feel free to contact me at (202) 708-4600 or by email to [kevin.terry@gsa.gov](mailto:kevin.terry@gsa.gov) with any questions. Please note that any questions asked may be the subject of a future Question and Answer sheet that is distributed to all offerors.

Sincerely,



Kevin M. Terry  
Senior Realty Contracting Officer

**U.S. General Services Administration**  
301 7th Street SW  
Washington, DC 20407-0001  
[www.gsa.gov](http://www.gsa.gov)

**REDEVELOPMENT  
OF  
OLD POST OFFICE**

**Presentation  
Questions and Answers**

1.) Where will the presentations occur?

Answer: The presentations will occur at the GSA Regional Office Building located at 7th & D Streets, S.W. (301 7<sup>th</sup> Street, SW), Washington, DC. Please use the public entrance, which is located half-way down the block on D Street.

2.) What will offerors need to bring to access the building?

Answer: Each member of the developer's team will need to show a picture ID in order to access the building. Once your group has arrived, please contact Summer Salyer at (202) 260-0653 or Andre Toppin at (202) 557-1014, and one of them will escort your group to the designated meeting room.

3.) Is there a limit on the number of developer team members allowed to be in the room for the presentation?

Answer: No.

4.) Who can make part of the presentation?

Answer: Any member of the developer's team may participate in the presentation.

5.) How many members of the development team can be present in support?

Answer: There is no set limit.

6.) Can offerors review the room in advance with its AV team?

Answer: Yes, please contact Kevin Terry to schedule an appointment.

7.) Can offerors visit before to see the room set up?

Answer: Yes, please contact Kevin Terry to schedule an appointment.

8.) What kind of audio-visual equipment does the room contain where the oral presentations will occur?

Answer: The room contains the following equipment: (2) 65" Panasonic LCD flat screen televisions; (2) desktop computers linked to both screens; both computers have USB ports for portable drives and CD-ROM drives; and (1) desktop is linked for audio.

9.) Can offerors bring their own equipment?

Answer: Yes.

10.) What is the schedule for the presentations?

Answer: Offerors will be allotted a total of 90 minutes for the presentations. Presentations are to begin promptly at the allotted time provided in your letter of invitation dated December 6, 2011. Your development team shall have 15 minutes prior to the presentation start time for set-up and introductions of the development team & GSA personnel, and 15 minutes at conclusion for take-down. Please allow for 30 minutes for questions and answers.

The schedule is broken down as follows:

Set-up & Introductions	15 minutes
Presentation	60 minutes
Q&A	30 minutes
Take-down	15 minutes

With the exception of the Q&A and take-down, Offerors may, in their discretion, elect to shift the allotted times. For instance, if it only takes 10 minutes to set-up, the offeror may elect to shift 5 minutes to the presentation portion. Likewise, if the offeror concludes the presentation portion early, then the offeror may elect to allot additional time for the Q&A period. That being stated, the offeror must allow for at least 30 minutes for Q&A and 15 minutes for take-down. In addition, Offerors are cautioned that if the set-up takes more than 15 minutes, the amount of time allotted for the presentation portion will be decreased accordingly.

11.) Should offerors only cover the information submitted in the initial offers?

Answer: Please refer to cover letter. Offerors are free to allocate the 60 minute block of time as they deem necessary.

12.) Will GSA identify who (name, position, and role in the selection process) from GSA and its consultants, will be present for the oral presentation? Will GSA provide bios for these people?

Answer: GSA will not identify the government personnel and consultants, if any, who are present in the room until the beginning of each oral presentation. This time will not count against the offeror's 90 minute block. No bios will be provided.

13.) Will we be presenting to the actual selection team members, some of the technical evaluation team members, or both?

Answer: Most likely both.

14.) According to the March RFP, GSA reserves the right to discuss matters with some or all developers. Are there any matters particular to the proposal that you like to see offerors elaborate upon in the oral presentations?

Answer: Please refer to cover letter.

15.) Are presentations to be evaluated on a separate point or rating system, distinct from the factors given in the RFP? If so, will you disclose those factors?

Answer: No, presentations are not to be evaluated on a separate point or rating system, distinct from the factors given in the RFP.

16.) Should offerors address the financial offer and supporting financial information (budget and pro forma)?

Answer: Please refer to cover letter.

17.) Should the oral presentation be verbatim of our written presentation or compression?

Answer: Please refer to cover letter.

18.) Are the materials presented and discussed confidential?

Answer: The same confidentiality will be applied to the oral presentations as to the initial proposals. Please refer to the RFP.

19.) Is there an area of concentration or interest to the panel members?

Answer: Please refer to cover letter.

20.) Should offerors prepare any handouts for the presentation or can offerors assume that the selection panelists and their advisers have our full submittal?

Answer: Offerors may provide any handouts they deem necessary. In addition, offerors are free to present any information they deem necessary, including but not limited to Power Point, multi-media presentations, etc. Offerors are limited, however, to providing a thirty (30) page written submission that will be left with GSA and included as a supplement to the offeror's initial proposal submission. Offerors may, in their discretion, provide this written submission at any time during the oral presentation. That is to say, offerors may provide the written submission at the beginning, middle, or end of the presentation.

21.) Should we offer bios of our presenters to GSA?

Answer: Each offeror must independently decide how to best allocate the time period. To the extent bios are provided as part of the written submission, they will count towards the thirty (30) page limit.

22.) Should offerors include the proposed general contractor in the presentation?

Answer: This is left to the discretion of each individual offeror.

23.) Can you share with us who the finalists are?

Answer: No.

24.) Will the questions from the panelists be integrated throughout the presentation or at the end?

Answer: The end.

25.) How long should we plan for the question period?

Answer: 30 minutes.

26.) Can offerors submit an additional written submission along with the oral presentation?

Answer: Yes; offerors may provide an additional written submission along with its oral presentation. Additional written submissions are limited to thirty (30) pages, inclusive of all Power Point slides, attachments, spreadsheets, pictures, etc. The written submission will be left with GSA and included as a supplement to the offeror's initial proposal submission.

27.) How many copies of the written submissions should be provided?

Answer: Please provide six (6) hard copies of the written submission and one electronic version in pdf format on a CD-ROM or DVD.

28.) Will the presentations be recorded?

Answer: Yes.

September 21, 2011

Via E-Mail

Mr. Kevin Terry  
Senior Realty Contracting Officer  
U.S. General Services Administration  
National Capital Region  
7<sup>th</sup> & D Streets, SW  
Room 7660  
Washington, DC 20407

Re: Redevelopment of the Old Post Office Building  
GSA Solicitation Number NR-73002105-March 24, 2011

Dear Mr. Terry,

I am writing in response to the information requested by the U.S. General Services Administration (“GSA”) on September 15, 2011. I have restated your questions and provided our answers below:

**1. Provide market based documentation for the projected 72% Hotel Occupancy Rate at Year 3 stabilization and the \$660 Average Daily Rate.**

- My team and I spent significant time in the market establishing the potential for Trump International Hotel, The Old Post Office Building, Washington, D.C. and took a conservative approach to projecting our average daily rate (ADR) and occupancy. Our senior hotel executive team, including our COO and CFO, spent more than a week in the market meeting with the General Managers of the top luxury properties to enhance their understanding of the competitive set, and the key drivers that make them successful, in order to establish a program for the OPO that will outperform these competitors.
- Under our plan, Trump International Hotel, The Old Post Office Building, Washington, D.C. is positioned to outperform the competitive set based on the reasons discussed in our proposal, including:
  - (1) The building and its architecture are impressive, iconic, and unique. These characteristics would be meticulously preserved while also providing for the highest level of finishes throughout the interior of the building.
  - (2) The OPO’s location is ideal for both business and leisure travel, which will support strong occupancy throughout the seasons, both on weekends and weekdays. Proximity to the mall, museums, and monuments, in addition to our world class spa, leading banquet



facilities, and signature restaurants, will drive leisure business on weekends when occupancy in D.C. is generally weakest.

- (3) All of the General Managers of our potential competitors articulated the need for more meeting space and a larger ballroom in order to secure the large group events that take place in the Washington D.C. market.
    - Our 34,000 square feet of meeting space is the most of any top-tier luxury hotel.
    - Our 13,600 square foot Grand Ballroom will also be the largest in our competitive set and serve as the premier location for events varying from blue chip corporate meetings to high end social events.
  - (4) The existing luxury hotel properties achieve significantly higher rates in their larger rooms and we have accordingly programmed our OPO hotel with a significantly higher percentage of premier rooms than our competitors.
  - (5) In addition, Trump International Hotel, The Old Post Office Building, Washington, D.C. will be the first luxury hotel opened since the Mandarin Oriental in 2004, which is a significant competitive advantage as we will be competing against aging properties. This advantage is expected to last for the foreseeable future as there is no pipeline of new top-tier luxury properties being proposed in the Washington D.C. market.
- All of these factors make us confident that our projections are obtainable. In order to establish occupancy and ADR at stabilization, we used the following systematic approach:
- (1) Current Top Tier Luxury Hotel Performance:
    - To establish the current market, we obtained the Smith Travel Research (STR) blended performance data for the Four Seasons Hotel, Washington, DC, The Hay-Adams, The Ritz-Carlton, Washington D.C., The Ritz-Carlton Georgetown, Washington D.C., and the Mandarin Oriental, Washington D.C. This group is referred to throughout this response as our “competitive set”.
    - In 2010, these properties obtained a weighted average ADR of \$372.85 and occupancy of 67.2%. These numbers are strong relative to the rest of the country and are expected to improve significantly along with national hospitality fundamentals.
    - It should be noted that there was significant variability in the performance of different properties based on the quality of their product offering. The Four Seasons Hotel, Washington, DC has proven that hotel guests will pay significantly more for a high quality product and an attractive amenities package. They achieved 70% occupancy and an ADR of \$522 in 2010, which resulted in their revenue per available room (REVPAR) exceeding the competitive set by 45%. The program that we have devised would position the OPO to compete directly with the Four Seasons and far outpace the rest of the competitive set.
  - (2) Expected Growth of Competitive Set:
    - To establish growth assumptions that bring the competitive set from 2010 to 2018, we evaluated historic hotel performance along with the projected supply and demand drivers for Washington D.C.
    - The predicted performance for the national hotel market is very positive as growth cycles generally last seven years and we are currently in the second year of one of those cycles. In addition, Washington D.C.’s long-term economic drivers are amongst the best in the country.
    - Occupancy:
      - Occupancy has coalesced around 72% historically for the luxury sector in Washington D.C.

- CBRE (a top hotel brokerage and research firm) predicts 2.7% demand growth for hospitality in Washington D.C. over the next 5 years.
  - Currently, there is no pipeline of new top tier luxury hotels in Washington D.C. The lack of new development will result in no additional competition for the foreseeable future.
  - Based on these growth rates, occupancy of the competitive set should easily reach 72% in the next two years. However, our projections are conservative and we cap the competitive set's occupancy at 70%.
- ADR:
    - Per PKF (a hotel research firm), ADR for the luxury sector in Washington D.C. has grown by 4% per year over the last ten years including the weak years during the recent downturn.
    - Based on strong demand and lack of any new supply, market analysts expect significant rate growth in the coming years.
    - In our analysis, we project:
      - 2011-2014: 6% average ADR growth as we exit the recession.
      - 2015-2021: 4% ADR growth at the historical average.
      - 2022 onward: 2.5% ADR growth.

Comp Set Forecast	2010	2011	2012	2013	2014	2015	2016	2017	2018
Occupancy %	67.2%	68.0%	69.5%	70.0%	70.0%	70.0%	68.0%	68.0%	70.0%
ADR	\$ 372.85	\$ 389.16	\$ 417.17	\$ 446.30	\$ 472.30	\$ 491.03	\$ 510.67	\$ 531.10	\$ 552.34
RevPar	\$ 250.56	\$ 264.63	\$ 289.93	\$ 312.41	\$ 330.61	\$ 343.72	\$ 347.26	\$ 361.15	\$ 386.64
ADR Growth		4.4%	7.2%	7.0%	5.8%	4.0%	4.0%	4.0%	4.0%
REVPAR Growth		5.6%	9.6%	7.8%	5.8%	4.0%	1.0%	4.0%	7.1%

(3) Competitive Set Penetration of Trump International Hotel, The Old Post Office Building, Washington, D.C.

- Occupancy:
  - As discussed earlier, we have assumed conservative, low occupancy for the competitive set at 70%.
  - Based on all of the advantages discussed earlier for Trump International Hotel, The Old Post Office Building, Washington, D.C., we should outperform the competitive set and achieve market penetration of 102.9 resulting in stabilized occupancy of 72%.
- ADR:
  - We believe that this property will be the rate leader in Washington D.C. and will obtain a significant rate premium over the competitive set. The Four Seasons, which our proposal positions us to compete favorably with, achieves a 40% premium on ADR relative to the competitive set.
  - However, to be conservative, our numbers project our hotel obtaining ADR penetration of 86% of the Four Seasons and 119.5% of the competitive set.

Index Forecast	2016	2017	2018
Occupancy Index	80.9	98.5	102.9
ADR Index	107.7	111.1	119.5
RevPar Index	87.1	109.5	122.9

- Taking all of these numbers into consideration, we predict a \$660 ADR and 72% occupancy in 2018 for Trump International Hotel, The Old Post Office Building, Washington, D.C.

**2. Confirm proposed hotel room count of 261 is in the existing OPO building.**

- That is correct. All hotel keys are located in the existing OPO building and none are contained in the Annex. The Annex will be used exclusively for parking and the largest meeting and banquet facilities in any luxury hotel property in Washington D.C.

**3. Identify where real estate taxes, payable to the Government of the District of Columbia, are included in the offer and supporting documentation.**

- It is our understanding that under the existing laws of the District of Columbia (the “District”), Possessory Interest Taxes would be payable by the lessee to the District on the leasehold interest in the Old Post Office Building, and that the assessed value of the leasehold interest would generally be determined as if the lessee were the owner of the real property and the property were not exempt from taxation. As the tenant, we would expect to take on this obligation and would not look to the GSA to pay any portion of this tax.
- Members of our team have spoken with the District’s Office of the Chief Financial Officer in general about legislation to establish a tax abatement in order to substantially reduce this tax burden, and plan to initiate more detailed discussions with the District of Columbia Council and with the Mayor’s office. The District has enacted such legislation in many other instances for a range of policy objectives including economic development and job growth; in particular, within the past 15 months the District has approved tax abatements for two hotels, including the adaptive use of a church into a five-star luxury hotel that received tax abatements of up to \$46 million over 20 years. Such legislation can be enacted within a relatively short period of time.
- Our request to the District for a tax abatement will be based on the following considerations, among others:
  - (1) Our proposal for the redevelopment of the Old Post Office Building uniquely provides a very high level of new taxes to be paid to the District through Room Tax, Food and Beverage Tax, Parking Tax and Sales Tax. In fact, we project these taxes alone will generate almost \$11 million dollars per year once the hotel has stabilized in Year 3 of operations (see chart below). No other use will generate this amount of new tax revenue to the District.
  - (2) The project will generate significant income and payroll taxes and create thousands of construction and ancillary jobs during development, with more than five hundred permanent positions once the hotel is operational.
  - (3) We intend to work with the District to implement programs to give District residents a priority for construction and permanent employment, apprenticeship programs and job training, and to provide small business and minority- and women-owned contracting opportunities.

Taxes	Year 3 - Basis	Tax Rate	Taxes	Comments
1 Room Tax	\$45,269,928	14.50%	\$6,564,140	Room Revenue
2 Food and Beverage Tax	\$36,696,078	10.00%	\$3,669,608	Food and Beverage Revenue
3 Parking Tax	\$2,844,054	12.00%	\$341,286	Parking Revenue
4 Sales Tax	\$5,213,326	5.75%	\$299,766	All Other Revenue (including spa, telecom, and other)
<b>Total Taxes</b>			<b>\$10,874,800</b>	

- We believe that in light of the fact that the District government has in many instances approved significant tax abatements in recent years to promote economic development, and in view of the substantial benefits that would accrue to the District from our specific plan to redevelop the Old Post Office Building in terms of tax revenue, job growth and economic redevelopment, there is a strong basis for granting significant tax abatement relief.
  - To clarify, we do not plan to submit a request for a Tax Incremental Financing (TIF) to generate up-front capital to fund the development costs. We understand that the District is currently near or at its capacity to offer this economic development tool, and our proposal for a tax abatement would in no way impact the District's borrowing capacity or cap.
- 4. Provide analysis for a NPV of land and existing buildings calculated by a 10-year pro forma with a hypothetical sale at year 11, with the selected Terminal Capitalization Rate, and with the 6% Discount Rate. The calculation is to be made without any land lease payments, to solve for the residual land value. Provide Terminal Capitalization Rate used.**
- We used a 6% Terminal Capitalization Rate, 2% Cost of Sale, and, as suggested, a 6% Discount Rate in order to calculate this NPV. The Discount Rate is significantly below the private sector cost of capital for this type of project, so our NPV should not be interpreted as a market value for the land and existing buildings.
  - We calculated the income with and without property taxes in order to calculate the NPV. Note that property taxes were only considered in this analysis, because the property would no longer be owned by the Federal government under this scenario.
    - (1) Without property taxes, the NPV is 117 million dollars.
    - (2) With property taxes, the NPV is 46 million dollars.
  - Please find the chart with our analysis on the following page.

### NPV Analysis for Land and Existing Building Residual Value

(USD Thousands)		Project Year												
Hotel Operating Year		1	2	3	4	5	6	7	8	9	10	11	12	13
Period End (March)		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Hotel NOI after Capex Reserve</b>		-	-	-	\$1,923	\$11,273	\$18,063	\$18,543	\$18,090	\$18,558	\$19,039	\$19,533	\$20,039	\$20,558
<b>Assumptions on Real Estate Taxes: Pay RE Tax?</b>		<b>Yes</b>												
Assessed Value (Cap Rate on Forward NOI After Tax)	6.00%	25,000	25,000	25,000	\$117,802	\$227,611	\$238,506	\$229,118	\$235,061	\$241,118	\$247,465	\$253,550	\$261,177	\$264,517
Assessed RE Tax (On First \$3M of Value)	1.65%	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50
Assessed RE Tax (Above \$3M of Value)	1.85%	\$407	\$407	\$407	\$2,124	\$4,155	\$4,357	\$4,183	\$4,293	\$4,405	\$4,523	\$4,635	\$4,776	\$4,838
Assessed RE Tax (Total)		\$457	\$457	\$457	\$2,173	\$4,205	\$4,406	\$4,233	\$4,343	\$4,455	\$4,572	\$4,685	\$4,826	\$4,888
<b>Assumption on FF&amp;E Taxes: Pay FF&amp;E Tax?</b>		<b>Yes</b>												
Furniture, Fixtures & Equipment Initial Value	\$18,164													
Assessed Value*	20.0%				\$18,164	\$14,531	\$11,625	\$9,300	\$7,440	\$5,952	\$13,843	\$11,075	\$8,860	\$7,088
Assessed FF&E Tax	3.40%	-	-	-	\$618	\$494	\$395	\$316	\$253	\$202	\$471	\$377	\$301	\$241
<i>*FF&amp;E value diminishes over time with partial reinvestment in Year 7 of Ops</i>														
<b>Total RE and FF&amp;E Taxes Paid</b>		\$457	\$457	\$457	\$2,791	\$4,699	\$4,802	\$4,549	\$4,596	\$4,657	\$5,043	\$5,061	\$5,127	\$5,129
<b>Hotel NOI After Tax</b>		(\$457)	(\$457)	(\$457)	(\$868)	\$6,574	\$13,261	\$13,994	\$13,494	\$13,901	\$13,996	\$14,471	\$14,912	\$15,430
<b>Sale Assumption at Year 11 (Beginning of Year 11, End of Year 10)</b>														
NOI (Year 11, 2027) Before Taxes	\$21,091													
NOI (Year 11, 2027) after Taxes	\$15,678													
Terminal Cap Rate Used	6.00%													
Terminal Valuation on Before Tax NOI	\$351,519													
Less: Assumed Sales Commission (2%)	\$344,489													
Terminal Valuation on After Tax NOI	\$261,304													
Less: Assumed Sales Commission (2%)	\$256,078													
<b>Construction / Development Costs (net of 2016 Historic Tax Credit)</b>		(\$12,084)	(\$76,718)	(\$74,356)	-	-	-	-	-	-	-	-	-	-
<b>Valuation of Land and Existing Buildings (Without Property Taxes)</b>														
Net Cash Flow		(\$12,084)	(\$76,718)	(\$74,356)	\$1,923	\$11,273	\$18,063	\$18,543	\$18,090	\$18,558	\$19,039	\$19,533	\$20,039	\$365,047
GSA Discount Factor	6.00%	1.06	1.12	1.19	1.26	1.34	1.42	1.50	1.59	1.69	1.79	1.90	2.01	2.13
<b>NPV</b>	<b>\$117,266</b>	(\$11,400)	(\$68,278)	(\$62,431)	\$1,523	\$8,424	\$12,734	\$12,332	\$11,350	\$10,985	\$10,631	\$10,290	\$9,959	\$171,148
<b>Valuation of Land and Existing Buildings (With Property Taxes)</b>														
Net Cash Flow		(\$12,541)	(\$77,174)	(\$74,813)	(\$868)	\$6,574	\$13,261	\$13,994	\$13,494	\$13,901	\$13,996	\$14,471	\$14,912	\$271,508
GSA Discount Factor	6.00%	1.06	1.12	1.19	1.26	1.34	1.42	1.50	1.59	1.69	1.79	1.90	2.01	2.13
<b>NPV</b>	<b>\$46,389</b>	(\$11,831)	(\$68,685)	(\$62,814)	(\$687)	\$4,913	\$9,349	\$9,307	\$8,466	\$8,228	\$7,816	\$7,623	\$7,411	\$127,293

**5. Confirm initial refinancing in 2018 is at stabilized operating Year 3 and clarify the results of that refinancing in your pro forma. Define what is meant by “Lender Debt Yield of 10%” at the Year 3 initial refinancing.**

- It is correct that the refinancing in 2018 would be based upon Year 3 net cash flow. To be conservative, we have assumed that the property would not stabilize until the third year of operations; however, our other properties that were opened in the last few years have reached stabilization during the second year of operations due to the significant customer awareness generated by the press coverage of a Trump hotel opening.
- “Debt Yield Required by Lender” refers to the ratio of projected “Net Cash Flow” to “Loan Principal.” This metric is used by lenders to calculate the amount of debt an asset can support and does not represent interest or debt service payments.
- In this case, there is 14.6 million dollars of net cash flow that could be used to service debt in Year 3 of operations. At a 10% Required Debt Yield (which is what conservative lenders are currently requiring to finance stabilized hotel assets), debt could be obtained for 146 million dollars. This loan would fully take-out the construction financing with additional proceeds of 48 million dollars. Based on detailed conversations with our strongest lending relationships, we are confident in our ability to obtain this level of debt.

We hope that this letter is responsive to all of your questions, but please do not hesitate to contact me with any further requests or clarifications by email at [[HYPERLINK "mailto:itrump@trumporg.com"](mailto:itrump@trumporg.com)] or by telephone at (212) 715-7256. Thank you for giving us the opportunity to share our ideas throughout the proposal process. It would be an honor if we were given the chance to redevelop the Old Post Office Building.

All the best,

A handwritten signature in black ink, appearing to be 'ITR' or similar initials, written in a cursive style.

Ivanka Trump  
Executive Vice President, Acquisitions and Development

Overall:

- Email to Kevin Terry requesting:
  - o Clarification on some of their “weaknesses” (e.g., flamboyant)
  - o Find out if we can do presentation at larger format
  - o See if we can set-up AV equipment more than 15 minutes in advance
  - o Do our planned hand-outs of larger drawings count against the 30 page presentation?
- 30 page supplemental presentation
  - o Simply formatted Powerpoint set-up for 11x17 (ideal as would have picture and then text on side) – verify with Kevin Terry
  - o Dave to send format around for everyone to use by end of day today
  - o Everyone to send around a draft of their section by noon Thursday (Tracy to combine and send around to the broader group by 1 p.m.). If you do not have one or two pages finalized, you should be able to make it clear what you plan to include.
- Oral Presentation: I think that we should update our oral presentation to specifically address these questions. Most people will need to update their slides (can use some of information created for 30 page supplemental)
  - o Intro from Ivanka (2 minutes – shorten by 15 seconds)
  - o Video (6 minutes – Justin is trying to shorten a bit)
  - o DJT speaks (6 minutes)
  - o Ivanka (4 minutes – shorten by 2:21)
  - o Arthur to talk about vision and also specifically address each of the Factor 2 questions that require discussion (22 minutes – lengthen by 5:09)
  - o Andy (2 minutes – shorten by 5:30)
    - He will be the Project Director
    - We will pursue gold certification
  - o Dave O to provide overview of financial capability weaving in responses to their questions (specifically related to Colony’s commitment) – consider having David Belford speak??? (6 minutes – lengthen by 50 seconds)
  - o Jim to discuss hotel and include info on why ADR will outperform with focus on how our program and THC will drive this (10 minutes – shorten by 30 seconds)
  - o Ivanka to close (2:00 – shorten by 22 seconds)
- Discuss importance of having Tom Harrison attend
- 15 Minutes prior to meeting, we can do introductions (everyone needs to be there before 1:45) – we get more time if we set-up and introduce early
- 

Factors:

Factor 1: Experience and past performance of developer and developer’s key personnel – 15%

Factor 2: Developer’s site plan and design concept – 35%

Factor 3: Developer’s financial capacity and capability – 15%

Factor 4: Developer’s financial offer and supporting financial information – 35%

Factor 1: Experience and past performance of developer and developer's key personnel – 15% (Dave w/ David Belford)

<p>1a) No references provided for financial partner</p>	<p>It was unclear whether a reference for financial partners was required. We did provide one from Ralph Malami of the FDIC, which was referenced in the proposal and sent directly to Kevin Terry (per FDIC rules).</p> <p>Next Steps: David Belford to obtain 3 more references to be included in presentation.</p>	<p>3 Pages for reference letters (and reference Ralph Malami letter)</p>
<p>1 b) No biographies or organization charts for financial partner</p>	<p>We did not provide bios or organization charts as it was unclear that they were required</p> <p>Next Steps: David Belford to provide organization chart (overall organization with more detail for groups relevant to this project). Brief bios of Tom Barrack, Tom Harrison, and David Belford (anyone else on team?)</p>	<p>1 Page for Org 1 Page for Bios</p>



Factor 2: Developer's site plan and design concept – 35% (Josh with Arthur and Andy)

2a) Annex meeting space seems awkward	Next Steps: Discuss why we think they might say this. ID clear way for Arthur to verbally / visually explain uses and access.	2 pages
2b) Limited public access	Next Steps: Discuss why we think they might say this Arthur / Josh / Andy to write text and make drawings  Written description of public access describing the opening of all doors to public, the access to the Cortille, gallery, museum, Clocktower, Mail Order Room, restaurants and cafes engaging outdoor space  Drawings showing access points and coloring areas of public access (should fully public areas be a difference color than restaurants / spa?)	2 pages
2c) Lack of specific documentation of exterior plans for public spaces	Next Steps: Do we have these? If not, can we create them?	2 pages
2d) Design seems flamboyant, inconsistent with historic nature/character	Next Steps: Discuss why we think they have said this and if we can address it. Ask Kevin Terry	???
2e) Unclear access to clock tower	Next Steps: Discuss why we think they have said this Show drawing with access to clock tower (show how you would access from each of four entrances and describe how C Street would be primary)	1 page
2f) Unclear relation between Pennsylvania Avenues restaurants and North Plaza	Show in drawing for 2c. Clearly mark the entrances and connection points between the restaurants and the plaza. Describe the connections verbally	Included in 2 c
2g) Reception is hidden	Next Steps: Arthur / Andy / Josh to show rendering (revealing that it is not hidden) and show drawings of how people flow to it naturally from 11 <sup>th</sup> Street, Penn Ave, elevators	1 page
2h) Unclear service elevators	Next Steps: Andy / Josh to show these on the plans	1 page
2i) Is the Annex being totally rebuilt?	Next Steps: Andy / Josh to state that it is not being rebuilt and describe verbally how it is being altered. Can we also show alterations graphically (e.g., change to profile / removal of skylights, addition to green wall, removal of columns)	2 pages
2j) Unclear Annex plans	Discuss how we think that we should address this. Maybe with 2i exercise?	
2k) Unclear about the loading area location/design	Next Steps: Andy / Josh to show location (interior and exterior) and access. State that the loading dock does not change under our plan. I assume access is their main question, so we should make that clear (show clearance on access road / width, state turn-around area does not change)	1 page
2l) Concern about Pennsylvania Avenue vehicular access	Discuss what we think they mean. Do they think that the 11st Street entrance will cause traffic to back-up on Pennsylvania Ave? Is there some expert that we can reference related to this not being an issue. Include drawing to show how many cars can be in the drop-off area (clear of sidewalk and public street) at any one time?	1 page

Factor 3: Developer's financial capacity and capability – 15% (Dave)

<p>3a) Commitment from Colony not in writing</p>	<p>I do not think we should share the LOI, but we could if we are really concerned about this.                  Include statement that:                  Trump and Colony have a written agreement that documents both groups' investments, control, and Trump's responsibilities as developer and hotel management company. To further demonstrate Colony's commitment to the project, they have funded 50% of all expenses related to the RFP response.</p>	<p>¼ page</p>
<p>3b) Financial statements appear to have multiple GAAP departures including but not limited to not including separately held entity financials, no provisions for income tax and the PV of the deposits not reflected</p>	<p>Dave to discuss with Allen how we might address. I do not think that we can provide what they are asking for, but will attempt to explain the reasons that these do not matter.</p>	<p>½ page</p>
<p>3c) Please provide a statement regarding any bankruptcy or loan defaults on real estate development projects as specified under Factor 3</p>	<p>RFP states: "for developer and development team, a statement regarding any debarments, suspensions, bankruptcy or loan defaults on real estate development projects and/or government contracts"</p> <p>We responded: "Trump and Donald J. Trump are not debarred, suspended, proposed for debarment, or declared ineligible for the award of contracts by any Federal agency. Furthermore, Trump has no bankruptcy or loan defaults on real estate projects or government contracts."</p> <p>Ivanka / Allen / Dave / Jason G to discuss what might be missing from this statement and if we can enhance in any way</p>	<p>¼ page</p>
<p>3d) Please provide financials on equity partner</p>	<p>Dave to discuss with David Belford</p>	<p>(separate???)</p>

Factor 4: Developer's financial offer and supporting financial information – 35% (Dave)

4a) Unclear how tax credit would be applied	John Cullinane to draft a paragraph that maps the application, certification, and receipt of tax credits to our project. Also, to discuss why we think that historic tax credits are available to us (based on our high level of preservation) and why we believe that they are the amount that they are.	½ page
4b) ADR assumptions seem optimistic	Jim to create a slide showing why our program and the THC brand will allow us to reach these ADR assumptions	2 pages
4c) Permanent financing includes \$48MM cash out in year 3	To discuss why we think that they have included this. It is not forbidden by RFP and – if large enough to meet certain return hurdles – could benefit the GSA	
4d) Missing cash flows for years 6-13	Dave to include (abridged in the proposal because they would not fit on page. Will cut into two pages)	2 pages

Total pages: ~25