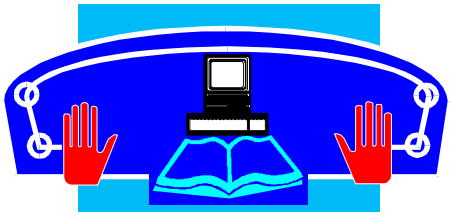

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Report On Potential For Resort Development In Alaska & Feasibility Of The Proposed Eagle Valley Resort

Date of Report: 1989

Author: Pannell Kerr Foster

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Report on

Potential for Resort Development in Alaska

and

Feasibility of the Proposed Eagle Valley Resort

March 13, 1989

Prepared By

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March 13, 1989

Mr. Bert ram L. Wagnon, Executive Di rector
Alaska Industrial Development and Export Authority
1577 CStreet, Suite 304
Anchorage, Alaska 99501

Dear Mr. Wagnon:

We have completed our study of the potential for resort development in Alaska and the feasibility of the proposed Eagle Valley Resort in Anchorage.

As in all studies of this type, the projected operating results assume that the resort would be competently and efficiently managed and marketed, and that there would be no substantive variation from the economic and market conditions described in the report. Since these projections are based on estimates and assumptions which are subject to uncertainty and variation, we do not represent them as results that will actually be achieved.

This study does not consider the possible impact of zoning or environmental regulations, toxic or hazardous conditions, licensing requirements, or other restrictions concerning the proposed project.

Our conclusions are based on our fieldwork completed in December 1988. We have no obligation to update our findings regarding changes in market conditions which occur subsequent to the completion of this report. However, we are available to consult with you regarding the impact of any subsequent changes on the proposed project.

Our report, may not be used in any prospectus or printed material used in connection with the sale 'of securities or participation" interests to the public, or in any newspaper publicity or other public forum, without our express prior written consent.

We will be pleased to assist you in the interpretation and application of our findings and conclusions

Respectfully submitted,

Pannell Kerr Forster

PANNELL KERR FORSTER

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SECTION I

INTRODUCTION

INTRODUCTION

NATURE OF THE ASSIGNMENT

In early 1987 Mr. Robert Rogner, an Austrian developer, approached the State of Alaska Department of Commerce and Economic Development with plans to develop a year-round 'destination resort in Eagle River Valley near Anchorage, Alaska.

The proposed resort would be a large, full-service, theme resort, featuring a major ski area development in winter, and a host of tourist facilities during the summer and on a year-round basis.

Since part of the proposed development would be on state land in Chugach State Park, the Alaska Department of Natural Resources, Division of Parks, requested proposals for a ski area concession in January 1988. Eagle Valley Resort, Inc. was the only respondent.

Subsequently, in May 1988, the State of Alaska Legislature authorized the Alaska Industrial Development and Export Authority to procure an economic feasibility study, with the cost of such study to be equally divided between the State of Alaska and Eagle Valley Resort, Inc.

In August 1988 the State of Alaska requested proposals for such study, and Pannell Kerr Forster was authorized to proceed with the study in October 1988.

The market and economic feasibility study is being performed in three phases. Phase One is concerned with a study of market demand for major destination resorts within Alaska, and in particular the market demand for the proposed year-round resort in Eagle Valley. Phases 11 and 111 are concerned with a determination of estimated cash flows and financial analyses for the project.

BACKGROUND ON THE PARTICIPANTS

A.I.D.E.A.

The Alaska Industrial Development and Export Authority is an agency charged with promoting the economic well-being of the state. The agency seeks to encourage the expansion and "diversification of the economy. by increasing employment and attracting industrial and consumer expenditures from elsewhere in the United States and from overseas.

The Rogner Company

The Rogner Company is an Austrian firm which, among other Projects, has developed resort facilities in several European" locations. The company is experienced in resort development and operation, including planning, construction, management, and marketing.

Eagle Valley Resort

The proposed Eagle Valley Resort would be located at a 95-acre site within the Municipality of Anchorage, approximately 12 miles north of the downtown core. As designed, the resort would include 500 guest rooms in two hotels, food and beverage outlets, meeting and banquet space, swimming and tennis facilities, retail shops, a functioning Russian Orthodox church, a ski center, and 892 condominiums. Public land adjacent to the development would be used for ski development through a lease agreement with the state.

Pannell Kerr Forster

Pannell Kerr Forster (PKF) is an international accounting and consulting firm with thirty offices in the United States and an international association with over 300 offices worldwide. The firm provides a variety of services to the lodging and resort industries, including independent audits, tax consultation, feasibility analyses, and appraisals. This assignment was coordinated by the Seattle PKF office.

METHODOLOGY

The intent of the study was to analyze the potential demand for a major destination resort in Alaska and to project annual operating performance for the proposed Eagle Valley Resort. The methodology applied in this study was as follows:

Overview of Alaska and Anchorage Area

We gathered and analyzed relevant economic and demographic information regarding Alaska and the Anchorage area to determine the overall economic environment. This data included:

- Tourism trends, including past and projected visitor counts at major attractions, new attractions expected to enter the area, and general trends within the state;
- Convention and group meeting trends, including past and projected growth;
- Airport activity trends;
- Other local factors or development, which may have an impact on the proposed project.

The above was accomplished through interviews with business leaders, government officials, and others expected to have pertinent information or input, and the gathering and analysis of existing data' and information.

Site Review and Analysis

The key members of the Pannell Kerr Forster study team conducted an initial physical site inspection of the Eagle Valley Resort area. The following factors were evaluated from a market suitability standpoint.

- Site characteristics such as topography, access and visibility; surrounding land use; natural beauty; access to various forms of transportation; apparent suitability for resort development.

- Relationship to demand generators such as tourist attractions, convention facilities", the" Anchorage, International Airport, the Anchorage downtown facilities, and the Anchorage population base.

- Advantages/disadvantages of the site area as compared with the site of potentially competitive properties.

Analysis of Competitive Market Supply

We reviewed and analyzed potentially competitive resort facilities in Alaska and major existing lodging facilities in Anchorage.

The market orientation of other lodging and resort facilities in the area was evaluated to determine their competitive position with respect to the proposed project. We interviewed management and researched our library files to gather information on levels of occupancy, seasonality, room rates, market orientation, and other pertinent operational characteristics for those lodging and resort facilities displaying market attributes to some extent similar to those of the proposed project.

Through interviews with these operators, other developers, government officials, and others, we determined the status of other major resort facilities under construction, proposed or rumored for development which may be competitive with the proposed project.

We collected and analyzed site information and other pertinent data for other proposed resort developments in Alaska. To complete our understanding of the Eagle Valley project, we inspected selected existing Rogner resort projects in Europe.

Analysis of Market Demand

Market demand already existing in Alaska was investigated to identify the various generators of rooms demand to the area. We interviewed key demand generators and referral sources to determine their needs and preferences for resort facilities, the current and anticipated potential for growth, and the respective strengths of the various markets in terms of seasonality, weekly demand fluctuations, vulnerability to economic trends and changes. in travel patterns, and other related factors. Similar market research procedures were utilized in estimating the demand for ski and sports facilities, food, beverage, banquet and other facilities from these sources.

We identified four destination resorts considered comparable to the subject. We studied the market demand for these projects through review of their operations, interviews with management, and the gathering of information on their source markets. We also reviewed seasonality of demand, price sensitivity, and absorption or build-up period needed to reach a stabilized demand level.

We conducted direct face-to-face interviews with major international tour wholesalers and travel agents in the United States, Canada, Europe and Japan. Others interviewed in this phase of the study included airline executives, travel professionals, and other private and government officials knowledgeable in the national and international travel arena.

Performance Projections"

On the basis of our fieldwork and analysis, we made projections of occupancies, average room rates, utilization of the ski and other sports facilities, food and beverage revenues, and revenue from other sources for a representative future year, and for each year for the first ten years of operation of the proposed resort. We also analyzed the potential revenues which could be anticipated from sales of condominiums, either outright or through time-share.

Operating expenses were projected based on the results achieved at comparable resorts and at existing upscale hotels in the Anchorage area. Expense projections took into account general price inflation and fluctuation due to changes in occupancy and revenues.

Estimates of Development Costs, Financing, and Net Cash Flow

We reviewed cost estimates provided by the developer of the proposed resort and prepared independent estimates of the cost of key components. Conventional financing terms were applied to projections of operating performance and estimated development cost to derive projected net cash flow and return to equity.

Analysis of Economic Impact

We examined the effects which the development would have on the economy of Anchorage and the State of Alaska. Topics considered included employment, personal income, tax revenues, and the multiplier effect.

SECTION II

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

SUMMARY OF FINDINGS

Economic Overview of the City and State

The Alaskan economy experienced rapid expansion during the early 1980's. This growth was fueled by high world oil prices and increased production from the North Slope fields. With the collapse of oil prices in 1985, the economy entered a recessionary period characterized. by a decline in employment, out migration, and reduced income.

Many public and private developments begun in Anchorage during the boom years were completed after the collapse. As a result, developers of such facilities as the new convention center, the performing arts center, and major downtown shopping mall have seen these projects perform at levels well below their original expectations.

Projections call for a molest average rate of growth in the economies of the city and state over the long term. However, this growth can be expected to fluctuate widely with changes in oil prices and production.

Transportation trends are considered key to lodging and resort demand. The overall volume of air passenger traffic, which rose with the expanding economy, has stagnated since 1985. Travel to and from Anchorage on foreign-owned airlines has increased somewhat, while domestic travel has suffered a slight decline.

The volume of transit travel is expected to decline drastically in future years as a result of the improved fuel efficiency of new aircraft and the opening of Soviet airspace. While these passengers contribute little to the Anchorage economy, the reduction in flights could significantly reduce the volume of lodging demand from airline crews.

Tourism and Resort Development in Alaska

The tourism industry in Alaska is characterized by extreme seasonality. The vast majority of pleasure travelers arrive during a three-month summer Season. Tourism during the winter and shoulder seasons has been minimal. The largest single source market for Alaskan tourism is the western United States.

The volume of international tourism to Alaska is growing rapidly in percentage terms, though it remains a minor component within overall visits to the state. Travel from the Far East, particularly Japan and Korea, is expected to continue to increase.

Proposed resort developments include an expansion of Alyeska and a project proposed by Mitsui Co. at Hatcher Pass. In our projections rode in this report, we have assumed that these facilities would not be developed during the forecast period.

The Proposed Eagle Valley Resort

The proposed resort would be located in a rural setting at the edge of Chugach State Park, approximately 12 miles from downtown Anchorage. The site would be convenient to the airport and would be easily accessible from Highway 1 via a scenic road which is planned through a designated greenbelt area. The land is largely unimproved; development of the resort would involve substantial costs in site improvement, road work, and utility connections.

The resort is designed to present the appearance of a self-contained village from the turn-of-the century Gold Rush era. As proposed, facilities would include 500 guest rooms in two hotels, 890 condominium units, restaurants, 18-hole golf course, a convention and recreation center, leased retail space, a Russian Orthodox church, and a ski lodge. Ski lifts, slopes, and mountain lodges would be located adjacent to the developed portion of the resort on park property and would be operated under a concession agreement.

The Rogner Company is an Austrian firm which has successfully designed, built, and operated village-style resorts and other lodging properties in Europe.

The Anchorage Lodging Market

The proposed resort would compete with existing upscale hotels in Anchorage for a portion of market demand. There are six such hotels, with a total of 2,233 guest rooms, which constitute the directly competitive market.

Market demand for 1988 was approximately 598,400 room nights, for an occupancy rate of 73.4 percent. The mix of demand is estimated at 36 percent commercial and government, 31 percent airline crew, 24 percent tourist, and 10 percent group and convention.

Market occupancy was near 80 percent in 1984 and 1985. The decline in the economy and the opening of a new hotel caused the rate to decline to a low of 69 percent in 1986. Since then the market has shown slow improvement.

The lodging market is highly seasonal. The majority of tourist demand occurs during the summer season, bringing market occupancy to its practical capacity of over 90 percent during those months. During the remainder of the year, demand consists primarily of business and government travelers and airline crews. The relatively small amount of convention trade is concentrated during the spring and fall.

Market room rates averaged $77 in 1988. As a result of high market occupancy, rates have increased historically at greater than the overall rate of inflation.

Performance at Comparable Destination Resorts

Several year-round destination resorts considered to be somewhat comparable to the subject' property are presently operating in the western United States and Canada. These resorts offer skiing and related activities during the winter and a variety of outdoor recreation during the remainder of the year. Each is located in a rural setting a few hours from a major population center.

In general, these properties have a distinctly seasonal pattern of operation. The resorts are known primarily for their skiing, and achieve relatively high occupancies, often approaching 80 percent, during the winter season. Utilization during the summer and shoulder periods tends to be relatively low, as the resorts compete with beach resorts and other summer activities.. On an annual basis, occupancy rates in the range of 48 to 63 percent are being achieved.

Average room rates at the better quality hotels within these resorts are in the range of $64 to $109; only the highest quality properties in the best-known resorts have been able to exceed this range.

Each of the comparable resorts was developed over an extended period, with facilities being added as the reputation of the area became established. In no case was one of the comparable properties constructed as a unit and brought into the market all at once. There is an example of such a comprehensive project in the development of a resort destination in Cancun, Mexico; however, this is a beach resort developed with substantial government assistance and is not considered comparable to the subject.

Survey of Source Markets

Primary source markets for the proposed resort include Alaska, the remainder of North America, Europe, and the Far East. The unique facilities of the resort would be expected to draw new demand from these markets, demand which is not presently being attracted to the Anchorage area.

Because the resort would be located in Anchorage, it would be unlikely to attract overnight lodging demand from this major population center. Little new demand would be generated from elsewhere in Alaska, since Anchorage is already the principal intrastate destination and because of the generally lower median income of residents of other communities.i

As in the past, the United States and Canada will be a major source of demand for the Anchorage market. However, in seeking to induce new demand to the area, the proposed resort would be competing with a large number of existing properties, many of which offer amenities and services of equal or greater quality. The much greater distance and travel costs associated with a visit to Anchorage would also serve to limit the volume of new demand.

European tourism would not be a significant source of demand for the new resort. Most existing demand from Europe consists of sportsmen with little interest in a full–service resort. For those interested in skiing, excellent facilities are available in numerous European resorts, at far less than the cost of an intercontinental vacation. Finally, travel between Europe and Anchorage may be limited in future years by a reduction in airline service. Demand from the Far East, in particular from Japan, would be a potential source for the new resort. Skiing is a very popular activity in Japan, and the slopes

are generally crowded and expensive.. The cost of a trip from Japan to Anchorage would be comparable to the" cost of visiting other popular North American resorts. However, an Alaskan resort would face strong competition from other North American and European destinations. Japan would also be expected to provide some new summer tourist demand.

Projected Resort Revenues

The volume and seasonality of market demand are, expected to limit the performance of the resort in both the short axial. the long term. Room occupancy is projected to stabilize at 91 percent during the peak summer season, but to fall to 31 percent during the shoulder periods and 27 percent in the winter. The average daily room rate is projected at $112 in 1989 dollars.

The resort would generate revenue from the rental of guest rooms, operation of the ski lifts and related facilities, food and beverage sales, and miscellaneous sources such as telephone and laundry services. Additional income would be received as lease payments from the tenants of retail shops.

The design of the condominiums is such that the sale of individual units would be physically possible. However, our analysis of demand indicates that the achievable sale price would not support development and marketing costs of these units, whether sold outright or on a timeshare basis. No revenues are included from this source in our projections.

Projected Operating Expenses and Net Operating Income

Operating expenses were projected for the proposed resort based on the performance of other Anchorage-area hotels and resort hotels in other areas. Most of these costs include a variable component (which fluctuates with changes in revenues) and a fixed component (which remains constant).

Projected costs incorporate the assumption of a 4.5 percent annual inflation rate over the forecast period. Revenues and expenses are classified according to the Uniform System of-Accounts for Hotels.

The,. following table summarizes our, projections of revenues, operating expenses, and net operating income for the proposed resort.

Summary of Projected Opcrating Results

Year	Occupancy Rate	Average Room Rate	Total Revenue	Net Opcrating Income
1992	27%	$111	$38,510,000	($1,541,000)
1993	36%	$126	$53,211,000	$4,772,000
1994	42%	$140	$65,748,000	$9,772,000
1995	45%	$147	$73,506,000	$12,175,000
1996	45%	$153	$77,022,000	$12,748,000
1997	45%	$159	$80,379,000	$13,199,000
1998	45%	$166	$84,034,000	$13,809,000
1999	45%	$174	*$88,001,000*	$14,577,000
2000	45%	$182	*$92,115,000*	$15,340,000
2001	45%	$190	*$96,309,000*	$16,054,000

Development Costs, Financing, and Net Cash Flow

The cost of developing the proposed resort is estimated at $250,000,000, stated in 1992 dollars. Cost estimates are based on information provided by the developer, current industry standards as reported by an independent valuation service, and the experience of other hotel and resort developments.

Financing terms were selected using averages reported in the first half 1988 edition of the Hospitality Investment Survey, a publication of Pannell Kerr Forster. An average interest rate of 10.8 percent on a fried-rate conventional loan over a 28.1 year amortization period was used, with a debt service coverage ratio of 1.27. Under this scenario, the maximum loan amount would be $87,000,000, leaving $163,000,000 to be financed by equity investors.

The following table presents the projections of net cash flow and return to equity.

Projected Net Cash Flow (000)

Year	Projected NOI (1)	Debt Service	Income Tax	Net Cash Flow	Return to Equity	Cumulative Return
1992	$(1,541)	$10,038	-0-	$(11,579)	-7.1%	$(11,579)
1993	$ 4,772	$10,038	-0-	$ (5,266)	-3.2%	$(16,845)
1994	$9,772	$10,038	-0-	$ (266)	-0.2%	$(17,111)
1995	$12,175	$10,038	-0-	$ 2,137	1.3%	$(14,974)
1996	$12,748	$10,038	-0-	$ 2,710	1.7%	$(12,264)
1997	$13,199	$10,038	-0-	$ 3,161	1.9%	$ (9,103)
1998	$13,809	$10,038	-0-	$ 3,771	2.3%	$ (5,332)
1999	$14,577	$10,038	-0-	$ 4,539	2.8%	$ (793)
2000	$15,340	$10,038	-0-	$ 5,302	3.3%	$ 4,509
2001	$16,054	$10,038	-o-	$ 6,016	3.7%	$ 10,525

(1) Net Operating Income is defined as income before deducting depreciation, rent, interest, amortization, and income taxes.

Economic Impact

The proposed resort would have both direct and indirect effects on the economy of the Anchorage area and Alaska. Direct effects would include an increase in employment during both construction and operation, increases in personal income, sales activity at the resort, and tax revenues from the sale of guest rooms. Indirect benefits would include secondary spending by resort employees (the multiplier effect) and related growth in employment, income, and tax revenues.

The table on the following page summarizes our estimate of the potential impact of the resort on the regional economy in a representative future year.

Summary of Estimated Economic Impacts

EMPLOYMENT

Construction Phase	
New direct jobs	750
New indirect jobs	465
Operating Phase	
New direct jobs	1,000
New indirect jobs	620

DIRECT TAX REVENUE FOR A REPRESENTATIVE YEAR

Park Concession Fees	$213,000
Real Estate and Personal Property Tax	$1,960,000
Hotel Occupancy Tax	$2,060,000

PROJECTED EXPENDITURES

Instruction Phase	
Direct Construction Expenditures	$150,000,000
Operating Phase	
Direct New Guest Expenditures	
- Anchorage Area	$ 43,000,000
-Other Alaska	54,000,000
Total	$ 97,000,000
Indirect (at 1.92 spending multiplier)	
- Anchorage Area	$ 40,000,000
-Other Alaska	50,000,000
Total	$ 90,000,000

CONCLUSIONS

Demand for a Major Destination Resort in Alaska

A destination resort generally is defined as a self-contained development featuring guest accommodations, substantial indoor and outdoor recreational facilities, meeting and banquet space, food and beverage outlets, and retail shops, located in an attractive setting. Because of the attractive environment and wide variety of activities, destination resorts often attract guests for extended lengths of stay.

The development of a major full-service destination resort is inherently an expensive undertaking. Development costs in Alaska can be especially high due the constraints of construction which can be imposed by climatic conditions and the higher price structure generally. The substantial costs associated with developing a major full-service destination resort in Alaska, therefore, could only be economically justified if the facility were capable of generating significant demand during more than one season.

Tourism to Alaska historically has been quite strong during the summer months, particularly visits to the Anchorage area. We estimate unsatisfied demand for the competitive lodging facilities in Anchorage during the summer season to be approximately 20,000 room nights for 1988; this could likely increase to approximately 49,000 room nights by 1991. However, based on our research, winter and shoulder season demand for a destination resort in Alaska is generally limited, resulting in relatively low annual occupancy rates for a year-round resort facility.

Interviews with major tour operators and wholesalers in the United States, Canada, Japan and Europe showed strong demand for people wanting to visit and travel throughout Alaska to experience the environment and see the natural beauty of different areas within the state. These findings indicate demand for more transient hotel accommodations, rather than destination resort facilities. Such facilities would be in demand primarily during the summer and shoulder seasons and would not require extensive recreational-and resort facilities and infrastructures.

While our findings as outlined in this report have implications for other Alaskan resort developments, they are not intended to substitute for detailed feasibility analyses for other proposed projects. Such studies consider important variables which may significantly impact the economic feasibility of specific projects. These variables might include:

- Advantages and disadvantages of the proposed resort's site and location
- Estimated development costs for the resort and infrastructure
- Financial strength of ownership and the availability of capital
- Established relationships between the developer and air carriers, the tour and travel industry, and foreign markets
- Other pertinent factors that could affect demand and economic feasibility

Demand for the Proposed Eagle Valley Resort

The proposed Eagle Valley Resort would be located approximately twelve miles from downtown Anchorage and twenty miles from the Anchorage International Airport. This would allow the subject property to attract some rooms demand from the existing hotels and local day support for the resort facilities. However, because the subject site is located so near to Anchorage, it would not be able to attract any significant amount of overnight resort demand from Anchorage residents.

The Eagle Valley Resort would be the first major year-round destination resort in Alaska. The proposed concept of an integrated, gold rush style Village was generally well received by the travel executives interviewed during our study.

Although the proposed resort is projected to perform at its practical capacity during the summer season, demand during the winter and shoulder seasons is expected to be limited. The annual occupancy rate of the resort is projected to stablize at 45 percent. Despite high room prices and additional sales at restaurants, ski lifts, and other sources, the substantial operating expenses are expected to absorb nearly all of the revenues generated. The net operating income of the resort is projected to be negative in the first year of operation and to remain relatively low through the reminder of the forecast period.

The cost to develop the guest units, recreational facilities, and infrastructure of the resort would be quite high. Since the amount of debt financing available to the project would be limited by its anticipated performance, a significant share of development costs would need to be borne by equity investors. Given our projections of net operating income and the need to meet annual debt service, the projected net cash flow to equity would be unlikely to attract the necessary investment capital.

Our conclusions regarding the feasibility of the proposed resort assume that the project would be developed without government assistance. While government financing would not affect the operating performance of the resort or the market feasibility of the project, government support in the form of grants, direct absorption of development costs, below-market financing, or loan guarantees could affect projections of net cash-flow and the rate of return to equity investors.

In the absence of government assistance, it is our opinion that development of the proposed Eagle Valley Resort is not economically feasible.

800 ROOM ALTERNATIVE

We have also analyzed the performance and impact of the proposed resort under the assumption that only 800 guest units are developed, and that commensurate reductions are made in retail shop space, meeting space, and recreational facilities.

The reduction in the size of the resort would be made without disturbing the appeal of the project as an integrated theme resort, and our projections and underlying assumptions are detailed in Appendix A of this report.

The following table summarizes our projections of revenues, operating expenses, and net operating income for the smiler, 800 room resort:

800 - Room Alternative,
Summary of Projected Operating Results

Year	Occupancy Rate	Average Room Rate	Total Revenue	Net Operating Income
1992	45%	$110	$36,884,000	$1,821,000
1993	52%	$120	$44,646,000	$4,964,000
1994	57%	$133	$52,167,000	$7,860,000
1995	59%	$138	$56,460,000	$8,915,000
1996	60%	$144	$60,083,000	$9,751,000
1997	60%	$150	$62,796,000	$10,173,000
1998	60%	$157	$65,738,000	$10,720,000
1999	60%	$164	$68,749,000	$11,227,000
2000	60%	$172	$72,067,000	$11,903,000
2001	60%	$179	$75,274,000	$12,383,000

Development Costs, Financing, and Cash Flow

The cost of developing the smiler resort is estimated at $168,000,000, stated in 1992 dollars. Cost estimates are based on information provided by the developer, current industry standards as reported by an independent valuation service, and the experience of other hotel and resort developments.

Our projection of financing costs and net cash flow for the resort assumes average conventional financing terms as detailed in the report, with a debt service coverage ratio of 1.27, interest at 10.8 percent, and a term of 28.1 years. Total amount financed under this assumption is $66,000,000, and capital is $102,000,000.

Under these assumptions, the projected return to equity is minimal or negative throughout the forecast period.

The following table presents the projections of net cash flow and return to equity.

Projected Net Cash Flow (000)

Year	Projected NOI (1)	Debt Service	Income Tax	Net Cash Flow	Return to Equity	Cumulative Return
1992	$1,821	$7,678	-0-	$(5,857)	-5.7%	$(5,857)
1993	$4,964	$7,678	-0-	$(2,714)	-2.7%	$(8,571)
1994	$7,860	$7,678	-0-	$ 182	0.2%	$(.8,389)
1995	$8,915	$7,678	-0-	$ 1,237	1.2%	$(7,152)
1996	$9,751	$7,678	-0-	$ 2,073	2.0%	$(5,079)
1997	$10,173	$7,678	-0-	$ 2,495	2.4%	$(2,584)
1998	$10,720	$7,678	-0-	$ 3,042	3.0%	$ 458
1999	$11,227	$7,678	-0-	$ 3,549	3.5%	$ 4,007
2000	$11,903	$7,678	-0-	$ 4,225	4.1%	$ 8,232
2001	$12,383	$7,678	-o-	$ 4,705	4.6%	$12,937

(1) Net Operating Income is defined as income before deducting depreciation, rent , interest, amortization, and income taxes.

Economic Impact

The table below summarizes our estimate of the potential economic impact of the smiler resort on the regional economy in a representative future year:

800 Room Alternative
Sum'nary of Estimated Economic Impacts

	800 Unit Resort
EMPLOYMENT	
Construction Phase	
New direct jobs	550
New indirect jobs	340
Operating Phase	
New direct jobs	800
New indirect jobs	500
DIRECT TAX REVENUE FOR A REPRESENTATIVE YEAR	
Park Concession Fees	$208,000
Real Estate and Personal Property Tax	$1,120,000
Hotel Occupancy Tax	$1,486,000
PROJECTED EXPENDITURES	
Construction Phase	
Direct Construction Expenditures	$110,000,000
Operating Phase	
Direct New Guest Expenditures	
- Anchorage Area	$ 28,000,000
- Other Alaska	32,000,000
Total	$ 60,000,000
Indirect (at 1.92 spending multiplier)	
- Anchorage Area	$ 26,000,000
- Other Alaska	30,000,000
Total	56,000,000

SECTION III

ECONOMIC OVERVIEW OF THE CITY AND STATE

ECONOMIC OVERVIEW OF THE CITY AND STATE

In this section we focus on historical and projected trends relating to the Alaskan economy and on the role that tourism plays within this economy. Analysis is then made to determine the future implication of these trends on resort development.

REGIONAL DESCRIPTION

The subject site is located in the rural outskirts of the municipality of Anchorage, Alaska. Alaska is the largest state in the union in terms of land area. The state is approximately 570,000 square miles in size, or about one-fifth the combined area of the other 49 states. Alaska is a state rich in minerals; it is estimated to be the part of the United States most likely to contain undiscovered oil fields.

Anchorage is Alaska's largest metropolitan area with a population of approximately 230,000, over 40 percent of the population of the state as a whole. The city, which occupies 1,955 square miles, is situated on a broad plain at the head of the Cook Inlet in the southcentral region of the state. Anchorage is Alaska's center for communications, transportation, finance industry and trade.

DEMOGRAPHIC TRENDS

Population

Over the last few years, Alaska's economy has been inversely related to that of other West Coast states. Alaska's past boom tires and the lure of well-paying jobs attracted many people in the mid-1970's and from 1981 through 1985. Most migrants to Alaska came from Washington, Oregon and California. Population in both Anchorage and the state of Alaska as a whole reached its peak in 1986. However, as the price of Alaskan crude oil (the state's economic mainstay) dropped, many people left the state and in-migration slowed dramatically. From 1980 to 1987, the population of Anchorage and the state of Alaska increased at average annual rates of 4.0 percent and 4.2 percent, respectively. It must be noted, however, that out-migration, attributable to the sharp decline in the price of oil, resulted in a loss of more than 8,000 people in Anchorage from 1986 to 1987. Growth in population, at both the state and local level, is projected at approximately two percent through 1992.

The number of households rose at a somewhat faster pace than the population. This pattern reflects a national trend toward smaller household size, and is expected to continue in future years.

Effective Buying Income

From 1980 to 1987 aggregate personal income in Anchorage and Alaska increased at dramatic average annual rates of 10.2 percent and 9.5 percent, respectively, rates well above that of general inflation. However, personal income declined in 1987 for the first time in several years. This decline counters the national trend, but is understandable in light of Alaska's recession and the strong national economy. By early 1988, decreases in effective buying income had ceased and projections for Anchorage and Alaska indicate real increases of

4.3 percent and 5.5 percent, respectively. Increases in income on a per household basis have been more modest, exceeding the rate of inflation by less than three percent. Projections through 1992 indicate expectations of real growth of two to three percent.

Retail Sales

Retail sales in Anchorage increased at rates slightly above that of effective buying income during the period from 1980 to 1987. Most of this growth, however, occurred prior to 1987, a year when retail sales actually declined. For the seven-year period, sales for Anchorage showed a real increase of over eight percent; for the state as a whole, a more molest increase was realized. Sales per household in Anchorage and the state as a whole showed real increases of 3.8 percent and 1.5 percent, respectively. Projections call for real increases of retail sales of *over* three percent in the aggregate; and approximately one percent on a per household basis.

The following table presents a summary of demographic trends for Anchorage for the period 1980 to 1987. Based on the Consumer Price Index for Anchorage, the inflation rate for this period was 2.9 percent. Inflation for the period 1987 to 1992 is projected at 4.5 percent. A demographic profile of both the city of Anchorage and the state as a-whole is included in the-addenda.

Summary of Demographic Trends -Anchorage

(Compound Average Annual Rates of Growth)

	1980 - 1987		1987 - 1992	
	Inflated Growth	Rea 1 Growth	Inflated Growth	Rea 1 Growth
Population				
Persons		4.0%		1.8%
Household		4.5%		2.1%
Income				
Aggregate.	10.2%	7.3%	8.8%	4.3%
Per Household"	5.5%	2.6%	6.6%	2.1%
Retail Sales				
Aggregate	11.5%	8.6%	7.6%	3.1%.
Per Household	6.7%	3.8%	5.4%	0.9%

Source: Sales and Marketing Management's Survey of Buying Power,

EMPLOYMENT

Alaska

Alaska's Current Employment Scene

The huge revenues derived from sales of North Slope oil in the early 1980's fueled the state's last round of economic expansion. This came when unemployment rates in the United States, particularly the West, were higher than normal and rising. Although the number of people roving to Alaska had little effect on the unemployment rates of other western states, it had a large impact on unemployment rates in Alaska. Even with strong economic growth between 1980 and 1985, the annual average unemployment rate during these years was over nine percent.

With the sharp decline of world oil prices at the end of 1985, the unemployment rate began to rise reaching nearly eleven percent by 1986. The greatest loss of jobs occurred in the construction industry which declined by 5, 200 jobs or28 percent.

While 1986 is viewed, by the Alaska Department of Labor, as the start of Alaska's economic downturn, 1987 is viewed as the turnaround year. Alaska's employment declined at an increasing rate in late 1986 and early 1987, however, by the end of the year, strength in several basic industries began to stem the loss in employment. Growth in fishing, timber and federal government largely offset losses in other industries. As people left the state, the employment scene improved in many communities. While jobs were not plentiful, at least people who wanted to work could usually find jobs.

The most recently published unemployment rate for the state of Alaska is 8.4 percent achieved in October 1988. This decline in the unemployment rate is a reflection of continued improvement in the Alaskan economy. Although Alaska has a high percentage of seasonal employment, the Department of Labor expects that the unemployment rate in the state of Alaska could converge on the national average if spared the economic upheavals created by booms. A summary of employment in Alaska for the period 1980 through October 1988 is presented in the addenda.

Employment Forecast for Alaska

According to the Alaska Department of Labor, previous boom and bust cycles have passed through Alaska's economy and each time when the cycle has run its course, Alaska has emerged with a larger and more diversified economy. Mining, manufacturing, and, to a lesser extent, tourism will be the activities which will lead Alaska out of the longest period of employment contraction in recent memory. If the Department of Labor's forecast for employment through 1989 is accurate, Alaska's economy will head into the 1990's with 40,500 more jobs than at the beginning of the decade. This translates into 24 percent more jobs and an annual growth rate 2.2 percent.

The outlook for the immediate future of the Alaskan economy is one of guarded optimism. Optimistic in the fact that employment growth is beginning to overtake employment losses and Alaska is currently on a course for future growth. However, this optimism is guarded because while employment gains in some industries may be realized, overall employment growth is dependent upon the stabilization of the oil and gas industry, government and other secondary industries dependent upon oil. Therefore, overall employment growth still rests squarely on the shoulders of the world oil market.

Anchorage

Anchoragets Current Employment Scene

Growth in employment in Anchorage from 1980 through October 1988 has basically paralleled that of the state as a whole. In accordance with the sharp decline in world oil prices at the end of 1985, the average annual unemployment rate increased from a low of 6.7 percent in 1981 to a high of 8.6 percent in 1986. The greatest loss in jobs was again realized in the construction industry.

The most recent data published by the Alaska Department of Labor indicates an unemployment rate, in Anchorage, of 6.9 percent. Although the number of people employed in nonagricultural jobs is significantly less than experienced in 1984 through 1986, out-migration has succeeded in substantially reducing the unemployment rate. A summary of employment in Anchorage for the period 1980 through October 1988 is presented in the addenda.

Employment Forecast for Anchorage

An analysis done by the economists of the University of Alaska's Institute of Social and Economic Research (ISER) and published in the December 1987 issue of the Alaska Review of Social and Economic Conditions, paints a rather gloomy picture of future economic conditions in Anchorage. According to the ISER economists, when the Alaska economy is hot, Anchorage"heats up disproportionately. When the economy is down, Anchorage slows down more than the rest of Alaska. ISER's forecast indicated that Anchorage and the North Slope will be the slowest regions in Alaska to return to previous highs, due to their dependence on the petroleum industry and state revenues, and the excess capacity in the support sector. Even though Anchorage is the support center for Alaska, it will take time for development elsewhere to cause the market to absorb the excess in the workforce and infrastructure.

With excess capacity in the labor force and limited job opportunities, Anchorage area employment, according to ISER, will grow at an annual rate of only 1.2 percent to the mid-1990's. In contrast, ISER projects growth in employment in the state as a whole to grow at an annual rate of 1.4 percent during the same period.

A February 1988 report issued by Victor Fischer Associates (VFA) and prepared for the Municipality of Anchorage, Tom Fink, Mayor, includes an evaluation of the abovementioned economic forecast for Anchorage presented by ISER. Even though ISER's projected growth rate in employment of 1.2 percent is considered barely above stagnation level, VFA views this forecast as optimistic.

The econometric model on which ISER's projections are based is "driven" by the price of oil and by employment in basic industries. Established relationships are used to derive support sector jobs, population, and other factors. VFA considers it unlikely that relationships of the past will apply today or in the near future, and that the model does not allow for Anchorage's currently different underlying economy.

According. to VFA, "the. spiraling downward pressure exerted on the economy by . . . foreclosures, bankruptcies, falling property values., and other depressant will counteract the 'influence of growth occurring elsewhere in the state. As a result, ISER's projected employment gains in the basic sector will be more than nullified by the continuing deterioration of Anchorage's underlying economic structure. It is VFA's opinion that given the situation and ISER's assumptions, it will not be until the year 2000 before Anchorage recovers a sound economy.

The Alaska Department of Labor's 1988/1989 employment forecast for Anchorage, issued in April 1988, is also cautious in its expectations of growth. The recession appears to have nearly run its course, however, given the nature of oil prices, the impending recovery is considered. to. be tentative at best. Assumptions made in the employment forecast include continuation of the fish processing and timber industries current vitality, continuation of increased mining activities around the state, and continuing increases in tourism.

The forecast shows a mixed industry performance in 1988. Employment increases were indicated in mining; manufacturing; transportation, communications and utilities; and trade. Losses were projected in construction; fire, insurance and real estate; services; and government.

Reports issued by ISER and VFA both reflect expectations of a sluggish recovery for Anchorage's economy, although to varying degrees. It must be noted, however, that actual employment figures for October 1988 have surpassed the Department of Labor's. forecast of total nonagricultural employment not only for year-end 1988, but also for year-end 1989. This growth may indicate that Anchorage's economic recovery will be more rapid than originally anticipated.

INDUSTRY PROFILES

Oil Production

The beginning of the oil era in Alaska was marked by the discovery of the Swanson River oil and gas field on the Kenai Peninsula in 1957. With the discovery of the super giant Prudhoe Bay field in 1968, Alaska's future economic dependence on the oil industry became much more evident. High oil prices in 1980 and the decontrol of domestically produced oil prices spurred development of other oil fields within the state. Development of these fields. further increased the state's" contribution to world oil production and the industry's importance to the Alaskan economy.

Because of Alaska's dependence on the oil industry, the sharp drop in oil prices experienced in late .1985 and early 1986 had severe repercussions on the state economy. Unemployment rose sharply. Government spending was cut dramatically. Many people left the state, seeking a better life elsewhere. Toward the end of 1987, oil prices began to recover. The table on the following page presents a summary of the fluctuations in world oil prices from fiscal year ending 6/30/80 through 6/30/88. Prices are stated as dollars per barrel.

Alaska North Slope Oil

FYE 6/30	Destination U.S. West Coast	U.S. Gulf Coast
1980	$26.50	$27.68
1981	$31.43	$33.67
1982	$29.50	$31.07
1983	$26.75	$28.86
1984	$25.64	$27.91
1985	$24.95	$27.40
1986	$19.35	$21.28
1987	$13.38	$14.71
1988	$15.43	$16.67

The upswing in oil prices is being reflected in a stabilization of employment in the government sector as well as an improvement in the overall unemployment rate. A concerted effort to diversify the state's economy and continued growth in other industries, such as mining, tourism and the seafood industry, are expected to result in a strengthening of the Alaskan economy.

Government

Changes in state government employment are reflections of the overall economic and social situation in Alaska. Because of a slow Alaskan economy, yet high state oil revenue, the political trend of the early 1980's appeared to call for massive doses of public construction plus capital stimulation for business and renewable industries. However, lack of real basic industry growth, during this period, prevented the economy from sustaining this short-run burst which began fading during 1984. Sharply declining world oil prices experienced in late 1985 resulted in a severe drop in state revenues and a weakening of the Alaskan economy. State government was then forced to take drastic measures to deal with its budget shortfall and employment in the government sector declined significantly.

Today, however, as a result of improvement in certain private sector industries and a slight increase in world oil prices, state government employment has begun to stabilize.

Seafood Industry

The seafood industry has been a major contributor to Alaska's overall economy since the late 1800's. However, in recent years, oil has been such a dominant force in Alaska's economy that strong growth in Alaska's seafood industry has gone unnoticed. Now, with lower oil prices and reduced state government spending, Alaska's seafood industry is reemerging as a leader in employment and industry growth. Today, employment is more than double the levels of the 1960's and early 1970's.

The manufacturing industry, as a whole, is projected to be the greatest contributor to new jobs during the next two years. Much of the employment gains will be in the seafood processing sector. The burgeoning bottomfish fishery will help diversify the industry providing income and employment opportunities in areas of Alaska which often have limited wage and salary employment opportunities during the winter months.

Mining

Alaska has important reserves of base metal s,' such as copper, lead and zinc, as well as strategic and critical metals, including tin, tungsten, platinum, antimony, mercury, chromium and nickel. The rich mineral resource base coupled with sharply rising metal prices has set the stage for development of a mutually rewarding relationship between Alaska and the international mining industry. On a percentage basis, metal mining is expected to be the fastest growing sector, in terms of employment, in Alaska's economy through the fiscal year ending June 30, 1990. Nonmetal mining employment is not expected to experience any significant change in employment during the next two years.

Timber Industry

The Alaskan timber industry holds a weak position in the world market. While some products are unique and in high demand, most Alaskan timber can be easily replaced by products from other areas. As the market weakens or production costs increase, Alaskan producers are the first driven out. Employment in the timber industry" fell sharply from 1980 to 1985, losing one-third of its employment. During the good market years of 1986 and 1987, the timber industry posted double digit percentage employment gains. This is strong growth under any circumstances, but especially so considering the poor performance of the Alaskan economy as a whole. The recent entry of larger companies, which are better able to maintain operations when demand declines, are providing greater stability to the industry. It is also hoped that additional value added processing can increase profits and employment, and prolong the industry's viability in an uncertain market.

AIR TRAVEL

Anchorage International Airport is located nine miles from the central business district. The facility serves both domestic and international carriers, and is large enough to handle all commercial aircraft presently in service.

International Travel

By virtue of its location, the city of Anchorage has long been a hub for international air ravel. This status developed because of the central location of the city with respect to Europe, Japan, and the lower 48 states, the fuel limitations of existing aircraft, and the flight restrictions imposed by the Soviet Union.

Anchorage is convenient to the major population centers of three continents. The continuing economic growth of the Japanese economy, and its interaction with the economies of Europe and the United States, have led to an increase in business travel among the three areas. Economic growth in the Far East has also prompted more leisure travel among the populations of Japan, Korea, Taiwan, and other countries.

Until recently, long distance carriers lacked the fuel capacity to connect Tokyo with Europe without refueling. Anchorage provides a convenient and necessary stopover for such flights. Typically, an aircraft arrives at the international terminal, fuel and supplies are loaded, a fresh crew installed, and the flight resumes. Depending on the hour, passengers may sleep through the refueling process or disembark to the duty free area of the terminal.

Over 1.6 million international passengers passed through the airport during fiscal 1988. Most international passengers are in transit from one destination to another, and so do not leave the confines of the airport. However, there is a growing component (over 70,000 during fiscal 1988) of passengers on international flights whose origin and/or destination is Anchorage.

Domestic Travel

For the fiscal year ending June 1988, Anchorage Airport had a passenger count of over 2.6 million, excluding transit passengers. This figure includes both arriving and departing passengers, indicating approximately of 1.3 million visitors on U.S. airlines. An additional 158,000 seats were occupied by transit passengers on these flights.

Most domestic arrivals are on national scheduled airlines, which link Anchorage to the lower 48 states and Hawaii. There are also over 600,000 passengers traveling between Anchorage and other Alaska cities. A third component of domestic travel includes private airlines of the major oil companies.

Growth in Air Passenger Volume

Between the years 1973 and 1986, the annual volume of passengers in or out of Anchorage increased in every year but one. Growth was particularly strong in the mid-1970's, during which time the oil industry in the state was undergoing rapid expansion. A second period of growth occurred in the early 1980's, despite a national recession.

The combined figures for arriving/departing and transit international passengers followed a similar pattern. However, there was a distinct shift from Anchorage-bound to transit passengers in the late 1970's, as international carriers recognized the advantage of selling seats for the full distance between Tokyo and Europe. This was also the initial period of deregulation in the airline industry, which may have prompted the shift in strategy by these carriers.

The most recent peak in air passenger traffic occurred in 1986. Since then, the volume of domestic arrivals/departures has declined. Domestic travel in 1988 was below that of 1986 by nearly 300,000 passengers. In contrast, the volume of international 'travel during this period increased by" 25 percent, particularly travel to and from the Far East. While not a large component of arriving/departing passengers, the growth in international travel may reflect positively on prospects for the Alaska tourism industry.

Seasonality

Among passengers with an origin or destination of Anchorage, both domestic and international travel are highly seasonal. During the most recent fiscal year, approximately 350,000 passengers traveled on national domestic airlines during both the fall and winter quarters. For the months from April through June, this figure increased to over 450,000; for the summer quarter, the volume exceeded 600,000. The volume on intrastate flights followed a similar pattern, ranging from a low of 120,000 in the winter to a high of over 200,000 in the summer. Only oil company usage remained nearly constant over the year, with a quarterly volume just under 50,000.

International arrivals are also strongest during the summer quarter, with over 8,000 passengers from Europe and nearly 3,500 from the Far East. The corresponding figures for the fall and winter quarters were approximately 3,300 and 3,350 for Europe and 1,850 and 2,550 for the Far East.

While origin/destination traffic declined slightly on an annual basis, a seasonal analysis gives some indication of potential improvement. Domestic arrivals increased during the second quarter 1988 over 1987; since some tourist travel is included toward the end of this quarter, this could indicate favorable prospects for the tourist industry. Arrivals from Europe were up nearly 12 percent for the year, with the strongest increases coming in the winter and spring and a slight decline seen in the fall. Travel from the Far East was above prior year levels during each quarter; winter quarter showed the greatest growth.

Projected Trends in Air Travel

Transit

There are two primary factors which suggest a downturn in the volume of transit air passengers. These are the recent opening of Soviet airspace for civilian overflights and the improved fuel efficiency of the new generation of aircraft.

The decision to allow international flights to pass through Soviet airspace removes a significant obstacle to international travel by reducing the distance for many routes. Thus, aircraft which formerly stopped in Anchorage to refuel may now avoid this interim stop and complete the trip in less time and at a lower cost. Assuming that the decision is not reversed, the volume of transit passengers through Anchorage can be expected to decline.

Improved fuel efficiency in new generation aircraft is also expected to reduce the number of refueling stops and transit passenger volume. Because many American and European airlines have ordered these aircraft, there is a backlog of several years for manufacture and delivery. As the new planes become available, several of the European carriers expect to reduce or eliminate service to Anchorage. Among them are AirFrance, Sabena, SAS, and British Air. In addition, Lufthansa has announced plans to terminate service in mid-1989.

Origin/Destination

The strong increases in travel from the Far East and Europe are projected to continue in future years. However, international passenger volume is relatively minor when compared to domestic travel, comprising three percent of total passenger traffic. The volume of domestic passengers to Anchorage has declined in each of the last two years. At best, slow growth is forecast in this component.

An unknown component in domestic transportation trends is the future price of oil. As discussed previously, lower world oil prices have led to a decline in production at the Alaska fields, and a consequent reduction in thestate's economy.

IMPLICATIONS FOR RESORT DEVELOPMENT

Alaska is just beginning "to recover from a severe economic downturn which began in late 1985. This downturn was a direct result of the sharp decline in the price of Alaska's crude oil, the state's economic mainstay. The outlook for the immediate future of the Alaskan economy is one of guarded optimism. Although employment growth is overtaking employment losses, overall growth in employment will continue to be very dependent upon the stabilization of the oil industry, government and other secondary industries dependent upon oil.

The condition of the local economy has the greatest impact on demand for lodging facilities in the commercial/government segment. Because this segment comprises a very small portion of overall demand for resorts, the recovering, yet still weakened, Alaskan economy will not have a significant detrimental effect on resort development.

The availability of scheduled air service will be an essential component in the success of resort operations in Alaska. To the extent that the European carriers reduce service to Anchorage, the ability of a new resort to attract European demand will be hindered. However, if the property were to become established and attract a significant volume of demand, the carriers could be expected to respond with increased service. A second way in which transportation trends affect resort development lies in the volume of lodging demand created by airline crews. As discussed later in this report, crew demand is, approximately one-third of lodging demand at the upscale hotels in the Anchorage market. As improved fuel efficiency and more direct routing reduces transit travel through Anchorage, the number of crews overnighting in the city could drop sharply. Freight operations are expected to continue near the present level, but with a smiler crew size than on passenger flights.

SECTION *Iv*

TOURISM AND RESORT DEVELOPMENT IN ALASKA

TOURISM AND RESORT DEVELOPMENT IN ALASKA

This section of the study discusses the nature of the tourism "industry "in' Alaska. Attention is focused on the primary tourist attractions of the state, the historical characteristics of visitors, and the seasonality of the market. We then discuss the historical and planned development of resort facilities in Alaska.

TOURISM

Visitor Volume

Statistics on the volume of tourism to Alaska were made available from the Alaska Department of Commerce and Economic Development. For the fiscal year ending with Spring 1988, the number of visitors traveling for pleasure was 423,900. Of this total, 369,800 or approximately 87 percent, visited the state during the three-month peak summer season.

The depressed condition of the Alaska economy apparently has not had an effect on tourism. Although the number of visitors declined slightly from the 425,000 recorded in fiscal 1987, this decline was simply a return to normal growth patterns after a record high, visitor volume achieved during the prior year. The stimulation of the Alaska visitor market in 1986 may be attributed in part to the World's Fair held during that year in Vancouver, British Columbia.

The majority of tourists visiting Alaska travel by air or by cruise ship. The peak tourist season officially begins in mid-May with the appearance of the first cruise ships, and continues well into September. Tourism during the winter months is minimal.

The western United States, specifically Washington, Oregon and California, is the dominant region of origin for tourists. Foreign visitors comprise approximately eight percent of the Alaska total, with the majority of these originating from Canada.

Major Attractions

Surveys of visitors to Alaska consistently have found natural attractions to be the most important motivating factor for tourists. Features such as Mt. McKinley, Portage Glacier, and numerous park lands form the popular image of Alaska, an image unique among tourist destinations.

During the building boom of the mid-1980's, several large public facilities were developed in Anchorage. These included a convention center, a large urban shopping roll, and a sports facility. Although well-designed and attractive in appearance, these facilities have not become magnets for tourist demand. The primary attraction in Anchorage, as in the state as a whole, continues to be nature and the Alaskan wilderness.

The following table presents the ten most popular attractions in Alaska during the peak and off-peak seasons and the percentage of all total visitors that each attraction draws.

Ten Must Visited Attractions

Attraction	Percentage Visiting Summer	Off-Season
Portage Glacier	49%	35%
Inside Passage	48%	
Mendenhall Glacier	46%	12%
Glacier Bay	36%	
Ketchikan Totems	34%	11%
Denali/McKinley	33%	12%
TransAlaska Pipeline	32%	11%
Sitka's Russian Dancers	30%	
University of Alaska Museum	30%	
Skagway's Gold Rush Historic District	29%	
Anchorage Museum of Fine Arts		20%
Chugach State Park		15%
Lake Hood Air Harbor		9%
Potter Point State Game Refuge		9%
Resurrection Bay		8%

Source: Alaska Visitors Statistics Program 1985-86

Seasonality

Attraction visitations vary significantly by season. During the summer months, cruise ships bring a large number of visitors to the Southeast region of the state. Attractions near Anchorage draw the greatest number of visitors during the reminder of the year. The most visited attraction year-round is Portage Glacier.

The peak tourist season extends from mid-May to mid-September. From 1985 through 1987, the annual number of visitors in this period equaled or exceeded the state population. In contrast, visitors arriving during the winter months, at most, number 25,000 per month.

Regional Marketing

The State of Alaska and private industry have spent substantial sums promoting tourism in the state with considerable success. The state's commitment to tourism is illustrated by the significant increase in the allocation of funds to attract visitors to the state. In 1989, Alaska will spend approximately $10,800,000 to promote the state. Additional sums will be expended by the major hotels and lodging chains. The table on the following page presents a summary of growth in the tourism budget from 1984 to 1989.

Alaska Tourism Budgets	
1984	$ 6,200,000
1985	$ 8,100,000
1986	$ 7,200,000
1987	$ 6,300,000
1988	$ 9,400,000
1989	$10,800,000

During the initial economic downturn of 1985-1986, the state tourism budget was reduced, presumably in response to a decline in oil tax receipts. However, in 1988 and 1989 this trend has been reversed. There appears to be an increased recognition of the potential economic benefits to be gained from attracting out-of-state capital through tourism promotion. However, most of the state budget is targeted to potential summer tourism; little effort is made to promote tourism in the winter.

Any new resort development in Alaska would benefit to some extent from this publicity. However, to attain its share of demand from within the competitive market, a resort would also need to engage in its own marketing program. This program would begin several years before the opening of the resort and continue at a significant level once it begins operation.

RESORT DEVELOPMENT

As generally defined, a destination resort is a self-contained facility providing guest accommodations, food and beverage service, recreational activities, and often exposure to local culture. A resort caters to demand from a wider geographic area than a typical transient hotel, and is frequently located in a rural or isolated area. A year-round resort offers a range of activities for the summer, winter, and shoulder seasons. To support the cost of these facilities and services, prices charged tend to be relatively high.

At present, the state does not have a true destination resort offering high quality accommodations in a rural setting. Tourist accommodations fall for the most part into two general categories. Hotels and motels in the downtown areas of the major cities are the major provider of guest lodging; these facilities are not unlike the hotels operating, in most American cities, and do not provide guests with a rural Alaskan experience. There are also a number of small lodges available which offer a rural setting, but these facilities are often rustic, limited to essential services, and targeted primarily to sportsmen.

Alyeska Resort

The only facility which approaches the definition above is the Alyeska Resort. This ski development is located in Girdwood, approximately 35 miles south of Anchorage. Facilities at Alyeska include ski lifts and runs, guest rooms, restaurants, and small retail shops.

Lodging, Dining, and Retail Facilities

There are 28 guest rooms within the resort itself, all of them located in the Alyeska Nugget Inn, an older tin-story structure a short walk from the base of the ski slope. The rooms are simply furnished and are in fair to poor condition.

The main restaurant of the resort is located on the main floor of the Inn. It includes a lobby bar, a dining room, and an entertainment lounge . . . The Day Lodge, located adjacent to the Inn, provides light snacks, rental equipment, and lockers. There is also the Skyride Restaurant, located at an upper level on the slopes, which provides food and beverage service with a panoramic view.

Several small retail shops are located on the main floor of the Inn. Items sold include clothing, ski equipment, gifts, and sundries.

Ski Operations

The slopes at Alyeska are relatively steep, suited primarily to accommodate advanced and expert skiers. There are 3 chair lifts.

In 1988, the resort added a quad (4-person) lift with a bubble enclosure. The new lift has a capacity of 2,400 skiers per hour, and connects the mid-mountain area level with the upper slopes.

Proposed Expansion

Alyeska is owned by the Seibu Corporation. Seibu is the largest operator of ski resorts in Japan, with 27 such facilities. The firm intends to expand the Alyeska facility and to use its knowledge of the winter recreation market in Japan to increase volume.

Seibu has announced plans to construct a 300-room hotel at Alyeska. The new facility would be part of the Prince hotel chain, a Japanese lodging chain also owned by Seibu. Prince hotels have a reputation for high quality service and upscale amenities. Affiliation with this chain could be an asset in attracting demand to the resort from Japan and elsewhere in the Far East.

Long-term plans also call for additional ski runs and lifts. The current comfortable carrying capacity at Alyeska is approximately 3,000 skiers. With the proposed expansion, the resort could accommodate 4,500 skiers.

In the very long term, skiing opportunities at Alyeska could be extended into the nearby Glacier/Wintercreek area, either through further expansion of the existing resort or through cooperative planning with an independent developer.

Proposed Resorts

In addition to the proposed Eagle Valley Resort and the planned expansion at Alyeska, two possible resort developments- are currently in the early planning stages. These include a year-round destination facility at Hatcher Pass and a facility at Denali State Park near Mt. McKinley.

Mitsui/Hatcher Pass

The Japanese firm Mitsui & Co. proposes to construct a full-service destination resort at Hatcher Pass, approximately 90 miles east of Anchorage. As with the Eagle Valley project, Hatcher Pass would emphasize skiing during the winter months and a variety of outdoor recreational activities during the summer.

The resort is to be developed in phases. The first phase would includes hotel "of approximately 300 rooms", restaurant facilities, swimming and tennis, ski runs and lifts, and a ski lodge. Later phases would expand the resort with a golf course and up to 1,000 condominium units.

Presently, representatives of Mitsui describe the project as being in the very early stages. Because the project would occupy public land, a conceptual development plan is to be submitted for public review in January 1989. The firm would then have one year to complete the feasibility analysis and develop a master plan.

Mitsui stated an intent to begin construction during the summer of 1990, and to open the hotel and ski lodge for the 1991-1992 winter season. No date has been established for the second phase of the development.

Denali State Park

Over the past decade, state officials have considered a variety of proposals for development of resort facilities at Denali State Park. The park, and nearby Mt. McKinley, are consistently among the most popular attractions for visitors to Alaska. However, with the exception of small lodges and inns, no tourist facilities are presently available within the park itself.

The general development concept for this area would include hotel rooms, food and beverage facilities, and recreational amenities. Because skiing is not considered a likely use of this site, demand would" likely be concentrated during the peak summer season. For this reason, a development at Denali is likely to deemphasize new construction of elaborate resort recreational facilities in favor of existing natural attractions.

Comparative Advantages/Disadvantages of the Resort Projects

The proposed Eagle Valley Resort would have the advantage of being a completely new major destination resort, presenting a theme relating to the turn of the century, Alaskan gold rush history.

The location of the resort would be by far the closest to Anchorage and to the Anchorage Airport, thereby providing convenient access to guests arriving by air, and to day skiers and other visitors from Anchorage, by an avalanche free road.

While the closeness to Anchorage is an advantage in attending day use, it makes it difficult to attract overnight guests from the Anchorage population base. Proposed projects at Denali, Hatcher Pass, and to a larger extent Alyeska, would be in a better position to attract overnight demand from the Anchorage population base. However the size of Anchorage limits potential demand from this source for any major destination resort.

Development costs of a complete year-round destination resort are high, as all facilities and the complete infrastructure need to be developed. The Aleyska resort project has an advantage in that part of the infrastructure already exists.

Both the proposed projects at Alyeska and Hatcher Pass are owned by Japanese Companies. Japanese ownership may be an advantage in attracting demand for these resort projects from Japan and elsewhere in the Far East.

A resort development at Denali State Park would have the advantage of being located near Mt. McKinley, one of the most popular visitor attractions in Alaska.

As a ski resort the proposed Eagle Valley Resort would have the advantage of providing ample intermediate slopes, complete snowmaking facilities, night-lighting, and the variety of facilities and attractions outlined in Section V of this report, at a location very close to Anchorage and the Anchorage Airport.

We have taken these factors, as well as others outlined in this study, into account in projecting market demand for the proposed resort.

SECTION V

THE PROPOSED EAGLE VALLEY RESORT

THE PROPOSED EAGLE VALLEY RESORT

This section describes the site and proposed facilities of the Eagle Valley Resort. Also included is background information on the developer and descriptions of several resort and hotel projects with which he has been involved.

SITE ANALYSIS

Location

The proposed resort would be located on a site near the community of Eagle River in the northern portion of the Municipality of Anchorage. It is bounded on the west by a green belt area extending to Highway 1, on the north by rural and sparsely-developed residential portions of Eagle River, on the east and south by the Chugach State Park, a large wooded area, and additional single family residences extending toward downtown Anchorage.

Area and Topography

The total area of the resort includes land to be devoted to structures, parking, greenbelts, and skiing. The vast majority of the land will be used for the ski slopes themselves. Much of this land is publicly owned, and would be operated under a concession agreement to be negotiated.

The lodging and recreational facilities of the resort would occupy an area of 95 acres of privately owned land at the base of the slopes. This portion of the site has an irregular topography, but generally slopes upward to the east from the two forks of the Eagle River.

Exposure and Accessibility

The proposed resort facilities would be approximately one mile from Highway 1, and would have no direct highway exposure. However, because it will be a destination resort and is not expected to cater to drive-by traffic, this is not considered a detriment. In fact, a degree of isolation from urban activity is a positive feature for resort development.

Access to the site from the highway will be by way of a new road to be constructed through the greenbelt and devoted solely to providing access for the new resort. Signage would direct travelers to leave the highway at a new interchange. The land adjoining the planned road is wooded and slopes steeply upward; arriving guests will perceive the area to be in a natural state.

Governmental Restrictions

The site is presently designated for general recreational use. The new access road would pass through a green belt area which is to be kept free of structural development. Limited residential development has been permitted in the area east and south of the site. With the exception of the resort itself, no other commercial or industrial development would be permitted.

Utilities

None of the utilities necessary for the operation of the resort "hotel are presently in place. Water, sewer service, electricity, and natural "gas are planned to be provided to the site through extensions from existing service areas in or near Eagle River. The cost of utility installation and connections to existing services will be part of the overall cost of the development.

Convenience

The table below shows the distance from the subject site to Highway 1, downtown Anchorage, the airport, and primary regional tourist attractions.

Site Convenience

Points of Interest	Approximate Distance from Site
Chugach State Park	Adjacent
Highway 1	1 Mile
Downtown Anchorage	12 Miles
Anchorage International Airport	20 Miles
Alyeska Resort, Girdwood	50 Miles
Portage Glacier	60 Miles

PROPOSED FACILITIES

The proposed Eagle Valley Resort would be the first large, year-round destination resort ever to be developed in Alaska. The resort is planned to depict the historical. turn-of-the-century period of the Alaskan gold rush days while providing modern conveniences and a host of recreational facilities. The resort would also offer direct access to thousands of acres of the adjacent Chugach State Park lands for downhill skiing and numerous other outdoor activities.

The development would be designed as a self-contained village, with lodging, dining, retail shops, and recreational activities. The unique village design, the variety and quality of services offered, the year-round recreational activities, and the easily accessible location are planned to enhance the resort's ability. to attract demand from elsewhere in the United States and from Canada, Asia and Europe.

Guest Rooms

The village would include two 250-room first-class hotels. The hotels would offer restaurants, lounges, meeting rooms and related guest facilities. One of the hotels would feature *a* theatre for historical or current interest performances, cultural events, concerts or presentations. The other hotel would feature a saloon-style gambling hall to recreate the flavor of the turn-of-the-century period. (The extent of actual gambling operations would be very limited in accordance with current state law).

Additional accommodations for guests would be provided in approximately 890 condominiums. The apartments would be housed in nine buildings designed around courtyards, and would be a mix of studio, one-bedroom and tin-bedroom units.

Conference Center/Theatre

A 17,000" square foot conference cent'er is planned to supplement the meeting rooms provided in the hotels. Located on Main Street, which is restricted to pedestrian traffic, the conference center would provide a facility for meetings and seminars, plays, movies, and folklore and other community and resort activities. The conference center is planned to enable the resort to attract meeting and convention demand during the winter and shoulder seasons.

Retail Shops

Retail and commercial space would be situated along Main Street for international restaurants, bars, teahouses, saloons, shops, native handicraft displays, galleries and tourist services. The total retail area in the development plans is 45,600 square feet.

Russian Church

An authentic Russian Orthodox Church, complete with dome and spire, would recall Alaska's early origin and is planned to be used for church services.

Indoor Recreation

This facility would provide the guest with a variety of water and swimming experiences. In addition to a traditional pool and sauna, the facility would feature elaborate wave pools, waterslides and waterfalls. The area of this facility is planned to be 50,720 square feet.

Four indoor tennis and four squash courts would be provided together with the necessary support services, in a total area of 26,800 square feet.

Outdoor Recreation

An extensive array of outdoor activities would be offered at the resort. Essential to attracting out-of-state and foreign visitors to the resort in the winter would be provision of outstanding ski facilities. Development of the ski area is planned in two phases. Initially, the area would be able to accommodate 7,660 skiers, with an eventual increase in capacity to 11,450 Skiers.

The proposed resort would include a ski area which provides a range of slopes designed for all skiers, from beginner to expert, and incorporating Olympic-class runs. To serve the skiers, the resort would contain a 16,500 square foot ski center offering a main day lodge, ski school and ski rental.

The ski area would provide 614 acres of skiable terrain which would be serviced by six high-speed quad lifts and one platter lift. The vertical drop would be 4,319 feet with a slope height of less than 500 feet rising to 4,645 feet. The longest run is estimated at 2.5 miles. Thirty percent of the runs would be classified as expert and advanced; 58 percent intermediate; and 12 percent novice and beginner.

Artificial snowmaking would be used on essentially all runs to enhance skiing conditions. and to extend" the skiing season: Climatic and snow conditions vary, greatly in the Anchorage area by location, depending on distance' from tide water and elevation above sea level. Use of artificial snow would make the often changeable snow conditions less of a factor.

In addition to alpine skiing, winter outdoor activities would include a major track and wilderness cross-country ski program, dog sled rides, sledding slopes, horse drawn sleigh rides and hunting excursions.

Summer activities, within the immediate area of the resort, would include an 18-hole golf course, summer chair lift rides, river rafting, horseback riding, hiking,. nature studies with on-site State Park Rangers, back packing and wildlife watching. Excursions and explorations to famous landmarks in other parts of Alaska, as well as fishing and hunting expeditions, would be arranged and originate from the resort.

Parking

Underground parking would be provided in the village, with day parking for skiers and visitors provided in a large lot near the ski area. A shuttle bus system is planned to provide service from the Anchorage Airport and Anchorage. Vehicular traffic in the village would be restricted.

BACKGROUND OF THE DEVELOPER

The Rogner Company has been very active in the development and operation of resorts and other lodging facilities in Europe. As part of our fieldwork, we visited several of these hotels and vacation resorts, including five vacation villages in Carinthia, located in southern Austria, and two hotel projects in Vienna. The purpose of our inspections of these properties was to obtain a full understanding of the type of projects previously developed by the Rogner Company, and specifically the type and quality proposed for Eagle Valley Resort.

Vacation Villages

The five vacation villages visited, all developed since 1978, depict 18th century Austrian farmhouses. To achieve this, over 300 original farmhouses, mostly no longer in use, were purchased and then disassembled.. The old beams, planks and sidings were cut and then re-used in the construction of the new resorts, giving them a strikingly genuine appearance.

The largest demand segment captured by these resorts is families with children, which comprise 80 to 90 percent of total demand. The minimum length of stay is typically one week. Overall demand, by origin, is estimated at 60 percent German, 15 percent Austrian, and 25 percent from various other European nations. Winter demand, by origin, is estimated at 40 to 50 percent German, 30 percent Austrian, and the remainder from other European nations.

Seeleitn

Located at Faaker Lake in Carinthia Seeleitn was the first of the five vacation villages to be developed. The village, which opened in 1978, is comprised of 21 buildings, each housing four apartments. Each apartment

features Austrian 'furnishings designed to be comfortable, yet reflecting 18th century styling. Kitchen facilities are provided in each unit. In addition to guest rooms, the village offers a restaurant, a lounge, retail shops and outdoor activities. During the winter, cross-country skiing is popular while activities in the summer are primarily water-oriented.

The resort, which operates from April 15 through October 15 and during the Christmas season, is very appealing to families with small children. These families enjoy the informal setting, the organized activities, and the option of preparing reals in their apartment or dining at a restaurant.

Units typically are rented on a weekly basis. Occupancy at Seeleitn is estimated at 90 percent on a per apartment basis for the period of operation. The average daily room rate is approximately 1,200 shillings, or $100.00.

Schoenleitn

Schoenleitn, also located in the Faaker Lake area, consists of 25 typical 18th century farmhouses each containing approximately four apartments. Since its opening in 1979, the resort village has been very successful at attracting families. Occupancy realized during the summer months is approximately 90 percent, while occupancy during the winter months ranges between 65 and 70 percent. The average room rate is estimated at approximately $100.00.

Open basically from the end of December through October 15, the village features a restaurant and lounge, pool, sauna, and a store. Many activities are offered including cross country skiing, horseback riding and bowling.

Unterkirchleitn

Unterkirchleitn, which opened in 1982, is located at St. Oswald, the most popular ski area in Carinthia. The village is comprised of 16 buildings, each containing four apartments, and is operated basically December through October.

The occupancy rate achieved at the village is approximately 85 percent in the winter and between 65 and 70 percent in the summer months. The average room rate is estimated at $100.00, a rate equal to that achieved, at the other vacation villages.

Oberkirchleitn

Oberkirchleitn, which opened in 1981, is comprisedof 28 buildings each containing four apartments. Amenities offered are similar to those of the other vacation villages. Downhill skiing is the major winter activity but avariety of activities are provided for both the winter and summer months. Occupancy and average room rate achieved are comparable to those realized at the Uterkirchleitn resort.

Sonnleitn

Sonnleitn, located in the Corinthian Alps, operates from January 1 through April 15, and from July 1 through September 15. The resort, which opened in 1983, has direct access to the Sonnenalpe-Nassfeld ski area and offers a variety of skiing opportunities, being the largest ski area in Carinthia. In addition to ski activities, indoor tennis and squash is available at the resort.

The village is comprised of 28 buildings, each containing four to six apartments, as well as a main building housing an additional 18 units. The occupancy rate achieved at Sonnleitn is estimated at 92 percent in the winter months, and 78 percent during the summer season. This is the only vacation village currently operated by the developer.

Hotels

Hotel Ananas

The 539-room Hotel Ananas, located in Vienna, Austria, was completed in 1987. The hotel is very attractively done in "Jugenstil" (Art Noveau), a turn-of-the-century style then popular in Vienna and throughout Europe. The hotel, operated by the developer, is primarily tour oriented and thus provides parking for tour busses. More than 60 percent of the demand is comprised of tourists from Italy, France and other nearby countries. The hotel was reported to achieve an estimated 80 percent occupancy rate and a $60.00 average room rate.

Hotel Biedermeier

Hotel Biedermeier, which was restored by the developer in 1982, offers 204 rooms including some suites, restaurants, lounges, a conference center and a shopping roll. Again, the hotel and related facilities are very attractively done with great attention to detail. The occupancy rate at the property was estimated at 65 percent. The average room rate was approximately $88.00.

Summary

The vacation villages all are reported to achieve high occupancies. Much of their appeal can be attributed to the developers' innovative product design and successful determination of a market niche. Since these vacation resorts cater primarily to families with children who rent the apartments on a weekly basis, they are not directly comparable to the proposed Eagle Valley resort. However, they do illustrate the developers success in developing resort projects and in recreating and restoring historical structures. Because the proposed resort in Alaska would depict the Alaskan gold rush days, the developers! expertise in recreating a bygone era is an important factor in analyzing the Eagle Valley Resort's potential for success.

The Eagle Valley Resort would be the first major year-round destination resort in Alaska. The proposed concept of an integrated, gold rush style Village, featuring all the resort aspects outlined in this section, was generally well received by the travel executives interviewed during our study.

SECTION VI

THE ANCHORAGE LODGING MARKET

THE ANCHORAGE LODGING MARKET

In this section, we discuss current lodging market conditions in the Anchorage area. and our estimates of historical and future growth in the supply and demand for hotel rooms. Our analysis included defining the existing and proposed competition, segmenting demand, and estimating changes in demand by market segment.

COMPETITIVE MARKET SUPPLY

The proposed Eagle Valley Resort would compete directly with six hotels located in the downtown and airport areas that now accommodate most of the lodging demand in Anchorage. These hotels are full service properties ranging in size from approximately 200 to 600 guest rooms. Five of the properties are affiliated with national or regional hotel chains. The single independent property is a member of Preferred Hotels Worldwide, an exclusive association of first-class hotels.

The proposed resort would also compete with any other first class resorts near Anchorage. The limited lodging facilities available at Alyeska Resort are not considered to offer competitive quality. There are currently no other resort facilities in the Anchorage area.

Presented on the following page is a table indicating the size and extent of facilities and the published room rates at each of the existing competitive properties.

Existing Properties

Anchorage Westward Hilton

The newly renovated Anchorage Westward Hilton is a 591-room hotel located at Third Avenue at E Street. The hotel completed a renovation/expansion of its facilities in 1986 which included the expansion of its restaurants and meeting facilities, and adding a health club with an indoor pool, a rooftop terrace, and additional retail space. The Anchorage Hilton is owned by Bristol Bay Native Corporation and operated by the Hilton Hotel Corporation.

The Hilton has historically concentrated heavily on airline crew business. Despite its new first-class facilities, this trend has continued. The decision by management to maintain year round airline crew demand is primarily the result of the current economic conditions in the state and Anchorage which has reduced business travel to Alaska.

Captain Cook Hotel

The Captain Cook is a 567-room hotel which was constructed in phases, with the latest tower addition of 240 rooms being opened in 1978. The Captain Cook is a member of Preferred Hotels Worldwide, a worldwide exclusive group of first-class hotels. The Captain Cook has captured less than its fair share of market demand in the past, through a high average room rate. Its primary market has been executive travelers seeking its top-notch services and facilities.

Profile of Competit

	Available Guest Rooms	Res Outlets
Direct Competition		
Anchorage Westward Hilton	591	2
Hotel Captain Cook	567	4
Clarion Hotel	248	2
Sheraton Anchorage	383	2
Holiday Inn	249	1
Westmark Hotel	195	3
Total Direct Competiton	2,233	

* Rates are subject to seasonal changes

Clarion Hotel.

The Clarion is the newest of the competitive "properties, having 'opened in 1986. The hotel is located near the airport, offers high quality guest rooms, and includes a popular lounge and restaurant. In 1988, both the occupancy rate and the average room rate of this property exceeded the market.

Holiday Inn Anchorage

The Holiday Inn of Anchorage is a 249-room property which opened in 1971. Due primarily to the poor condition of the property and its proximity to Fourth Avenue, it captures less than its fair share of demand. Its primary market has been government/education business and low budget groups needing a small amount of meeting space and low guest room rates.

Sheraton Anchorage Hotel

The Sheraton Anchorage Hotel opened in July, 1979. After struggling in its intial years of operation, the hotel has now stabilized and generally captures more than its fair share of market demand. Its primary markets are commercial travelers and groups seeking first-class facilities.

Westmark Hotel

The Westmark, formerly Sheffield House, opened in 1970. This 195-room hotel has "generally " captured. its fair share of demand, with it's primary market being commercial travelers seeking first-class facilities at a good location, but unwilling to pay the high rates of the Captain Cook or Sheraton. Since the opening 'of the convention center, the hotel has increased its share of group demand due to its location. This growth should continue as the convention center's occupancy grows.

Proposed Properties

In the mid-1980's, the strong growth of the Anchorage economy encouraged developers to plan for several new hotels". However, due to the recent economic downturn, many of the previously proposed hotel projects have been abandoned. Two developments now being considered include a 300-room Prince Hotel proposed for Alyeska Resort and a 254-room Marriott Hotel "proposed for a site near downtown Anchorage.

The Marriott hotel would be located at the intersection of C.Street and International Airport Road. Based on information provided to us by Marriott Corporation, we have concluded that "this hotel. will not be developed within the projection period. This decision is reportedly based on economic conditions in Anchorage.

The addition of a Prince hotel at Alyeska would have a significant impact on the resort market of the area. Based on our analysis of present and potential resort demand, we consider it unlikely that both the Prince hotel and the subject property would enter the market during the forecast period. This report specifically assumes that the Prince hotel will not be developed. In the event that the project does go forward, demand for the subject resort could differ significantly from the projections presented in this report.

Presented below is a table detailing the historical and projected growth in the average number of available rooms per day for the directly competitive hotels.

Growth in Market Room Supply

Year	Average Rooms Available Per Day	Available Room Nights	Percentage Change
1984	1,885	688,000	-
1985	1,812	661,400	(3.9%)
1986	2,097	765,400	15.8%
1987	2,233	815,000	6.5%
1988	2,233	815,000	
1989	2,233	815,000	
1990	2,233	815,000	
1991	2,233	815,000	
1992	3,633	1,326,000	62.7%
1993	3,633	1,326,000	
1994	3,633	1,326,000	
1995	3,633	1,326,000	
1996	3,633	1,326,000	
Compound Average Annual Growth Rates			
1984-1988:			4.3%
1988-1996:			6.3%

DEMAND FOR LODGING

We estimate 598,400 room nights were sold at the directly competitive hotels in Anchorage during 1988, for an average annual occupancy rate of 73.4 percent. Average room rates ranged from approximately $68.00 to $90.00 with an average for the group of approximately $77.00.

In 1984, the average annual occupancy rate at the directly competitive hotels was thirteen points above the national average for all hotels and motels. As a result of poor economic conditions and the addition of new rooms to the market, the market occupancy rate in Anchorage in 1988 was estimated at only seven points above the national market average.

Segmentation

The largest component of lodging demand in the market is commercial demand. This category includes guests traveling on business and civilian and military government employees. Commercial travelers tend to travel during mid-week and to use good quality hotels which are close to their place of business. In 1988, commercial demand accounted for an estimated 35 percent of total market demand, providing 213,900 occupied room nights.

Demand for overnight lodging for airline crews accounted for 31 percent of market demand during 1988. As discussed previously, the city of Anchorage is presently used as a refueling stop for a large volume of passenger and freight traffic between the Far East Europe, and the United States. Many of the flights have a change of crew in Anchorage, with as many as 30 rooms required

for crew lodging. ". Crew demand, is spread evenly through the week ,". and' may be greater in the summer as the number of flights are increased to meet the demand from summer tourists. Crew rooms generally are rented on a contractual basis for extended periods at greatly reduced rates.

Tourist or transient demand makes up 24 percent of the total projected for 1988. These guests include those destined for the attractions of the Anchorage area and those who stop on the way to another destination. Both types of tourist demand are heaviest during the three month peak summer season. In response, Anchorage hotels charge substantially higher room rates during this period. Annual tourist demand for 1988 is estimated at 140,900 room nights.

Group demand accounts for the remaining 10 percent of the market total. Most of these rooms are accommodated at properties which offer a significant amount of meeting space, including the Captain Cook, the Hilton, the Sheraton, and the Clarion. Other nearby properties achieve some overflow demand from especially large groups. Approximately 59,200 room nights of group demand are estimated for 1988.

Seasonality

An important feature of the Anchorage lodging market is its seasonality. While commercial and airline demand are-spread rather evenly throughout the year, visits by tourists are heavily concentrated during the summer months, and most group demand occurs during "the shoulder seasons..

The summer season is characterized by a high concentration of tourist demand. Market occupancy is very high during this period, with some guests being turned away to lower quality properties or kept out of the market altogether. Based on interviews with the managers of the existing hotels and the comments of tour operators, we estimate that the volume of unsatisfied demand during this summer season is 10 to 15 percent of the tourist demand captured. We have used an estimate of 20,000 room nights for the current level of unsatisfied demand in our analysis.

Group demand tends to occur during the spring and fall shoulder seasons. Convention planners are reluctant to schedule events during what is perceived to be" harsh winter weather, and are unable to book large blocks of rooms. at discounted rates during the peak summer season. Some tourist demand is captured on the edges of the shoulder seasons, and commercial demand continues at annual average levels.

During the winter season, Anchorage hotels attract few group events and a small number of tourists. Commercial demand is again maintained through this season. Airline travel to Anchorage is reduced with the drop in tourism, but the number of crews serving transit flights' remains at normal levels.

The table on the following page summarizes the current mix of demand in the competitive market by segment and by season.

Anchorage Lodging Market

	Market Supply	Commercial	Group	Airline	
Seasonality (Days)					
98 Smr	26.8%	20.0%	20.0%	30.0%	
154 Winter	42.2%	50.0%	20.0%	40. o%	
113 Shoulder	31.0%	30.0%	60.0%	30.0%	
365 Total	100.0%	100.0%	100.0%	100.0%	
Room Nights					
Sumner	218,800	42,800	11,800	55,300	1
Winter	343,900	107,000	11,800	73,800	
Shoulder	252,300	64,200	35,500	55,300	
Total	815,000	214,000	59,100	184,400	1

* Note: Estimates based on information available as of

Historical Growth in Market Demand

Since competitive market demand "has fluctuated' "between 500,000 and 600,000 occupied room nights. Changes in the volume of demand resulted from the addition and removal of rooms from the competitive market and shifts in the local and regional economy.

Because of the large volume of unsatisfied demand during the summer months, the number of rooms available in the market has a direct bearing on the volume of demand captured. Demand decreased in 1985 with the partial closing of the Hilton for renovation, then increased with the opening of the Clarion and the reopening of the Hilton in 1986. The year ,1987 was the first full year of operation for the new rooms; again, an increase was seen in market demand. "

The following table shows the historical pattern of growth in demand.

Historical Growth in Market Room Demand

Year	Average Rooms Occupied Per Day	Occupied Room Nights	Percentage Change	Market Occupancy
1984	1,518	554,000	-	80. 5%
1985	1,399	510,800	(7.8%)	77.2%
1986	1,461	533,400	4.4%	69. 7%
1987	1,596	582,400	9.2%	71.5%
1988	1,640	598,400	2.8%	73.4%
Compound Average Annual Growth Rate			2.0%	

Market Average Room Rates

The average room rate in the competitive market increased from $61 in 1984 to $77 in 1988. This amounts to a compound average annual growth rate of approximately six percent. During this same period the general price level, as measured by the U.S. Consumer Price Index, increased at a compound rate of 3.4 percent, which would indicate real annual growth averaging nearly three percent. Growth in the market average rate resulted from rate increases at the older properties and the eventual positioning of the Clarion. at a rate above the market average.

Market room rates may also be analyzed by segment and season. Commercial rates range from $95 to $120 during the summer, approximately ten percent discount from advertised rates. An additional $10.00 discount is offered in the off-season, and even lower rates of $65 to $85 are available to government travelers. Large tour groups receive discounts based on the size and duration of the tour, while individual tourists generally pay the published rates. Because both the advertised rates and the volume of tourists is less in the off-season, the average achieved in the market during this period is estimated at 30 to 40 percent below the summer average.

Historical Market Average Room Rates

Year	Market Occupancy	Market Average Room Rate	Nominal Percentage Change	Inflation	Real Percentage Change
1984	80.5%	$61.00			
1985	77.2%	$71.00	16.4%	2.4%	14.0%
1986	69.7%	$73.00	2.8%	2.1%	0.7%
1987	71.5%	$72.00	(1.4%)	0.9%	(2.3%)
1988	73.4%	$77.00	6.9%	N/A	N/A

The ability of a hotel to achieve real price increases is typically a function of market conditions. When occupancies are high, properties can raise prices or limit discounts without fear of carrying many empty rooms. In contrast, properties in a market where occupancy is relatively low may find that substantial discounts must be offered in order to retain business.

Rate increases most often are established at the beginning of a year or season based on the performance of the market in the prior period. The strong increase seen in 1985 reflected the healthy economy and high occupancy rates of 1984. In 1986, as the economy slowed down and the opening of the Clarion added to the market supply, occupancy declined. The following year saw a decline, both nominal and real, in room prices. For 1988, a slight increase in occupancy and the expiration of the Clarion's introductory prices have supported an increase in market room rates.

As discussed in Section VIII, the market over the past five years, has achieved an average annual occupancy rate in the range of 70 to 80 percent. As a result of the entry of the subject property, and an expected decline in airline crew demand, the rate of occupancy in the competitive market in 1992 is projected at 55 percent, the lowest level in the period studied. Despite gradual increases in demand, the occupancy of the overall market, including the proposed 1,400-room resort, is expected to grow to only 65 percent by the end of the forecast period.

Because of the lower projected occupancy, we do not expect the market to continue to achieve the real. price increases. experienced in the" past. We project that room prices at individual properties will increase only at the general rate of inflation.

The preceding analysis should not be interpreted to mean that in future years the market average rate will be affected only by inflation and market occupancy. To the extent that a newly opened property prices its rooms above or below the prevailing market average, the average itself will be altered. However, the analysis is appropriate in the projection of average room rates for an individual property.

SECTION VII

PERFORMANCE AT COMPARABLE DESTINATION RESORTS

PERFORMANCE AT COMPARABLE DESTINATION RESORTS

This section of the report discusses the North American ski resort market and existing destination resorts in North America which are considered comparable to the proposed Eagle Valley Resort. We describe the facilities available at each property and discuss historical and current operating performance. The section concludes with a discussion of implications for the proposed development.

To attract demand on a year-round basis, a major Alaska destination resort would be expected to feature winter sports facilities, the core of which would have to be downhill skiing. While, historically there has been substantial summer tourist demand in Alaska, there has been little tourist demand in the winter months. Comparable resorts, therefore, are year-round resorts featuring substantial ski season facilities as well as summer seasons.

SKI RESORT INDUSTRY

During the 1986/87 ski season, North American ski areas were estimated to have accommodated 53.7 million skier visits. Based on a survey of 134 ski areas, the National Ski Area Association estimates the ski industry had gross revenues of $1.6 billion and provided payrolls of $335 million. The sample, which represented approximately 52 percent of the total market, indicated utilization of ski area capacity was down to 32.9 percent from 34.4 percent realized during the previous year, even though ski visits were up by 3.5 percent.

While the ski market experienced growth rates of 10 to 15 percent annually in the sixties and seventies, this is no longer true. Current statistics indicate flat to moderate growth of the ski market in North America for the 1988-1989 season.

A number of factors are contributing to the reduced growth, the most significant being demographic trends in the United States. The "baby boom" caused a rapid rise in downhill skiing in the seventies. As this group is aging, reduced growth can be expected to continue. As a result, many smaller ski areas have gone out of business, and larger operators have begun to discount ski tickets. The number of ski areas in North America has declined by 35 percent since 1980. Even though resort owners have invested $1.5 billion into faster lifts and better grooming machines, total 1987-1988 skier visits were only 8 percent higher than in 1978-1979.

To increase market share, ski resort operators have become very competitive by offering package prices and various discounts on lift tickets, by further improving ski area facilities, and by searching for new sources of demand, including demand from foreign sources.

SELECTION CRITERIA

In selecting comparable destination resorts for our review, we used five major criteria. Each resort --

1. is a year-round destination facility, offering both a winter ski season and and a summer tourist season.

2. is of relative recent origin, having been developed since the early 1960's or 1970's.

3. offers a high quality product to guests, including a variety of overnight facilities, restaurants and entertainment, and sports activities.

4. is of a significant size and stature.

5. can be expected to attract demand from many of the same sources as the proposed Alaska resort.

On the basis of the above criteria, we have selected the following comparable resorts:

* Whistler, British Columbia, Canada,
* Jackson Hole, Wyoming
* Vail, Colorado
* Keystone, Colorado

WHISTLER, BRITISH COLUMBIA, CANADA

Development History

Whistler grew out of a plan to host the 1968 Winter Olympics. Although the Olympic games never materialized, Whistler developed into a year-round destination resort. While the first ski lifts on Whistler Mountain opened to the public in ,19"66., development began in. earnest only in 1975, when Whistler was designated a resort municipality by the provincial government. The newly created village saw the rapid development of accommodation facilities, food and beverage outlets, retail shops and meeting space. Over the next few years, Blackcomb Mountain was developed as a second ski facility, enabling skiers to access two mountains from the village, both with excellent ski conditions and the longest vertical drops in North America.

In the early 1980's, as the resort became a popular winter ski destination, additional facilities were provided to make the resort attractive on a year-round basis. This included a championship golf course designed by Arnold Palmer, which opened in 1983, and the Whistler Conference Center, which opened in July 1985.

The hotel accommodations at the resort developed basically in three phases.

1. Prior to 1980, lodging facilities at Whistler consisted primarily of condominium type properties with less than fifty rooms..

2. Subsequent to the Whistler Village opening in the early 1980's, more hotel-type properties were built, even though condominium-style units remained predominant.

3. Subsequent to 1985, most of the hotel rooms developed were regular hotel properties, adding 532 hotel rooms to the village, as compared to 51 condominium-type rooms over the same period.

Location and Access

Whistler resort is accessible by several modes of transportation. The resort is located two hours (approximately 90 miles) north of the Vancouver, British Columbia international airport, which is served by major air carriers from

around the world. '. Approximate flying times and costs on scheduled airlines to Vancouver are shown in a table at the end of this section. Improvement of the Pemberton airport, a few miles north of Whistler, will allow the landing of Dash" 7 aircraft and scheduled flight service for the 1988-89 ski season. B. C. Rail operates daily trains on a year-round basis from Vancouver to and from Whistler. The train trip takes approximately two hours, with additional ski trains schedules on weekends during the winter months.

Vancouver constitutes the nearest population base to Whistler, with approximately 1.5 million people residing in the Vancouver Metropolitan area in 1987.

Seasonality

Whistler Resort originally was started as a ski resort, but additional facilities were developed to enable the resort to operate on a year-round basis. Guests now have a variety of activities available during the summer, including golf, tennis, river rafting, heli-skiing, various water sports, bicycle tours and various special events and festivals. Currently, Blackcomb Mountain is North America's largest summer skiing facility, with lifts operating throughout the summer, providing access to Horstman Glacier.

Additional facilities are planned which would further increase the projects appeal as a year-round destination resort, including:

1. Ayear round tennis resort, with ten outdoor and six indoor tennis courts.
2. Two new golf courses.
3. A school at Whistler offering courses in culture, business, the arts, and management.

Rooms Accommodations

In 1988, there existed a total of 725 hotel rooms and 867 condominiums units at Whistler, for a total of 1,592 room accommodations. While some of these rooms are in smaller properties, most are in new, attractive hotels or condominium developments. Approximately 47 percent of the hotel rooms at Whistler have been built since 1986. During the period 1982 through 1986, the supply of rooms more than doubled, and is expected to almost double again during the next five years, as "an "additional 1,000 rooms are expected to be added. At the' time of our fieldwork, a full-service 400 room Canadian Pacific Hotel was being completed at the foot of the Blackcomb quad lift, which will be the largest hotel property at Whistler. The three existing largest properties are briefly described as follows:

The Delta Mountain Inn

This is currently the largest single property in Whistler. The Delta Inn has 160 units, 97 of which have kitchenettes. The rooms are large, modern and tastefully furnished. Many rooms have fireplaces and jacuzzi tubs. Recreational and other facilities include two tennis courts, an outdoor pool and whirlpool, meeting rooms, dining room and lounge. The hotel is part of the very popular Canadian Delta hotel chain. The hotel's expansion plans call for the addition of between 135 and 180 standard guestrooms which would enable the hotel to accommodate larger convention-related groups. A planned expansion of the hotel's retail space would further improve guest services as well as link up the new portion of the building with the Village Square.

The Listel Lodge

This most recent hotel addition to Whistler Village is located between the Delta Mountain Inn and the Crystal Lodge. The lodge has 96 hotel rooms and two V.I.P. suites, three meeting/function rooms, a 125-seat restaurant, a 70-seat piano bar, 72 underground parking stalls and a variety of other amenities. The hotel is tastefully decorated throughout and the hotel's guest-room size and proximity to the Whistler Conference Center are further advantages for the property.

The Olympic lodge

This 90-room hotel, owned and operated by Nancy Greene Raine, Canadian Olympic Champion, was completed in 1985. The guest rooms, although tastefully decorated, are relatively small and somewhat limited as each has two twin beds. Amenities include a restaurant, lounge and ski storage room. Although not as luxurious as other hotels in the Village, its location contributes to its competitiveness.

Major Amenities

Whistler and Blackcomb Mountain offer the two greatest lift-serviced vertical rises in North America (5,280 feet at Blackcomb, and 5,006 feet at Whistler). The 95 ski runs at Blackcomb, and 86 runs at Whistler, are served by a combined total of over 20 chair or express chairlifts, a gondola, and a variety of other lifts. Longest runs at both Blackcomb and Whistler are approximately five miles.

Skier capacity, combined, is 20,600 skiers per day. This capacity will further increase with the new Whistler Mountain gondola, which was recently completed. The skier terrain at Blackcomb is classified at 25% expert, 55% intermediate, and 20% beginner; and at Whistler Mountain 20% expert, 55% intermediate, and 25% beginner.

In. addition to skiing, the resort features an 18-hole golf course designed by Arnold Palmer, a number of outdoor tennis courts, boat rentals, and various other recreational and sport facilities. The Whistler Conference Center holds 1,000 delegates for dining, and up to 1,800 delegates for theatre-style presentations; as well as various breakout rooms. There are also a great variety of restaurants, lounges, and shops available.

Sources of Demand

Winter rooms demand for the 1987-88 season and summer demand for 1987, by area of origin, was as shown on the following page.

Area of Origin	1987-88 Winter Season percentage	1987 Summer Season percentage
British Columbia	35%	61%
Washington	15%	10%
Ontario	13%	8%
California	7%	3%
Japan	7%	0%
Quebec	5%	1%
Other U.S.	5%	1%
Other Canadian	5%	2%
Alberta	1%	2%
Australia	1%	0%
Europe	1%	1%
Oregon	1%	2%
Other and Unknown	4%	9%

Source: Whistler Hotel Association (based on commercial accommodation rentals)

An increased diversification of markets has taken place in recent years. The percentage of winter demand from Ontario increased from 6 percent to 13 percent; those from California increased from 3 percent to 7 percent, and Japanese winter visitors increased from zero percent in 1984-85 to 7 percent in 1987-88.

The average stay of guests is estimated at three to four nights during the winter season, but only 1.5 nights during the summer. The average double occupancy factor is estimated at 2.4 people per occupied room.

The table below shows the number of skier visits by year since 1982:

	Skier Visits			
	Blackcomb	Whistler	Total	Percentage Increase
1982/1983	278,000	432,517	710,517	-
1983/1984	234,000	432,005	666,005	(6.3%)
1984/1985	274,000	501,427	775,427	16.4%
1985/1986	277,912	429,007	706,919	(8.9%)
1986/1987	327,380	484,437	811,817	14.8%
1987/1988	575,000	500,025	1,075,025	32.4%

Source: Whistler Resort Association

As shown above, the number of skiers during the 1987-88 winter season increased by 32 percent over the previous year, reflecting the increased facilities and attractions at the resort. Over the five year period, skier visits increased at an average annual growth rate of 8.6 percent.

Of the total skiers, 33 percent are estimated to be overnight hotel guests, while 67 percent are estimated to be day-skiers, primarily from the Vancouver area, or private condominium owners and their guests. The day lift ticket price was $34 Canadian dollars in December 1988.

The average temperature at Whistler is as follows:

December, January, February	Low	21°F;	High 33°F
March, April, May	Low	29'F;	High 52°F

Occupancies and Average Rates

During 1987, percentages of occupancy at Whistler Village hotels ranged from a low of 49 percent to a high of 72 percent, with an average of 56 percent. The occupancy percentages, for the last five years, are shown below.

Annual Demand 1982 - 1987

Year	Rooms Nights Available	Nights Occupied	Occupancy Percent
1982	253,980	97,740	38. 5%
1983	317,125	126,129	39. 8%
1984	347,115	160,134	46. 1%
1985	347,115	175,498	50.6%
1986	387,995	194,338	50. 1%
1987	443,110	248,142	56.0%

The three largest properties in Whistler Village, described earlier, had an occupancy rate of 63 percent in 1987, 85.2 percent during winter (1987/88) and 49.3 percent during summer (1987).

As shown above, both the supply of rooms and resort demand increased annually at substantial growth rates. During the 'period 1982 through 1987, the number of available rooms increased at a compound annual growth rate of 11.8 percent and demand at a 20.5 percent rate. Growth in demand is projected to continue over the next five years, with the greatest growth expected during the summer and shoulder seasons. Sumner growth is expected to be fueled by the addition of at least one new golf course, establishment of Whistler as a conference center, the availability of new hotels, and the marketing efforts of the Whistler Resort Association. Winter demand is expected to increase with the available new hotel rooms and substantial additions to lift facilities.

Seasonal occupancies are shown below:

Whistler Village Seasonal Occupancy Rates

Year	Summer	Winter
1986/87	53,.5%*	77.0%
1987/88	48.9%	84.4%

* Higher due to the effect of the world's fair held in Vancouver during this time period.

Published room rates for the major properties at Whistler are set forth on the following page for both the summer and winter season.

Major Properties at Whistler, British Columbia

Property Name and Location	Number of Rooms	Published Room Rates Summer	Winter
Town Centre:			
Delta Mountain Inn*	161	$99 -$149	$125 - $205
Listel*	98	$80	$80 - $110
Olympic Lodge*	91	$69 - $99	$99 -$109
Mountainside Lodge	90	$75 - $85	$125 -$140
Whistler Village Inn	88	$65 - ,$95	$105-$145
Blackcomb Lodge	72	$60 - $79	$85-$130
Crystal Lodge	47	$65 -$150	$95 -$135
Timberline	42	$100 -$200	$110 -$200
Fairways**	194	$65- $70	$89 -$130
Chateau Whistler Resort (1990 estimated rack rates)	350	$145	
Gondola:			
Highland Lodge	55	$45 - $60	$65- $85
Whistler Creek Lodge	41	$85 -$110	$99 - $150
Whistler Resort and Club	42	$50 - $90	$65-$120

* Three largest hotels - The Delta Mountain Inn is a first class property with a mix of standard hotel and condo type rooms. It was the first hotel to open at Whistler with a national chain affiliation. Both the Listel and Olympic Lodge are high quality properties with standard hotel type rooms. All three properties have both a restaurant and lounge on the premises.

** Opened January, 1988.

Source: Whistler Resort Association

Average room rates during the 1987-88 winter season were $96, ranging from $56.50 to $119. The average performance of properties located in the Whistler Village for a five, year period is shown below:

Whistler Village Average Rates

Year	Sumner	Winter
1983/84	$45.70	$104.29
1984/85	$60.40	$103.41
1985/86	$65.71	$92.15
1986/87	$70.41	$ 87.71
1987/88	$64.99	$ 96.36

Winter rates were lower in 1985/86 due to the addition of two new properties featuring standard hotel rooms. Summer rates increased in 1986 with the world's fair held in Vancouver during that year.

The three largest properties in Whistler Village as a group had an average room rate of $78.55 in 1987, $96.27 during winter season and $66.08 during the summer.

Condominiums

As stated earlier,, accommodations developed at Whistler prior to 1980 consisted mainly of condominium type properties with less than fifty rooms. These condominiums were operated under hotel management contracts. Subsequently, accommodations developed were primarily regular hotel properties. Subsequent to 1985, 532 hotel rooms were added, as compared to only 51 condominium type rooms.

However, during the last two years, over 1,000 condos for private use were constructed in the Village (over 350 in 1987, and over *700* in 1988). While the original condos sold relatively slowly, with absorption periods of five to ten years, the condos developed recently sold very well. Most of the condos constructed during the last two years sold before being finished.

Sale prices currently range from $80,000 to $300,000 Canadian, with a typical, luxury one bedroom condo with 700 square feet selling at about $130,000 Canadian. About 80 percent of these condominiums are sold to Vancouver area residents; the other 20 percent, in order of importance, to Ontario, Canada; the Eastern Canada provinces; and California residents.

Time-Share Sales

A continuing timeshare sales effort has been maintained by "Whiski Jack Resorts" at Whistler since 1980. Over this period, time periods at 50 condominium units were being sold, with significant time at those units still available. Potential time-share buyers are invited to Whistler for a subsidized 2 night stay, for which they attend a 1½-hour sales presentation. Closing rate was estimated at about twenty percent, higher than the more usual 10 to 15 percent.

Prices for the high-end quality condos vary substantially by week, size, and location. For example, a one-bedroom, luxury condominium with 1,300 to 1,400 SF is priced from $7,900 for a least desirable week to $35,900 for the last week in December, or an average of $18,000 Canadian.

A major sales effort is made in the State of Washington, and 65 percent of sales are made to Washington residents; 25 percent to Canadian Residents; and 10 percent to residents of other U.S. States. The typical buyer is married with 2 children, in his early forties, and a house owner with medium to high income. Most demand is for high-end quality, 2-bedroom units with *a minimum* of 1,200 square feet.

Buyers of condominiums at the resort are enrolled in an exchange club, Resort Condominiums International. Typical marketing costs are above forty percent of gross sales.

JACKSON HOLE, WYOMING

Development History

Jackson Hole started operations as a destination ski and summer resort in the mid-1960's. Teton Village was started on about 165 acres of private land at that time, with subsequent additions as the resort developed. Teton Village now constitutes the base for the Jackson Hole ski area, providing hotels, condominiums, restaurants, parking and various support facilities.

Location and Access

Teton Village is located at the base of Jackson Hole ski area in Teton County, Wyoming. Teton Village is approximately 12 miles from the town of Jackson and 22 miles from the Jackson Hole airport.

Jackson and Teton Village are adjacent to Grand Teton National park, and a part of Yellowstone National Park is also located in Teton County. Jackson Hole is a high mountain valley, approximately 60 miles long and 20 miles wide, ringed by the Teton Mountain Range to the west and the Gros Ventre mountains to the east.

Air access to the area has been improving in recent years. The Jackson Hole airport accommodates jets and is served with daily flights by Delta Airlines, American Airlines, Continental/Cbntinental Express, United Express and SkyWest Airlines. Approximate flying times and costs of scheduled airlines to Jackson Hole are shown in a table at the end of this section.

The nearest major metropolitan areas are Denver, Colorado, approximately 400 air miles away and a population of 1,676,000, and Salt Lake City, 200 air miles away and a population of 1,056,000.

Seasonality

Jackson Hole's economy is based primarily on tourism. Most of this tourism has historically occurred during the summer months, due to the proximity of the area to Grand Teton and Yellowstone National Parks, and the surrounding scenery and recreational amenities. Since the development of the Jackson Hole ski area, winter tourism has increased strongly.

Rooms Accommodations

In 1988, there existed a total of 3,800 lodging rooms in Teton County, consisting of a great variety of hotels, motels, condos, cabins, and bed and breakfast facilities. Of those, approximately 1,000 rooms were available during the summer only.

For the purpose of our analysis, we considered seven properties comparable, with a total of 654 rooms. Three of these properties are located at Teton Village, and four at Jackson, as shown on the following page.

Jackson Hol Comparable Supply

Property	Number of Rooms
Inn at Jackson Hole	80
Sojourner Inn	98
Best Western Alpenhof	40
Wort Hotel	44
Spring Creek Ranch	73
Jackson Hole Racquet Club	115
Snow King Resort	204
Total	654

In addition to the above, the 385 unit Jackson Lake Lodge located in Grand Teton National Park provides accommodations from June until the end of September.

Several new hotels are proposed in the Jackson Hole area, including a small upscale hotel with 100 units as part of a 560 acre development of single family homes, townhouses, condominiums, golf course, tennis and other facilities, another 200 to 250 room hotel and shopping center, and a resort hotel development proposed at Teton Village.

Major Amenities

Jackson, an old western town, has preserved its attraction as such with board sidewalks, galleries, saloons, shops and restaurants; while Teton Village provides the appeal of a newer, bavarian style village.

In addition to Grand Teton and Yellowstone National Parks, summer attractions include the availability of excellent accommodations, two 18-hole golf courses, tennis, boating, swimming, and a variety of other facilities.

In winter, Jackson Hole is one of the best known ski resort areas in the U.S., with spectacular views and abundant ski slopes. There is an aerial tram to Rendezvous Peak, the highest point of the resort at 10,000 feet above sea level; a quad chair lift; a triple chair lift; and five double chairs. The ski area has a vertical drop of 4,139 feet, 3,000 acres of skiing terrain, with a longest run of seven miles. Lift capacity is 6,700 skiers per hour. The skier terrain is classified as 50 percent advanced, 40 percent intermediate, and 10 percent beginner.

An additional attraction is the National Elk Refuge, winter home of the country's largest elk herd. Six to ten thousand elk gather here for winter feeding, and can be observed at close range.

Currently, the Jackson Hole area is not an established group meeting destination. Only one property, the Snow King resort, has significant meeting facilities in Jackson Hole. Jackson Lake Lodge, while having extensive meeting facilities, is limited by the National Park Service in the size and number of groups it can take. However, several of the proposed hotel additions plan to add convention and meeting facilities.

. . . Sources of Demand . . .

Winter demand for the 1987-1988 season and summer demand for 1987, by area of origin, was estimated as follows:

Area of Origin	1987-1988 Winter Season Percentage	1987 Sumner Season Percentage
Rocky Mountains		
Idaho, Colorado, Montana, Utah	7%	26%
Pacific Coast		
California, Washington, Oregon	15%	16%
East Coast		
New York, New Jersey, Connecticut, Pennsylvania	27%	15%
Midwest		
Illinois, Minnesota, Ohio, Wisconsin	16%	15%
South	18%	10%
Southwest		
Texas	9%	10%
Wyoming	3%	4%
Foreign and other	6%	4%

Source: Jackson Hole Area Chamber of Commerce

AS a result of improved air access in recent years, demand from the east coast, Midwest and south has shown strong increases, especially in the winter season.

Average length of stay of guests in the Jackson Hole area is estimated at 5.8 days during the winter, and 3.2 days during the summer season. A double occupancy factor of 2.2 people per room is estimated.

The table below shows the number of skier visits by year since 1982:

	Skier Visits	Percentage Growth
1982/1983	170,500	
1983/1984	181,000	6.2%
1984/1985	187,200	3.4%
1985/1986	176,900	(5.5%)
1986/1987	194,700	10.1%
1987/1988	245,400	26.0%

(1) A skier day is defined as the purchase of a full day lift ticket.
(2) Ski seasons usually extend from late November to early April.

Source: Individual ski areas and the Jackson Hole Chamber of Commerce.

As shown above, skier visits have fluctuated over the years, but increased substantially during the last two seasons. This growth is attributed to three main factors: improved air service, improvements to the ski area, and increased marketing dollars due to a new lodgers tax. These factors are expected to continue to have a positive impact on tourism in the future. For the five-year period, skier days increased at an average annual rate of 7.6 percent.

Atypical day lift ticket price is $30.'"

The average temperature at Jackson Hole i's as follows:

Month	High	Low
December	26° F	6"F
January	28° F	2°F
February	33° F	7'F
March	38° F	13'F
April	48° F	22°F
May	59° F	31°F

Occupancies and Average Rates

As stated earlier, we believe the seven properties listed earlier are comparable for purposes of our analysis. Interviews and a review of 1987 operations of these properties indicated that they obtained an annual occupancy, as a group, of 48 percent in 1987.

Winter season demand is primarily from skiers, ski groups, and from professional groups conducting meetings. Summer demand consists of tourists and conference attendees. During the shoulder season, demand generally is low, although there is some demand from tourists and hunters. Group/conference demand is limited during the shoulder season due to uncertain weather conditions. Based on interviews, we have estimated the following market mix for the comparable properties.

Estimated Market Mix
Jackson Hole Comparable Properties

Demand Segment	Room Nights	Percent of Total
Skier	42,800	37%
Group/Conference	28,500	25%
Tourist	44,100	38%
Total	115,400	100%

Jackson Hole area demand varies by season with strong demand during the winter ski season (early December to early April) and during the summer tourist season (June through September). During the shoulder season (early April through May and October through early December), demand is weak. Based on interviews with these properties, we have estimated seasonal occupancies as shown in the table on the following page.

Estimated Seasonal Occupancies
Jackson Hole Comparable Properties

Season	Estimated Average Occupancy Range
Winter	75% - 80%
Spring	5% - 15%
Summer	70% - 80%
Fal 1	5% - 15%

For 1987, average room rates for the comparable hotels ranged from $60 to $115, with an average for the group of $76. As discussed earlier, improved air service with direct flights from Chicago, Denver, Dallas and Salt Lake City has increased demand, especially from skiers and groups. However, air transportation is more expensive to Jackson Hole, and to compensate for this disadvantage, existing Jackson Hole properties have offered less expensive lodging so that the total trip to Jackson Hole is more competitive with other Rocky Mountain Resorts.

VAIL, COLORADO

Development History

Vail was started in 1962 with the intent to create a complete village resort. Since then, Vail has taken its place as one of the major ski resorts in North America. Major construction of ski facilities, rooms accommodations, and, more recently, excellent summer recreational facilities has continued to take place. Vail is known for some of the best skiing in the country, accommodating 1,300,000 skier days during the 1987/1988 season. Vail is also known as the only real pedestrian ski town in America. With the good, free shuttle system, cars are generally not needed.

Location and Access

Vail is a resort community about 100 miles from the Denver Stapleton airport, on Interstate 70. Vail is located at an elevation of 8,160 feet in the White River National Forest, in the heart of the Colorado Rocky Mountains.

The Stapleton International Airport provides access from virtually anywhere in the country and internationally. In addition, there is the Avon Stolport located ten miles west of Vail, and the Eagle County general aviation airport, 30 miles to the west. Approximate flying times and costs of scheduled airlines to Denver are shown in a table at the end of this section.

Seasonality

Vail was originally started as a winter ski resort, but substantial summer recreational facilities have been developed. While winter is still the main season, Vail is operating as a year-round resort. However, summer occupancies have been relatively low. Beginning in the early 1980's, Vail has made strong efforts to improve summer business. As part of this effort, Vail properties have

discounted room rates by over 50 percent; in some cases, in comparison to winter rates. In addition, the Vail Resort Association is aggressively marketing the area for the summer months, sponsoring a variety of concerts, festivals, and summer events, and printing for groups and conferences during the summer and shoulder seasons.

Rooms Accommodations

Rooms accommodations are provided in more than 60 lodges and condominium complexes. A total of 3,150 rooms, of which 1,525 are hotel rooms, and 1,625 condominium rooms, are considered comparable for the purposes of our study. . .

Of these, we have selected, for further analysis, six properties in Vail with a total of 1,120 rooms, as shown below:

Vail Major Comparable Properties

Property	Number of Rooms
Lodge at Vail	155
Marriott - Vail	350
Westin	180*
Doubletree	135
Holiday Inn	120
Manor Vail	180**
	1,120

* In November 1988 the Westin-Vail completed an expansion doubling the properties convention space and increasing the number of rooms to 300.

** Condominium hotel

In addition to the Westin - Vail expansion, a major Hyatt hotel is proposed for Beaver Creek within ten miles of Vail.

Major Amenities

Vail provides a wide choice of excellent "hotel and condominium accommodations, as well as a broad range of galleries, shops, and boutiques. Over 70 restaurants and bars are available to guests.

Summer facilities include five golf courses, various tennis facilities and conference and meeting facilities at most of the major hotels. Total meeting room space in Vail is in excess of 120,000 square feet, with the largest ballroom at 9,000 square feet. In addition, a great variety of other activities is available including hot air ballooning, white water rafting, horseback riding and watersports.

Skiing is provided from a base level of 8,150 feet to the summit at 11,250 feet, a vertical drop of 3,100 feet, on 1,880 developed acres. There are 92 named trails, with a longest run of three miles. Ski lifts include one six passenger gondola, four high speed quadruple chairlifts, and one quadruple, three triple and nine double chairlifts.

Total uphill capacity is 30,600 .persons per hour, The skier terrain. is classified. as .32 percent advanced, 36 percent intermediate,. and 32 percent beginner. . . . . ."

Sources of Demand

Oversees visitors were estimated at less than five percent of total demand. Winter rooms demand for the 1987/1988 season, and summer demand for 1987, by area of origin, was estimated as follows:

Area of Origin	Winter Season Percentage	Summer Season Percentage
California	10%-15%	5%-lo%
Texas	10%-15%	5%-lo%
Florida	5%-lo%	o%- 5%
New York	5%-lo%	o%- 5%
Illinois	5%-lo%	o%- 5%
Colorado	5%-lo%	30%-35%

Average length of stay in the Vail area is estimated at five to seven days during the winter and three days during the summer season. A double occupancy factor of 2.1 people per room for hotel rooms is estimated. The average size of a party in Vail, if all condominium units are considered, is 3.2 people.

The table below shows the number of skier days by year since 1982:

	Skier Days	Percentage Growth
1982/1983	1,256,000	
1983/1984	1,265,000	0.7%
1984/1985	1,223,000	(3.3%)
1985/1986	1,228,000	0.4%
1986/1987	1,285,000	4.6%
1987/1988	1,300,000	1.2%

As is typical for ski resorts, the number of skier visits fluctuated over the above period. For the five year period, skier days increased at an average annual rate of 0.7 percent. While Vail grew rapidly duringit's first twenty years, skier growth since 1982 has been relatively flat.

A typical day lift ticket price is $35 for 1988 at Vail. Temperatures average 73° F at Vail during the summer, and 43° F during winter. Vail reports a total of 300 sunshine days per year.

Occupancies and Average Rates

As stated earlier, we consider a total of 1,525 hotel rooms and 1,625 condominium rooms to be comparable for the purposes of our analysis. A detailed analysis of occupancies for these properties, based on 1986 actual results, shows that these properties, as a group, achieved occupancies of 51.0 per cent for the hotels, and 34.4 percent for condominium properties, for a combined average of 42.4 percent.

Winter season demand is primarily from skiers to Vail's excellent skiing facilities. and the resorts other entertainment alternatives, Vail attracts substantial group/conference business in addition to individual tourists during the winter. Due to the proximity of Vail to the Denver metropolitan area, weekends are generally the highest occupancy nights.

Summer and shoulder season demand is derived from group/conferences and summer destination tourists. Due to its many recreational amenities and Vail's proximity to Denver, the resort has become a popular group/conference meeting location as well as a destination tourist location. However, occupancies are substantially lower than during the winter months.

We have estimated the following market mix for the comparable properties.

Estimated Market Mix
Vail Comparable Properties

Demand Segment	Percent of Total
Ski er	38%
Group/Conference	49%
Tourist	13%
Total	100%

An analysis of seasonal occupancy broken down between hotels and condominium hotel properties shows occupancies as follows:

Seasonal Occupancies - Comparable Hotels, Vail

Season	Rooms Available	Rooms Occupied	Occupancy Percentage
Winter	218,981	151,633	69.2%
Spring	58,751	7,780	13.2%
umme	186,172	93,419	50.2%
Fall	93,086	30,993	33.3%
Total	556,990	283,825.	51.0%

Seasonal Occupancies - Comparable Condominiums, Vail

Season	Rooms Available	Rooms Occupied	Occupancy Percentage
Winter	232,901	130,833	56.2%
Spring	62,486	4,343	7.0%
Summer	198,006	55,468	28.0%
Fall	99,003	13,163	13.3%
Total	592,396	203,807	34.4%

We have reviewed 1987 operating results for six major hotels in Vail with a total of 1,120 rooms. These hotels, as a group, achieved a 1987 occupancy of 51 percent, ranging from 44 to 57 percent, and an average room rate of $109.

KEYSTONE RESORT, COLORADO

Development History

Keystone is a year-round resort located in Summit County. Summit County consists of a series of valleys surrounded by high mountains, with the Dillon reservoir near its center.

Keystone started as a ski and summer resort in the early 1970's, and has undergone significant expansion over the years. In 1984, Keystone added the North Peak expansion providing an additional 160 acres of skiing served by a gondola and triple chair. Nightskiing was made available for the 1985/1986 season, further increasing its potential for skier visits. A new gondola (replacing another one) was added for the 1986/1987 season.

There are three other resorts in Summit County: Breckenridge, Copper Mountain and Arapahoe Basin. Together, these four resorts accounted for 2,927,000 skier visits during the 1987/1988 season, representing 31 percent of Colorado's total.

Keystone now provides a great variety of both winter and summer activities, hotel, condominium, conference, restaurant and sports facilities.

Location and Access

Keystone is located 75 miles west of Denver's Stapleton International Airport, via Interstate 70. From Colorado Springs, Keystone is 125 miles northwest. The Stapleton International Airport provided access from virtually anywhere in the country. Keystone is the closest mountain resort to Denver.

Seasonality

While Keystone has been best known as a ski resort, substantial year-round facilities have been developed, and Keystone is operating as a year-round resort. The development and promotion of excellent conference facilities, golf course, tennis and other amenities have enabled the resort to substantially increase summer and shoulder occupancies in recent years.

Rooms Accommodations

Rooms accommodations are provided in hotel or condominium type rooms. We have considered two properties, the Keystone Lodge and the Holiday Inn Dillon, comparable for the purpose of our analysis. These properties provide a total of 352 hotel rooms, plus over 800 rental condominiums managed by Keystone resort.

Major Amenities

Keystone's summer facilities include an 18-hole golf course, indoor and outdoor tennis, horseback riding, swimming and various watersports. The Keystone Conference Center, scheduled to be completed in summer 1989, will add 32,500 square feet of meeting space. Five restaurants are located within the Keystone hotel and the pedestrian roll.

Skiing facilities -'include a mountain gondola, a triple chair lift, and eight double chair lifts at Keystone mountain. The slopes have a maximum vertical drop of 2,340 feet and a longest run of three miles. In addition, the newly opened North Peak is served by two triple chairs, providing advanced terrain with a vertical drop of 1,600 feet and a longest run of 1 3/4 miles.

Snowmaking equipment covers 75 percent of Keystone and Northpeak ski areas. Over 200 acres are lit for nightskiing. The skier terrain is estimated as 30 percent advanced, 45 percent intermediate and 25 percent beginner.

Sources of Demand

Winter demand for the 1987/1988 season, and summer demand for 1987, by area of origin, was estimated as follows:

Area of Origin	Winter Season Percentage	Sumner Season Percentage
Colorado	20%-25%	55%-60%
Texas	10%-15%	5%-1 o%
Illinois	5%-lo%	0%- 5%
California	5%-lo%	5%-lo%
Florida	5%-lo%	o%- 5%

Overseas visitors are estimated at less than three percent of the total.

The average length of stay in Keystone is estimated at three days during the winter and two days during the summer season. A double occupancy factor of 2.4 people per room is estimated.

The table below shows the number of skier days at Keystone by year since 1982:

Year	Skier Days	Percentage Growth
1982/1983	732,000	-
1983/1984	700,000	(4.4%)
1984/1985	919,000	31.3%
1985/1986	887,000	(3.5%)
1986/1987	1,023,000	15.3%
1987/1988	958,000	(6.4%)

While the number of skiers fluctuated over the above period, the total number of skiers in 1987/1988 had increased over 1982/1983 at an average annual rate of 5.5 percent. A full day lift ticket price is $26. Climatic conditions are similar to that of Vail.

Occupanties and Average Rates

A total of 352 hotel rooms and 800 rental condominiums are considered comparable for our analysis. A review of 1987 operations showed that the hotel facilities, other than condominiums, achieved, as a group, annual occupancies of 62 percent. Rental condominiums, during 1987, achieved an estimated annual occupancy rate of 30 to 40 percent.

Winter season demand is, of course, primarily from skiers. Weekends are generally the highest occupancy nights because of the proximity to Denver. Summer and shoulder season demand is obtained primarily from group/conferences and summer destination tourists.

We have estimated the following market mix:

Estimated Market Mix
Keystone Comparable Properties

Demand Segment	Percent of Total
Skier	36%
Group/Conference	40%
Tourist	24%
Total	100%

Seasonal occupancies are estimated as follows:

Estimated Seasonal Occupancies
Keystone Comparable Hotels

	Rooms Available	Rooms Occupied	Occupancy Percentage
Winter	42,583	31,512	*74.0%*
Spring	20,798	10,675	*51. 3%*
Summer	42,944	27,666	*64.4%*
Fall	21,272	9,783	*46. 0%*
Total	127,597	79,636	*62.4%*

During 1987, the hotels achieved an average room rate of $71.50, while the rental condominiums achieved an average room rate of $110 to $130.

BEACH DESTINATION RESORTS

A major destination resort in Alaska would need to generate or create substantial demand from outside Alaska on a year-round basis. We have included a brief analysis of two remote resort areas who have been extremely successful in creating "imputed" demand by simultaneously developing elaborate resort facilities and effectively promoting them. These resorts, located in Cancun, Mexico and Hawaii, are not considered comparable to the proposed resort due to their beach locations and year-round climate. They have been included primarily to demonstrate the concept of successfully imputing demand.

Cancun, Mexico

A successful example of a large scale resort development in advance of an established tourism market in an area is Cancun, Mexico.

The development of Cancun as a major destination area was the result of a two-year study performed by Mexico's Tourism Development Fund (FONATUR) in the early 1970's. The objective of the study was to identify potential sites for new tourist development and included most of Mexico's approximate 6,000 miles of shoreline. Cancun, which at the time of the study was a sparcely populated jungle area, was selected as a new tourist development and has now become the most popular resort in Mexico and the Caribbean with worldwide recognition.

Proximity to the United States markets, an extensive variety of amenities and services, white sand beaches, the clear waters of the Caribbean and a well-planned master development have all contributed to Cancun's success since its conception in 1974. As a result of the devaluation of the Mexican peso and the resulting greater price/value relationship, Cancun has maintained steady growth. The following table reflects the growth in hotel room supply and demand experienced in Cancun, indicative of the growing demand for accommodations.

Room Hotel Supply and Occupancy
Cancun, Quintana Hoo, Mexico

Year	Number of Available Rooms	Market Occupancy
1980	*3,930*	65.7%
1981	*5,225*	64.4%
1982	*5,258*	63.8%
1983	*5,414*	80.8%
1984	*6,106*	72.1%
1985	*6,591*	72.4%
1986	*7,028*	81.0%
1987	*8,910*	83.4%

Source: FONATUR

During 1987, the six highest quality properties in Cancun, representing *2,400* rooms, achieved a composite average occupancy of 94 percent at an average daily room rate of $89.

Cancun and its surroundings additionally offer a wide variety of sporting, cultural and tourist attractions. These include an 18-hole Robert Trent Jones golf course located within Phase One of the Cancun development; easy access to scuba diving, snorkeling, parasailing, and other water sports; deep sea fishing charters and day trips to the nearby islands of Isla Mujeres, El Garrafon and Cozumel; the Ballet Folklorico, a colorful show of Mexican dances, music and songs; and excursions to the Mayan archaeological zones of Tulum, Chichen-Itza, Uxmal and Coba.

Travelers from the United States accounted for the majority of tourist arrivals in Cancun. According to FONATUR, U.S. residents accounted for 63.3 percent of total tourist arrivals, and 79.9 percent of all international tourist arrivals to Cancun in 1987. Mexican nationals accounted for another 20.8 percent of all tourist arrivals in Cancun, followed by Canada which accounted for 11.0 percent of all tourist arrivals.

The following table shows a distribution of tourist arrivals in Cancun by nationality.

Tourist Arrivals by Nationality
Cancun, Mexico

International	1984	1985	1986	1987
U.S.A.	416,234	414,239	566,777	607,936
Canada	46,520	60,004	42,650	105,571
C.A. & S.A.	12,481	9,094	13,718	12,968
Europe	17,783	17,213	16,852	29,564
Others	3; 550	2,305	1,853	4,465
Subtotal	496,568	502,855	641,850	760,504
Mexico	213,725	226,601	227,418	200,052
TOTAL	710.923	729,456	869,268	960,556

Source: FONATUR

Hawaii

A second example of dramatic increases in tourist demand through a planned large scale expansion of tourist facilities is provided by the Hawaiian Islands.

Prior to World War II, Waikiki was a sparsely developed "luxury spot. It served as a playground for the comparatively few people who could afford leisurely cruises to the islands at relatively high costs.

The development of tourism in Hawaii has coincided and accelerated with the availability of affordable and faster air transportation. As quickly as airline routes were opened and fares and facilities came within the reach of masses of people in such markets as the U.S. mainland and Japan, demand rose to meet the available capacities. Costs of and time for travel decreased with the advent of jets, then wide-bodied aircraft, stimulating demand further.

Visitor arrivals to the state have increased dramatically from 300,000 in 1960 to 5,800,000 in 1987. Anticipating the market's potential, developers actively pursued hotel and resort condominium projects: Heavy activity began and was concentrated primarily in Waikiki on the island of Oahu, Hawaii's oldest and most well-known destination area. Over 34,000 transient units are currently situated in this densely populated area. However, with Waikiki now designated as a Special Design District, future building activities are expected to continue to shift to other resort areas in the form of carefully planned resort destination areas.

Hawaii features numerous resort areas situated throughout the major islands. These areas are primarily beachfront developments, yet each is a distinct and different visitor product. Waikiki remains Hawaii's most popular visitor area; however, its dominance has been partially lost to the new resort areas on the Neighbor Islands which are gradually gaining prominence in the world travel markets. Today, the concentration of lodging, eating, drinking, shopping, and entertainment facilities in Waikiki serves the needs of those visitors who prefer an active, city-like environment. However, Hawaii's visitors are now being lured to a growing number of travel alternatives found on other islands.

In contrast to the more urban-oriented Waikiki environment, " the newer and growing resort areas on 'the Neighbor Islands are offering low-key, quality visitor destination products. Many of 'these areas are master-planned developments, offering a controlled resort environment with first-class tennis and golf facilities.

Hawaii is a natural resort destination area because of its tropical climate, serene and scenic beauty, bountiful beaches, and cultural history. These factors have synergistically contributed ot the state's appeal in the domestic and international travel markets.

Visitors by area of origin are summarized below.

Estimates of Overnight and Longer Visitors to Hawaii
By National Origin for 1985 and 1986

	1986	%Dist	1985	%Dist
United States	3,739,000	66. 7%	3,200,000	65.5%
Asia	1,083,000	19.3	986,000	20.2
Japan	944,000	14.8	855,000	17.3
Canada	282,000	5.0	279,000	5.7
Oceania and South Pacific	360,000	6.4	323,000	6.6
Australia	219,000	'3.9	204',000	4.2
New Zealand	98,000	1.7	78,000	1 . 6 '
Europe	99,000	1.8	59,000	1.2
United Kingdom	49,000	0.9	31,000	0.6
West Germany	30,000	0.5	19,000	0.4
Other Foreign	44,000	0.8	37,000	0.8
Total Foreign	1,868,000	33. 3%	1,684,000	34.5%
Grand Total	5.607.000	100.0%	4,884,000	100.0%

Sources: 1) HBE Westbound Basic Data Survey
2) Carrier Reports provided to HVB by Westbound and Eastbound Carriers
3) USTTA Report as Selected Foreign Visitor Arrival Statistics

Market occupancy for Hawaii properties varies greatly because of the great variety of properties available. A sampling of the top luxury properties showed a 1987 average market occupancy of 75 percent.

IMPLICATIONS FOR RESORT DEVELOPMENT IN ALASKA

The comparable destination resorts discussed in this section have been developed since the early 1960's and 1970's and have grown into well known destination resorts, operating on a year-round basis.

While the examples of Cancun and Hawaii show how market demand can be attracted to an area on a large scale by the establishment of suitable hotel and resort facilities and strong sales, marketing, and publicity campaigns, both examples are located in most desirable locations with year-round beach resort appeal.

The creation of demand for an Alaskan destination resort is made much more difficult by the strong seasonality imposed by climatic conditions and tourist preferences, thereby creating the need to attract demand during at least two seasons.

The proposed Alaska destination resort would have the advantage of being a new, integrated; full service theme resort, located within 20 miles of the Anchorage International Airport. It is planned to become the focal point of year-round tourism to Alaska, and would represent the lure and adventure of this great state to tourists and visitors.

The comparable resorts, however, have the advantage of being located closer to major population bases; of having developed a great variety of facilities and attractions; and of offering generally more sunshine, winter daylight hours, and often better snow conditions than those expected to be available in Alaska.

Seasonality continues to depress annual occupancy rates in all of the comparable destination resorts. Whistler, Vail and Keystone all have substantially higher occupancies in winter (62 to 84 percent) than in summer, when occupancies range from 40 to 64 percent. Jackson Hole is able to obtain almost the same occupancies during the summer and winter season (70 to 80 percent).

Demand during spring and fall is slow at all resorts other than Keystone, ranging from 10 to 22 percent. Keystone, because of an emphasis on group meetings and convention business, has been able to keep occupancy during the spring and fall seasons at 46 to 51 percent.

The percentage of total demand estimated to be generated from source markets within the resorts' state or province and directly adjacent states or provinces varies greatly. In the case of Whistler, the above geographic sources represented 51 percent of total overnight demand in winter, and 73 percent in summer. Vail and, Jackson Hole obtain 8 to 10 percent of their winter demand from such close-by sources, but 30 to 35 percent of summer demand, and Keystone obtains 21 to 25 percent of winter and 55 to 60 percent of summer demand from residents of Colorado and directly adjacent states.

Due to the limited population base in Alaska, we anticipate relatively little overnight demand would come from Alaska residents.

In the following table we have listed quoted airfares and flight times from certain origination points to Anchorage and to the comparable resorts:

Comparison of Airfares and Flight Times

TO:	Anchorage, AK		Vancouver B.C.		Denver, CO		Jackson Hole Wyoming	
FROM:	Airfare	Flight Time	Airfare	Flight Time	Airfare	Flight Time	Airfare	Flight Time
Los Angeles	$475	6½ Hr.	$249	3 Hr.	$238	2½ Hr.	$238	3½ Hr.
Chicago	$573	8½ Hr.	$477	4½ Hr.	$203	2½ Hr.	$323	2 Hr.
New York	$595	10½ Hr.	$586	7½ Hr.	$238	5 Hr.	$338	7½ Hr.
Frankfurt, Germany								
>14 Days	$1,349		$905		$911		$961	
<14 Days	$2,831	11 Hr.	$2,495	12 Hr.	$3,043	14 Hr.	$3,095	17 Hr.
Tokyo, Japan								
4 Days-2 Months	$1,402		$1,715		$2,460		$2,372	
Regular Fare	$1,983	6½ Hr.	$2,356	8½ Hr.	$3,083	11½ Hr.	$2,990	13½ Hr.

Fares stated for all flights originating within the United States are lowest fares offered.

Restrictions include: 1. 14-day advance ticket purchase.
2. Mid-week departure.
3. Stay over Saturday night.

As shown above, currently quoted airfares are higher to Anchorage than to the comparable resorts from all origins with the exception of Tokyo. However, air fares change constantly and current quotations may not be representative of future air fares or special discount arrangements.

The approximate distance and time required from the comparable resorts to the nearest airport is as follows:

Whistler from Vancouver:	90 miles, 2.0 hours
Jackson Hole from Jackson Airport:	22 miles, .5 hours
Vail From Denver:	100 miles, 2.0 hours
Keystone from Denver:	75 miles, 1.3 hours
Eagle Valley from Anchorage Intn'l Airport:	20 miles, .5 hours

The key factors in the operation of a destination resort are the resort's average daily room rates realized and its percentages of annual occupancy. In reviewing overall operations of resort hotels in the United States, our annual publication Trends in the Hotel Industry, 1988 reviewed the operating results of 125 resort hotels for 1987. These resorts averaged annual occupancies and average room rates as shown in the table on the following page.

	Resort Hotels	
	Occupancy	Average Room Rate
Geographic Classifications		
New England and Middle Atlantic	56.9%	$114.03
North Central	59.8%	$74.09
South Atlantic	68.2%	$81.71
South Central	75.7%	$79.63
Mountain and Pacific	76.2%	$98.01
Size Classifications:		
250 rooms and under	64.0%	$73.06
Over 250 rooms	73.8%	$94.40
Total Resort Market	71.9%	$90.65

In reviewing the operations of the comparable resorts discussed in this section, we have computed average occupancies and room rates for comparable rooms accommodations as detailed in the discussion of each resort. Results for 1987 are summarized below:

	Resorts			
	Whistler	Jackson Hole	Vai 1	Keystone
No. of Selected Comparable Properties	3	7	6	2
No. of Rooms	453	654	1120	352
1987 Annual Occupancy	63%	48%	52%	62%
1987 Average Room Rates	$64	$76	$109	$72

As shown above, average annual occupancies of the comparable resorts are significantly lower than those for the total U.S. resort market, primarily as a result of the high seasonality of these resorts. With the exception of Vail, average room rates also are lower than averages for the total U.S. market, primarily as a result of off-season discounting to improve occupancies.

SECTION VIII

SURVEY OF SOURCE MARKETS

SOURCE MARKETS

Destination resorts are commonly located in secluded areas proximate to relatively large population bases. Support from the nearby populations provides a yearround base level of demand for the resort facility which is particularly important during the shoulder and non-peak seasons. However, due to Alaska's limited population, the proposed resort will be heavily dependent upon demand that can be attracted from potential source or feeder markets located outside of Alaska.

This section of the report identifies the potential source markets for a destination-resort in the Anchorage area, discusses how the source markets were selected, summarizes demand information collected from demand interviews conducted in the source markets, estimates the amount of new demand that could be generated by the proposed resort and concludes with the projected market occupancy rate for the Anchorage lodging market with the additions to supply and demand.

SELECTION PROCESS

The selection of primary source markets for a destination resort in Anchorage was determined on the bases of Anchorage's current status as a hub for international air traffic, the existing sources of Alaskan demand, the proximity of source markets to Anchorage and the economic capability of source markets to generate sufficient resort demand. Based on these factors, we have identified North America, Europe, Japan and intrastate travelers in Alaska as being the primary source markets for a destination resort in Anchorage.

NORTH AMERICA

North America geographically consists of the United States and Canada. For the purpose of our assignment we have excluded the State of Alaska since only that portion of the state's population outside of Anchorage is expected to generate rooms demand for the proposed destination resort. We have considered this demand under intrastate travel, shown later in this section. In 1987, North America had a total population of 262,323,000. The projected population for this area by 1992 is expected to exceed 270,000,000.

Over the next decade, a trend toward more affluent North American households due to the aging baby-boom generation is expected to have a positive effect on travel, especially for resort properties. Contributing factors to their affluence include marriage postponement, dual-income families and fewer children.

Another growing market segment to consider will be the increase in the number of senior citizens. Retirees are now living longer, staying healthier,leading more active lives and participating in leisure activities such as tennis, golf, jogging and swimming. What is more important, they are not poor. Much of their income is indexed and not as affected by inflation and unemployment. As a result, many senior citizens travel.

According to a 1985/1986 study conducted. by the Aadland Group, approximately 97 percent of the existing denand to Alaska came from North America. Approximately 69 percent of the visitors arrived during the summer months and the remaining 31 percent during the fall, winter spring seasons.

In order to assess the potential for tour volume to Alaska from North America, interviews were conducted with major tour operators and wholesalers, including ski associations, major air carriers and other travel experts. Because of the strong existing summer tour volume from the United States to Alaska, our interviews focused on the potential for tour/ski demand to Alaska during the winter and shoulder seasons. Secondary importance was then given to travel to Alaska during the summer months. Those interviewed were also asked their opinion regarding the potential for a yearround destination resort in Alaska and at Eagle River. An overview of responses from these interviews is presented below.

The idea of a destination report in Alaska was generally not well received. Most of those interviewed felt that although the Eagle Valley project sounded intriguing, any resort developed in Alaska would probably not have enough to offer to overcome the distance and expense involved in getting there. They felt it was highly unlikely that a resort in Alaska could establish itself as a yearround destination due to its remote location and climate. Many of the people traveling to Alaska during the summer months are traveling by cruiseships. These ships are totally self-contained facilities and are in actuality Alaska's resort facilities. Based on input offered, a resort facility could do reasonably well during the summer months; however, during the winter, spring and fall months, there would be very limited demand.

Alaska is perceived by many people, particularly those residing on the east coast, as the "land of ice and snow". Its image is one of arctic temperatures and isolation. This poor image creates a major marketing hurdle, making it very difficult to attract east coast demand.

Because of their proximity to and familiarity with the true climate and beauty of Alaska and the lower airfares, there does seem to be potential for attracting demand from the western coast of North America.

Travelers to Alaska are going there to see the country. Accordingly, demand that would stay at the resort would be for short periods. The resort could possibly be added to existing summer packages for two or three nights.

It is likely that the winter ski demand for Anchorage would be minimal due to the proximity and quality of U.S. and Canadian ski destinations. Access to and cost of these facilities make Alaska a difficult ski destination to promote. Accordingly, the demand that could be attracted to the resort would come from individuals rather than group tours.

Based on the" information provided in our demand interviews and. the current demand now attracted to the existing downtown Anchorage hotels, we estimate ." that new demand that "could be expected "" to. be attracted by the proposed destination resort in Anchorage would be approximately 35,000 room nights. This is equivalent to 28,000 people staying an average of 2.5 nights at an average of two people per room. The following table shows the seasonality of the demand expected to be captured.

Season	Demand
Summer	22,000
Winter	9,000
Shoulder	4,000
Total	35,000

EUROPE

The members of the European Community are currently undergoing a change that will have a significant effect on the overall European and world economies. By 1992, the European Community will form a single unified trade area that will consist of more than 320 million consumers. The program will eliminate the barriers to trade thereby permitting people, goods, services and capital to move freely across national borders, much as. they do in the United States. The European Commission estimates this program will increase the gross domestic product in these communities by approximately five percent, add two million new jobs in the midterm and will maintain consumer prices at a level approximately six percent below that of the existing divided market.

This development is expected to positively affect tourism by increasing the average disposable income levels making more money available for travel. However, reduced consumer prices within the unified area could result in more European travel within Europe, rather than to the United States.

The volume of European travel to Alaska has historically been low. According to a study by the Alaska Division of Tourism, 15,200 Europeans visited Alaska on vacation, business and/or pleasure between. 1985 and 1986.. Approximately 10,300 of the visitors arrived during the summer of 1986, and 4,900 visitors arrived in the fall, winter or spring.

To test the potential for European demand, we conducted interviews with major tour wholesalers and travel agents located in Germany, Austria, the Netherlands, and Great Britain. The companies were selected on the basis of input from our international offices, tourist offices from selected countries, and other sources. We also had informal discussions with tour operators and travel representatives of most other European countries at the international ski show held in London in November, 1988.

The companies interviewed were provided with a detailed description of the project, either by mail prior to the interviews, or at the outset of the interview.

A summary of the responses to major. que.stions is outlined below.

When asked their opinion of potential market' demand "for group and tour. business for either the proposed Eagle Valley project or another destination resort in Alaska, the tour wholesalers interviewed did not foresee a big enough market in Europe to justify their promotion of such a resort.

They see a very limited market for group travel from Europe to Alaska, and essentially no market for larger groups or charter operations.

All of the major tour wholesalers stated they would not be interested in arranging tours to a destination resort in Alaska. Significant effort is required in packaging and promoting a new destination, including the design and printing of large volumes of catalogs and brochures. This would be cost justified only if a sufficient demand or the potential for significant demand exists. From their perspective, the potential market at this time is too limited to justify the expenditure.

Four major reasons which recurred in many of the interviews were given for this disinterest.

1. The current impression of Alaska as held by the general public in Europe is that Alaska is a remote, cold, icy, sparsely populated far away country. It would take a major, expensive, long term campaign to overcome this general impression.

2. The tour market is very price sensitive, and it would be unlikely that an Alaskan resort could be priced competitively. Alaska is perceived as very expensive in comparison with other destinations. There are so many other attractive options for summer and winter vacations.

3. Tourists that are interested in visiting generally would want to travel in Alaska and explore various regions, rather than staying in one destination resort for an extended period.

4. Tour operators with prior experience in "Aiaska indicated the difficulty getting reserved seats on flights to Alaska. Transportation to and from Alaska is expected to become increasingly difficult as airlines replace older aircraft with more fuel efficient models and because flights will also be able to take more direct flights through Russian airspace. The fuel efficient aircraft and more direct route will reduce the need for airlines to stop in Anchorage for refueling. The tour volume is not sufficient to consider charter flights from Europe to Anchorage.

When asked about the potential of the project as a destination ski area, "the responses were even more negative.. The ski resort market" in. "... Europe is very competitive.' These are very attractive ski resorts, offering reasonable rates and easy access, especially in Austria, Switzerland, France, Germany, Italy, Bulgaria, Yugoslavia, and other countries. For example, a one week ski vacation from London to the famous ski resort of St. Anton in Austria, during the main season (12/24 through 1/7, and 2/4 through 4/1/1989) would cost from $565 to $1,235, depending on the quality of hotel used. This price includes transportation via scheduled Swiss Air flights, transfers, seven nights hotel accommodations, and breakfast and dinner daily.

A similar vacation to the famous ski resort area of Val Thorens, France, would cost from $1,000 to $1,550, including all the items above.

Significantly lower cost ski vacations are available at other resorts, or locations. For example, a one week ski vacation from London to the ski resort of BLED in Yugoslavia would cost from $370 to $450, including flight via scheduled airline, seven nights hotel accommodations, and breakfast and dinner daily.

From the central European countries costs would be still lower because of the proximity of major population centers to major resorts.

Some of the executives interviewed saw a limited market of smiler, explorer type ski groups, who might want to try an Alaskan ski destination. However, the general opinion was that European skiers prefer well established resorts, with a great variety of attractions and resort facilities, including good snow and sin-shine and reasonable pricing.

In addition to the tour wholesalers and travel agents interviewed, we also conducted interviews with a number of professionals and executives in Austria, Germany, and England. The results of those interviews further supported the opinions summarized above.

A major premise of demand generation for the proposed Eagle Valley resort is the capability. to attract out-of-state, visitors on a large, scale . appropriate for package tour generators. The results of our fieldwork in Europe point strongly to the difficulty in attaining that market, and the present lack of interest by tour wholesalers to package and promote the proposed project. Accordingly, potential demand from European sources would therefore have to relyon individuals and smaller groups that could be attracted to the proposed resort. During the winter months, this would include smiler ski groups or individuals wishing to explore the Alaska resort because of a desire to experience the adventure of Alaska during the winter. National Ski Teams could be promoted to use the resort for practice especially early or late in the ski season; winter ski facilities may not be available elsewhere at such relatively low elevations. Special ski events or competitions would also attract limited demand.

However, while such markets exist, the potential for Alaska is relatively small. Based on our fieldwork, we estimate that approximately 2,000 room nights could be obtained from these sources during the winter season:

During the summer, smaller groups and individuals wanting to experience Alaska and study wildlife at the proposed resort setting could be promoted. We estimate that approximately 3,000 room nights could be obtained from these sources.

In section VII of this report, we have analyzed four comparable resorts. These resorts obtain approximately one to two percent of their occupancies from European sources. The comparable resorts have an advantage because they are well established developments, have gained recognition as ski resorts, offer a wide mix of entertainment and lodging facilities, and in the wintertime, generally have better weather and ski conditions. However, the Alaska resort would have the advantage of presenting a new, cohesive theme resort, and an Alaska location appealing to a spirit of adventure and exploration.

We conclude the proposed Eagle Valley resort would be able to achieve approximately the same, but not more, demand from European sources than the properties discussed in Section VII of this report. These properties obtained total average occupancies of from 48 to 63 percent in 1987 from all demand sources.

If a 60 percent total occupancy rate were achieved, estimated new demand from European sources of 2,000 room nights in winter and 3,000 during the summer and shoulder season, would constitute 1.6 percent of the total at the proposed resort. We believe that generating 5,000 room nights from European sources would be reasonably achievable.

At a double occupancy estimate of 2.0 people per room, and an average stay of five nights during the winter, and 2.5 nights during the rest of the year, the estimated 5,000 room nights would represent 800 guests during winter and 2,400 guests during the summer and shoulder seasons.

The following table shows the seasonality of the demand expected to be captured.

Season	Demand
Summer	2,000
Winter	2,000
Shoulder	1,000
Total	5.000

JAPAN

Approximately 6,830,000 Japanese travelers visited foreign countries in 1987, a 24 percent increase over the outbound travel that occurred in 1986. Approximately 83 percent of these travelers were pleasure or holiday travelers, 14 percent business and 3percent miscellaneous other. Of the 6.83 million outbound travelers, 74.4 percent were 49 years of age or younger and 25.6 percent were over 50 years

of age. Approximately 62 percent of. the travelers were male and 38 percent were female. Growth in overseas travel has increased" at a compound average annual rate of 12.7 percent between 1984 and 1987, with little "change in the percentage " of people traveling for pleasure, business or other miscellaneous reasons. Based on an August 1988 report issued by Tourism Canada entitled " Market Assessment: Japanese Pleasure Travellers", the Japanese govenment project that outbound travel will reach 10,000,000 people by 1990.

The average length of stay for Japanese traveling abroad in 1987 was 8.5 days, down .3 from the previous year's 8.8 days. The shorter duration of stay is presumed to be due to shorter tour packages being offered and promoted by nearby countries. Most of the packages designed for outbound Japanese travel allow travel time and reduce the number of nights actually" spent in an area". Accordingly, the actual number of nights spent at a destination would be less than the average length of stay. However, these figures represent the overall average length of stay for 6.83 million travelers which is subject to variation according to destination, time of the year and the purpose of the trip. Based on a 1985-1986 study conducted by Data Decisions Group for the State of Alaska, the year-round average length of stay for Japanese was 11.6 nights; 8.6 nights in the fall, winter, spring and 12.6 nights in the summer. However, because Japanese people prefer to tour foreign destinations rather than be located in any one destination, we estimate the average length of stay in the Anchorage area to be two to three nights. The following list ranks in order the top ten of thirty six activities chosen by Japanese people.

TOP TEN ACTIVITIES

This is not the market segment that we have targetted.

1. Sightseeing
2. Shopping
3. Dining out in restaurants
4. Guided excursions or tours
5. Visiting scenic landmarks
6. Taking pictures/filming
7. Sunbathing or beach activities
8. Visiting amusement parks
9. Swimming
10. Visiting galleries or museums

Source: Highlights Report, Pleasure Travel Markets To North America: Japan, United Kingdom, West Germany, France, Tourism Canada, 1988

The seasonality of air traffic to Anchorage from Japan, Korea and China indicates. that approximately 66 percent of the Japanese visit Alaska during the summer season, with the balance of the visitors arriving during the fall, winter and spring.

In order to assess the potential for tour volume to Alaska from Japan, interviews were conducted with six of the major tour operators and wholesalers and other Japanese travel experts located in Tokyo. Because of the strong existing summer tour volume from the United States to Alaska, our interviews focused on the potential for tour/ski demand to Alaska during the winter, and shoulder seasons. Secondary importance was then given to travel to Alaska during the summer months. Those interviewed were also asked their opinion regarding the potential for a yearround destination resort in Alaska and at Eagle River. A summary of comments is presented on the following page.

, Alaska is generally not considered to be an attractive tourist destination for the Japanese. Most. Japanese people imagine Alaska to" be an isolated land with. freezing temperatures, snow and ice. Promoting Alaska for winter tourists would attract minimal demand. A year round resort in an area like Alaska would not attract many Japanese tourists. However, a theme village concept could be popular with the Japanese.

Foreign airlines with air traffic rights to Alaska primarily sell Anchorage as a destination when they cannot sell seats through to Europe. This limits tour operators and wholesalers in selling packages to Alaska because they cannot be assured of reserved seating for their customers. Packages entering the United States and continuing on to Alaska are more expensive and therefore more difficult to promote.

Canada has done an excellent job of promoting and encouraging Japanese tour business. Canadian Airlines offer available seating to Japanese tour operators at very competitive rates making it much easier to sell package business. Tours of the Canadian Rockies, Lake Louise/Banff are very popular. Vancouver's Whistler Mountain/Blackcomb Resort area is rapidly growing in popularity with the Japanese because air travel is available, quality shopping is nearby in Vancouver, the value of the Japanese Yen to the Canadian dollar is excellent and the skiing is very good. Anchorage or any Alaska destination would have to offer competitive quality and accessibility to be able to attract any significant amount of skiers. Even then the cold temperatures, limited winter daylight hours and the perception of Alaska would present obsticles that may not be easily overcome.

Some Japanese tourists would travel to Alaska during the summer if hotel accommodations were available and if air travel was available at competitive rates. However, the Canadian Rockies tours will continue to attract travelers before Alaska. In addition, many Japanese that travel abroad would rather travel to well-known attractions in the United States like Disney Land. To get people to visit Alaska would require substantial promotion.

Alaska's Northern lights are very interesting to the Japanese. More people would come to see this phenomenon if packaged properly. The proposed resort might be used as a stopover for people going to see the lights.

Because of Japan's proximity to Alaska, it might be possible to promote winter weekend ski packages to the more affluent Japanese. This would require competitive airline rates, available seating and discounted room rates.

Tour packages varied in price according to the destination, duration of stay, quality of facilities offered and the time of the year. Of the tour operators and wholesalers interviewed, prices averaged from $1,250 to $3,500. Tours to the Whistler/Blackcomb area averaged from four to six nights at a package price of $1,300 to $2,000. Tours to Hawaii averaged about $2,000 for a four to six night stay. Tours to Europe started at approximately $3,000. Tours to Alaska were not promoted because airline seats could not be guaranteed. However, according to those interviewed, the cost of a trip to Alaska often times is more than Europe because they must route people through Seattle or another west coast city.

Based on the information provided from our interviews in Japan, we have concluded that significant promotion would be required to attract the Japanese to Alaska. The best opportunity for attracting the Japanese to Alaska will be during the summer months. Ski demand during the winter months is expected to be light and will likely be primarily individuals rather than groups. The potential for week-end ski packages promoting Alaska as a convenient two to three day getaway might be possible. It is critical that air travel to and from Japan must be readily available before substantial promotion is initiated for any season.

According to Anchorage air traffic figures approximately 9,300 Japanese travelers visited Anchorage during the fiscal year ending June 30, 1988. This represents approximately .1 percent of the outbound Japanese travelers during this period. Assuming the availability of air transportation is improved and that substantial promotion is initiated, we have projected 30,000 room nights of Japanese demand for the proposed resort. This was projected at a rate of 24,000 people staying an average of 2.5 nights with two people per guest room. The following table shows the seasonality of the demand expected to be captured.

Season	Demand
Summer	21,000
Winter	6,000
Shoulder	3,000
Total	30,000

INTRASTATE ALASKAN TRAVEL

Based on the 1985/1986 Anchorage Visitors Study, approximately 40 percent of the Anchorage visitors came from within the State of Alaska. Assuming that visitors traveling to a resort property would be in upper income categories, we estimated that approximately 15 to 20 percent of the people living in Alaska in households with incomes of $35,000 or more would visit the resort for a two night stay. Excluding the upper income households in the Anchorage area, this would generate approximately 15,000 room nights of demand for the proposed resort. We further estimated that 66 percent of the new demand would come from skiers and those attending meetings and conventions during the winter and shoulder seasons, with the balance being attracted during the summer months.

GROWTH IN DEMAND AND PROJECTED MARKET OCCUPANCY

Future demand for lodging in the Anchorage area will increase in three ways:

Real growth in demand which occurs due to increased economic activity, changing habits of the traveling public, etc.;

Unsatisfied demand - demand for lodging that presently exists in the market and will be satisfied when the proposed resort is added to the existing room supply and;

Induced or latent demand- new demand that can be attracted to the market by the development of the proposed resort.

The following paragraphs discuss the projected real growth by market segment that is expected to occur in future years.

Commercial demand is projected to grow at an annual rate of four percent. This projection reflects the historical growth in this segment between 1986 and 1988 and is consistent with projections of long term economic growth in the Anchorage economy. Growth in this segment can be expected to vary from year to year with changing economic conditions, particularly the price of Alaskan crude oil.

Tourist demand grew at an annual rate of 12.5 percent between 1986 and 1988. Much of this increase is attributable to the increase in market rooms supply, which allowed additional smr tourist demand to be accommodated in the market. We consider an annual rate of seven percent, declining to six percent in later years, to be a more reasonable long term expectation in this segment.

Group and convention demand may be created by either business meetings or social functions. We estimate the growth rate in this segment to be between those of the commercial and tourist segments. Since the larger shake of group demand is generated by businesses, a five percent annual rate is applied here.

Demand for lodging by airline crews is a function of the number of flights to Anchorage. Increases in commercial and tourist travel should generate a greater number of flights to and from the city, and so result in an increase in crew demand. However, the volume of transit travel through the airport is projected to decline as flights are rerouted through Soviet airspace and the new fuel-efficient aircraft come into service. Overall, we project a decline in lodging demand from this segment at a rate of two percent per year.

Given our projection of seven percent annual growth in tourist demand, the volume of unsatisfied summer demand as previously discussed is projected to increase from 20,000 room nights in 1988 to 49,000 room nights in 1991. The anticipated opening of the proposed resort in 1992 would greatly expand the capacity of the market, and allow all of this demand to be absorbed. We project that by 1993 the additional room supply provided by the opening of the subject property will be absorbed during the summer thus creating the buildup of unsatisfied tourist demand during the summer season.

Induced demand for lodging from the source markets is summarized by market segment and season as Presented in the following tables. Demand induced in the summer and winter seasons was added to the tourist segment; demand added during the shoulder season would be the result of induced convention and group meeting business. Demand is expressed in occupied room nights.

INDUCED ROOM NIGHT DEMAND BY SEASON

Year	Sumner	Winter	Shoulder	Total
1992	20,000	10,000	2,000	32,000
1993	20,000	10,000	4,000	34,000
1994	10,000	5,000	2,000	17,000
1995			2,000	2,000
	50,000	25,000	10,000	85,000

INDUCED ROOM NIGHT DEMAND BY SOURCE MARKET

Country	Summer	Winter	Shoulder	Total
North America	22,000	9,000	4,000	35,000
Japan	21,000	6,000	3,000	30,000
Europe	2,000	2,000	1,000	5,000
Intrastate	5,000	8,000	2,000	15,000
	50,000	25,000	10,000	85,000

The following table incorporates the" projected future supply and demand to arrive at the projected market occupancy rates between 1989 and 1996.

PROJECTED MARKET DEMAND

	Market Supply	Potential Demand: Commercial	Group	Airline	Tourist	Total	Less Unsatisfied Tourist	Effective Total Demand	Market Occupancy
1988 Annual	015,000	214,000	59,100	184,400	**160,900**	618,400	***20,000***	598,400	73.4%
Summer Season									
1989	218,800	44,500	12,400	54,200	120,500	231,600	29,000	202,600	92.6%
1990	218,800	46,300	13,000	53,100	**128,900**	**241,300**	**39,000**	202,300	92.5%
1991	218,800	48,200	13,600	52,000	137,900	**251,700**	49,000	202,700	92.6%
1932	356,000	**50,**100	14,300	51,000	167,600	283,000	0	283,000	79.5%
1993	**356,**Ooo	52,100	15,000	50,"000	197,700	314,800	0	314,800	**88.4%**
1994	356,000	54,200	15,700	49,000	219,600	338,500	9,000	329,500	92.6X
1995	356,000	56,400	16,500	48,000	232,800	353,700	24,000	329,700	92.6%
19%	**356,**Ooo	58,700	17,300	47,000	246,800	369,800	40,000	329,800	92.6$
Winter Season									
1989	343,900	111,300	**12,400**	72,300	17,200	213,200	0	213,200	**62.**0%
1990	343,**900**	115,800	13,000	70,900	18,400	218,100	0	218,100	63.4%
1991	343,900	120,400	13,600	69,500	19,700	223,200	0	223,200	64.9%
1992	553,500	125,200	14,300	68,100	31,100	238,700	0	238,700	42.7$
1993	559,500	**130,**200	15,000	66,700	43,000	254,900	0	254,900	45.6%
1934	559,500	135,400	15,700	65,400	50,600	267,100	0	267,100	47.7%
1995	559,500	140,000	16,500	64,100	53,600	275,000	0	275,000	49.3
19%	559,500	146,400	17,300	62,800	56,800	283,300	0	283,300	50.6%
Shoulder **Season**									
1989	**252,**300	**66,**800	37,300	54,200	34,500	192,800	0	192,800	76.4$
1990	252,300	69,**500**	39,200	53,100	36,900	198,700	0	198,700	78.8%
1991	252,300	72,300	**41,**200	**52,**Ooo	39,**500**	205,000	0	205,000	81.3%
19'32	410,500	75,200	45,300	51,000	42,300	213,**800**	0	213,800	52.1%
1993	410,500	78,200	51,600	50,000	44,800	224,600	0	224,600	54.7$
1994	410,500	81,300	56,200	49,000	47,**500**	234,000	0	234,000	57.0%
1995	**410,** W	84,**600**	**61,000**	48,000	50,300	243,**900**	0	243,900	59.4%
1996	410,500	88,000	64,000	47,000	53,300	252,300	0	252,300	**61.5%**
Annual									
1989	815,000	**222,**600	62,100	180,700	172,200	637,600	**29,000**	608,600	74.7%
1990	815,000	231,600	65,200	177,100	184,200	658,100	39,000	619,100	76.0%
1991	815,000	240,900	68,400	173,500	197,100	679,900	49,000	630,900	77.4$
1992	**1,326,000**	250,**500**	73,900	170,100	241,000	735,**500**	0	735,500	55.**5%**
1993	1,326,000	260,500	81,600	166,700	285,500	794,300	0	794,300	59.9%
1994	1,326,000	270,900	87,**600**	163,400	317,700	839,600	9,000	830,600	**62.6%**
1995	1,326,000	281,800	%, Ooo	160,100	336,**700**	872,**600**	24,000	848,600	**64.**0%
1996	1,326,000	293,100	98,600	156,800	**356,**900	905,400	40,000	865,400	65.3$

SECTION IX

REVENUE PROJECTIONS

REVENUE PROJECTIONS

In this section, we present our projection's of operating revenues for the proposed resort for a representative year (stated in 1989 dollars) and for the first ten years of operation.

METHODOLOGY

Estimates of future operating results for the proposed resort have been derived through our evaluation of its income potential under projected market conditions. Our method is to estimate the operating results of the property for a representative future year, stated in 1989 dollars, and then to adjust these results to account for projected levels of occupancy, average room rates, and inflation.

Fundamental to the estimates of operating results is the assumption of competent and efficient management at the property. Among the primary responsibilities of management are the maintenance of the quality of the facility and the execution of an adequate marketing effort.

The Uniform System of Accounts for Hotels, recommended by the American Hotel and Motel Association and in general use throughout the industry, has been used in the classification of revenues in this report.

Our projections also incorporate an estimate of general price inflation. To portray price level changes, we have assumed a 4.5 percent annual inflation rate over the projection period. Based on the forecasts of leading banks in major U.S. cities, this assumption is intended to portray an expected long term trend in price movements, which is for the continuation of moderate rates of increase experienced over the past five years.

GUEST ROOM OCCUPANCY

The annual occupancy rate for guest rooms at the resort has been projected by evaluating the ability of the hotel to attract a share of demand in each market segment. The unit of measure in evaluating market share is the rate of penetration. This is defined as a hotel's percentage of demand in a given segment divided by its proportionate, or '''far",", share of total "room supply.

If all properties within a market were equal in quality, location, and rate structure, each could be expected to attract demand in proportion to its size, thereby achieving a penetration rate of 100 percent. A property which has a competitive advantage in attracting demand from a given segment of the market can be expected to penetrate that segment at greater than 100 percent; the same property may achieve relatively low penetration in a segment in which it is at a competitive disadvantage.

The facilities of the proposed resort would give it a strong competitive advantage in capturing tourist demand. Given the choice of a downtown hotel or the subject property, the majority of visitors are likely to prefer the subject. During the summer season, the volume of tourists in the market is such that all the hotels will receive a share; the resort's pentetration. rate during the summer is projected at 150 percent of fair share. In the winter, only the subject will offer ski facilities on site; 200 Percent of winter

tourists are expected to stay at the resort.., For. the shoulder seasons, rainy, weather conditions are likely to offset the facility advantage, leaving the resort with only its proportionate share of demand. On an annual basis, we project that the resort will capture fully one-half of the tourist demand in the competitive market, achieving an average penetration rate of over 150 percent.

The resort will be located relatively far from the central business district of Anchorage. The more convenient downtown properties are expected to attract the vast majority of commercial demand, leaving the subject with a residual penetration of only ten percent of its fair share for the winter and shoulder seasons. A five percent penetration rate is projected during the summer, when the subject is expected to emphasize higher-rate tourist demand.

Penetration in the group segment is projected to stabilize at 90 percent of fair share during the shoulder season, the period when the majority of group functions occur. This is because the convenience of the downtown properties with respect to the Egan Convention Center puts the subject at a competitive disadvantage. The location of the resort will be even more of a factor in the winter, when the threat of poor weather conditions may discourage group demand. As with commercial demand, penetration in the group segment during the summer should be quite low as the property concentrates on tourists.

The resort will have difficulty in attracting airline crew demand, because of the distance of the property from the airport and the relatively high rates which the proposed resort would. require. We expect the resort to achieve penetration at 15 percent of its fair share; in effect, to provide lodging for one full crew. In the early years of operation, a slightly higher penetration rate has been applied to help support the initial occupancy of the property.

The table on the following page shows how our estimates of future market penetration in each season and segment are applied to forecasts of market demand to derive the projected annual room occupancy for the subject resort. We anticipate that an occupancy rate of 45 percent, which we consider to be the long term stabilized level for the hotel, will be achieved in 1995 and 1996.

"Projected RoomOccupancy . . . ,
Representative Year

	Summer	Winter	Shoulder	Annual
Tourist				
Market Demand	206,800	56,800	53,300	
Fair Share Ratio	38. 5%	38. 5X	38. 5X	
Penetration Ratio	150. 0%	200. 0%	100. 0%	
Occupied Room Nights	119,500	43,800	20,500	183,800
Commercial				
Market Demand	58,700	146,400	88,000	
Fair Share Ratio	38. 5%	38. 5X	38. 5%	
Penetration Ratio	5. 0%	10. o%	10. o%	
Occupied Room Nights	1, 100	5,600	3,400	10,100
Group				
Market Demand	17,300	17,300	64,000	
Fair Share Ratio	38. 5X	38. 5%	38. 5%	
Penetration Ratio	25. 0%	80. 0%	90. 0%	
Occupied Room Nights	1,700.	5 , 3 0 0	22,200	29,200
Airline				
Market Demand	47,000	62,800	47,000	
Fair Share Ratio	3a. 5%	38. 5X	38. 5%	
Penetration Ratio	15. 0%	15. 0%	15. 0%	
Occupied Room Nights	2,700	3,600	2,700	9,000
Total				
Occupied Room Nights	125,000	58,300	48,800	232, 100
Available Room NIghts	137,200	215,600	158,200	511,000
Room Occupancy	"91X	"27%	31%	"45X

Projected Room Occupancy
Forecast Period

	Summer	Winter	Shoulder	Annual	Occupancy
1992	**71,900**	**32,200**	**33,000**	**137,100**	**26. 8X**
1993	**97,700**	**43,900**	40, 100	181,700	**35. 6X**
1994	118, 900	52,800	43,700	215,400	**42. 2%**
1995	126,200	55,500	46,700	228,400	**44. 7%**
1996	125,000	58,300	48,800	232, 100	**45. 4%**
1997	124,000	58,000	48,000	230,000	**45. O%**
1998	124,000	58,000	48,000	230,000	45. o%
1999	124,000	5a, 000	48,000	230,000	45. o%
2000	124,000	58,000	48,000	230,000	**45. O%**
2001	124,000	58,000	48,000	230,000	**45.** O%

ROOM RATES AND ROOMS DEPARTMENT REVENUE

Average "'daily room rates are projected on the basis "of the average "rates currently being achieved in the competitive market, the characteristics of the proposed "resort, and the anticipated effects of inflation and changing market occupancy. Because resorts typically promote double occupancy and do not assess a charge for a second person in a room, the analysis which "follows applies to both single and double occupancy.

The resort will achieve its highest average daily room rate during the summer season. The rate charged to tourists is projected at $135. The small number of commercial guests and participants in group functions. are expected to receive a discounted rate of $110, or approximately 20 percent off the tourist rate.

As is the case at the existing properties, winter rates will be lower than those charged during the peak summer season. However, because the proposed resort will offer skiing while the existing properties do not, the differential between summer and winter rates should be less at the subject. We project a tourist rate of $100 in the winter. Group rooms will again receive a 20 percent discount. The commercial discount is projected at only 15 percent, similar to the discount available in the market.

Rates charged to commercial and group guests during the shoulder seasons will be the same as during the winter. Tourists will receive the commercial discount during the shoulder seasons, since neither skiing nor summer weather will justify a premium.

Airline rates are projected at $55 on a year round basis. This is at the top end of the rates presently charged to crews by the existing competitive hotels. Because the airlines which negotiate these contracts are highly rate-sensitive, it is considered unlikely that the superior facilities of the resort would result in a significantly higher rate than that achieved presently in the market.

Our method in projecting annual average room rates for the resort in future years has been to adjust the constant dollar segment room rates to reflect the effects of introductory discounts and inflation. (Discounts of ten percent in 1992 and five percent in 1993 are considered reasonable in helping to establish the subject property in the resort market). The inflated segment room rates are then applied to the projected volume of demand in each segment to derive total rooms revenue and the overall average rate.

Long term growth in room rates is projected to approximate the general rate. of inflation; for the forecast period, this growth is estimated at 4.5 percent. The phasing out of introductory rates should provide additional real increases in rates of five percent per year in 1993 and 1994.

The tables on page IX-5 show the derivation of the average room rate at the resort for a representative future year, stated in 1989 dollars, and our projections of average room rate by season for the forecast period. (The figure shown for rooms department revenue in the representative year differs slightly from that used in the subsequent statement of estimated operating results, due to rounding.)

Projected Average Room Rate
'Representative Year
1989 Dollars.

	Commercial	Conventions	Tourist	Airline	Overall
Proposed Room Rates					
Summer	$110	$110	$135	$55	$132.71
Winter	$85	$80	$100	$55	93.96
Shoulder	$85	$80	$85	$55	81.07
Projected Demand					
Summer	1,100	1,700	119,500	2,700	125,000
Winter	5,600	5,300	43,800	3,600	58,300
Shoulder	3,400	22,200	20,500	2,700	48,800
Total	10,100	29,200	183,800	9,000	232,100
Projected Revenue					
Summer	$121,000	$187,000	$16,132,500	$148,500	$16,589,000
Winter	$476,000	$424,000	$4,380,000	$198,000	$5,478,000
Shoulder	$289,000	$1,776,000	$1,742,500	$148,500	$3,956,000
Total	$886,000	$2,387,000	$22,255,000	$495,000	$26,023,000
Average Room Rate	$87.72	$81.75	$121.08	$55.00	$112.12
Rounded to:					$112.00

Projected Average Room Rate
Forecast Period

	Summer	Winter	Shoulder	Annual
1992	$134	$90	$82	$111
1993	$149	$104	$91	$126
1994	$165	$117	$101	$140
1995	$173	$123	$106	$147
1996	$181	$129	$111	$153
1997	$188	$134	$115	$159
1998	$196	$140	$120	$166
1999	$206	$147	$126	$174
2000	$215	$153	$132	$182
2001	$225	$160	$138	$190

SKI DEPARTMENT REVENUE

Demand for Ski Lifts and Ski Area Facilities

Demand for the ski area facilities would arise from two main sources; guests staying at the resort, and day skiers, primarily from the nearby Anchorage area.

Previously, we made projections of the number of room nights expected to be generated during the winter season for the projection period. At an estimated double occupancy of 2, each occupied room night will represent two guest nights. Based on our interviews and review of comparable resorts, we estimate that 75 percent of the winter guests will be skiers, and that the average stay will be five nights. Since these guests are not likely to ski on their arrival or departure days, we estimate that each guest night will relate to .6 skiing days (1x.75x.8). We estimate, therefore, that the 105,600 estimated winter guest nights at the resort in 1994 would provide 63,400 skiing visits in 1994.

As would be expected, a number of prior studies have found that Alaska residents are active participants in winter sports. Based on a detailed public survey, a report by Roger Clark and Darryll R. Johnson, August 1981, found that 17 percent of Anchorage respondents participated in Alpine skiing. A study prepared by Arnold Albrecht for the Forest Service in October 1982 concluded, among other things, that "making a comparison of survey results with actual use figures may indicate a latent demand for skiing by Anchorage residents".

In estimating potential ski demand from Anchorage area residents for the proposed Eagle Valley facilities, we have considered four main factors: participation as a percentage of projected population; frequency factors; indications of latent demand; and competitiveness of the planned facilities with existing ski areas.

Previous projections of Anchorage population trends are considered to be too optimistic in light of recent economic setbacks and out-migration. The 1987 Anchorage population was estimated at 230,000. A recent analysis by the University of Alaska's Institute of Social and Economic Research (ISER) estimated an annual growth rate of Anchorage population during the 1988 to 1995 period as follows,:

ISER Population Forecasts
Average Annual Growth Rate 1988-1995

	Alaska	Anchorage
Low Case	-0.3%	-0.6%
Base Case	0.8%	0.6%
High Case	1.5%	1.7%

Source: ISER, Alaska's Economy and Housing Market.

We have used a growth rate of one percent starting in 1989, and a skier participation rate of 17 percent in our estimates.

, Frequency of participation is. the mean number of times a. year a participant . skies. Studies in different "North, America market areas have shown frequency . . ratios of from 9 to 15 times, with some of the highest rates reported in western Canada and the Pacific Northwest.

We have applied a frequency of 10 in our projections. This is the estimated number of times Anchorage skiers would ski, if suitable facilities were conveniently available, and consistent snow conditions could be provided.

The existing Anchorage ski areas have reported estimated skier visits for the 1987/88 year as follows:

Skier Visits

	Alyeska	Artic Valley	Hilltop	Total
1987/88 Ski Season	**150,000**	**20,000**	**55,000**	**225,000**

Essentially all the above demand is from Anchorage residents. Based on an Anchorage population of 230,000 in 1987, and a participation factor of .17, the computed participation rate was only 5.8 times. This would indicate a sizeable latent or unsatisfied day skier demand exists in the Anchorage area.

The proposed ski facilities at the resort would be by far the most convenient and attractive Alpine ski facilities available to Anchorage area residents. The only existing major Alpine ski-area in the Anchorage area is Alyeska resort, described earlier. While there are a number of smiler ski facilities available (primarily the Hilltop and Artic Valley ski areas) these are beginner or beginner/ intermediate areas, and therefore are not comparable to the planned Eagle Valley development. Alyeska ski terrain provides alpine skiing primarily for advanced and expert skill levels, with little terrain available for the more prevalent low intermediate skill levels. A comparison of existing terrain at Alyeska, planned Eagle Valley terrain, and the distribution considered more ideal by industry experience is shown below.

Level of Ability	Existing at Alyeska	Phase I Eagle Valley	Ideal
Beginner	0%	3%	2%
Novice	7%	9%	13%
Low Intermediate	0%	9%	20%
Intermediate	46%	49%	35%
Advanced Intermediate	22%	18%	20%
Expert	25%	13%	10%
	100%	100%	100%

While improvements at Alyeska are planned, natural" terrain constraints do not provide the, potential to "significantly change the ratios. The proposed ski facilities at Eagle Valley' would, therefore, provide Anchorage area residents with the advantages of:

1. A full service ski resort easily accessible over good roads.
2. The provision of a good balance of terrain for all skill levels, especially the low intermediate skiers.
3. Snow inking on all slopes, providing reliable snow conditions.
4. Night lighting on part of the ski acreage.
5. The availability of attractive restaurants, lounges, shops and a variety of other facilities.

Guests of other Anchorage hotels and other than Anchorage residents coming to the area for day skiing are considered to be an additional source of skier demand. Based on the experience of existing resorts, and the attractiveness of the proposed facilities, we have estimated this demand at five percent of the demand expected to be generated from Anchorage residents.

In estimating the potential market share available to Eagle Valley resort, we have made the following assumptions.

1. The Artic Valley and Hilltop ski areas appeal to specific skier markets and are not expected to be significantly impacted by the new "resort. These. resorts provide mostly beginner and low intermediate skiing opportunities to families and young people at a relatively low cost .

2. After deducting the estimated, stabilized demand of the above two smiler ski areas, if the proposed resort and Alyeska were of the same attraction to the Anchorage skier market, one would expect a "fair share" of 'demand of 50 percent for the proposed resort.

However, since the proposed resort would have the advantages of location and access, better suited skill level skiing, more consistent snow conditions because of snow inking capabilities on all slopes, and the advantage of presenting an integrated theme resort, we expect the project to achieve 130 percent of its "fair' share, or 65 percent of the demand. Our projections of skier visits for the proposed Eagle Valley Resort are summarized on the following page.

Projected Day Skier Visits at Eagle Valley Resort

Year	Estimated Anchorage Population	Skier Percent (17%)	Estimated Frequency (10)	Estimated Demand From Other Sources (5%)	Total Estimated Skier Visits Market	Less Estimated Skier Visits To Hilltop and A. Valley	Net Est. Skier Visits Market	Estimated Market Share Attainable by EVR Skier Visits	Percent
1992	239,300	40,700	*407,000*	*20,300*	*427,300*	*78,000*	*349,300*	*175,000*	*50%*
1993	241,700	41,100	411?,000	20,500	431,500	78,800	352,700	194,000	55%
1994	244,100	41,500	415,000	20,700	435,700	79,600	356,100	214,000	60%
1995	246,600	41,900	419,000	20,900	439,900	80,400	359,500	234,000	65%
1996	249,100	42,300	423,000	21,100	444,100.	81,200	362,900	236,000	65%
1997	251,500	42,800	428,000	21,400	449,400	82,000	367,400	239,000	65%
1998	254,100	43,200	432,000	21,600	453,600	82,800	370,800	241,000	65%
1999	256,600	43,600	436,000	21,800	457,800	83,700	374,100	243,000	65%
2000	259,200	44,100	441,000	22,000	463,000	84,500	378,500	246,000	65%
2001	261,800	44,500	445,000	22,200	467,200	85,400	381,800	248,000	65%

SkiLift Revenue Estimates

We estimate day use skier visits in 1992 at 175,000 and skier visits from guests at the resort at 38,600. Based on lift ticket prices charged by existing resorts, we estimate an attainable base ticket price (one day, full skiing ticket for one adult) of $27, stated in 1989 dollars.

Based on an analysis of actual ticket prices charged by North American ski resorts, we recommend a price structure as follows:

Ski Lift Ticket Price	1989 Dollars
Day Weekend	$27
Day Weekday	$25
Night Weekend	$17
Night Weekday	$15
Season Pass	$600

Customarily, ski resorts provide a number of discounts for children, senior citizens, promotions and packages, depending on promotional activities.

An analysis of ski lift ticket prices and average lift ticket revenue per skier visit of 134 ski areas in North America is prepared annually for the National Ski Area Association. The 134 ski areas reported an average ratio of actual lift ticket revenue per skier visit to the day weekend ticket price, for the 1986/87 season, of 73.9 percent. Taking the above mix of lift ticket prices and customary discounts into account, we believe the resort will be able to achieve an average ski lift ticket revenue of $20 per skier visit, expressed in 1989 dollars. This represents a ratio of 74 percent, in line with industry experience.

Based on statistics compiled by the Alaska Division of Tourism, Anchorage is the most popular community for visitors to Alaska. During the summer of 1985, 280,000 visited Anchorage, of which 81,000 or 29 percent visited Chugach State Park.

Sumner operation of the quad lifts at Eagle Valley are expected to be an important visitor attraction, permitting convenient access to the mountain and providing scenic views. Based on the experience of other resorts and the attractiveness of the proposed facilities, we estimate that approximately 20 percent of summer visitors to the Anchorage area would ride the chairlifts at Eagle Valley. Based on an estimated 300,000 visitors, less an estimated 57,600 visitors staying at the resort and projected separately, this would represent approximately 242,000 visitors, of whom 20 percent, or 48,000 visitors, are

We estimate that "approximately one-half of 'guests staying at, the resort, or a " · total of 28.,800 resort" guest's, and "48,000 visitors not staying at "the resort, would use the lifts during the 1992 summer season. We have used that number of visitors in our projection of summer ski lift revenues for 1992, increased at an annual growth rate of seven percent for the period through 1996.

We project an average lift ticket price of $10.00 with a net rate, after discounts, of $9.00, expressed in 1989 dollars. Our estimates of lift revenues are summarized as follows.

	WINTER LIFT REVENUE					SUMMER LIFT REVENUE				ANNUAL
	Estimated Skier Visits				Total	Estimated Visits			Average	Total	Total
	Resort			Average	Winter	Resort			Revenue	Summer	Lift
	Guests	Other	Total	Revenue	Revenue	Guests	Other	Total	Per	Revenue	Revenue
Year	(000)	(000)	(000)	Per S/V	(000)	(000)	(000)	(000)	Visit	(000)	(000)
1992	38.6	175	213.6	$22.80	$4,870	28.8	48.0	76.8	$10.30	$791	$5,661
1993	52.7	194	246.7	$23.80	$5,871	39.1	51.4	90.5	$10.70	$968	$6,839
1994	63.4	214	277.4	$24.90	$6,907	47.6	55.0	102.6	$11.20	$1,149	$8,056
1995	66.6	234	300.6	$26.00	$7,816	50.5	58.8	109.3	$11.70	$1,279	$9,095
1996	*70.0*	236	306.0	$27.20	$8,323	50.0	62.9	112.9	$12.20	$1,377	*$9,700*
1997	*70.0*	239	309.0	$28.40	$8,776	50.0	63.0	113.0	$12.80	*$1,446*	*$10,222*
1998	*70.0*	241	311.0	$29.70	$9,237	50.0	63.0	113.0	$13.40	*$1,514*	*$10,751*
1999	*70.0*	243	313.0	$31.00	$9,703	50.0	63.0	113.0	$14.00	*$1,582*	*$11,285*
2000	*70.0*	246	316.0	$32.40	$10,238	50.0	63.0	113.0	$14.60	*$1,650*	*$11,888*
2001	*70.0*	248	318.0	$33.90	$10,780	50.0	63.0	113.0	$15.30	*$1,729*	*$12,509*

Based on the estimated skier visits projected for the resort, it is possible to compute a utilization factor and compare the resort's estimated utilization with industry statistics. Utilization is measured in terms of capacity. Capacity is the product of an area comfortable carrying capacity (CCC) times its days of operation. Utilization compares actual or estimated skier visits to the resorts capacity.

During the third year of operation, the resort is estimated to attract 277,000 skier, visits, during a 154 day season. The estimated comfortable carrying capacity of the resort, Phase I development is given as 7,660 CCC per the developer's plans. The utilization factor, therefore, is computed by dividing the projected 1994 skier visits, 277,000 by the product of the 7,660 CCC times 154 days, resulting in a ratio of 23.5 percent.

The annual analysis of 134 ski resorts in North America, prepared for the National Ski Areas Association, 1987, shows an average utilization factor of 32.9 percent indicating a significant over-capacity at the proposed resort. This, of course, is to be expected given the low projected winter occupancies at the resort.

Other Ski Area Revenues

Other day skier related revenues were estimated on the basis of the attractiveness of the facilities provided, the closeness of the resort to Anchorage, and industry experience.

Ski school revenue was estimated at $2.00 per skier visit, in 1989 dollars, for $690,000 for 1994 the third year of operation. This represents 10" percent of lift revenues, which is in line with industry experience.

Ski rental income was estimated based on industry experience adjusted for the likelihood that more winter guests to Alaska would rent equipment than is the case at a less long-distance destination. However, this is partially offset by the relatively large patronage from Anchorage area residents, who are expected to bring their own equipment. We have estimated an amount of $1.50 Per skier visit expressed in 1989 dollars, or $518,000 in 1994.

Computation of estimated other ski revenues are scheduled below:

Projected Ski Area Revenues (000)

Year	Total Skier Visits	Sumner Lift Revenues	Winter Ski Lift Revenues	Ski School Revenue	Ski Rental Revenue	Total Ski Area Revenues
1992	213,600	$791	$4,870	$487	$365	$6,512
1993	246,700	$968	$5,871	$587	$440	$7,868
1994	277,400	$1,149	$6,907	$691	$518	$9,266
."1995	300,600	$1,279	$7,816	$782	$586	$10,464
1996	306,000	$1,377	$8,323	$832	$624	$11,158
1997	309,000	$1,446	$8,776	$878	$658	$11,758
1998	311,000	$1,514	$9,237	$924	$693	$12,367
1999	313,000	$1,582	$9,703	$970	$728	$12,982
2000	316,000	$1,650	$10,238	$1,024	$768	$13,680
2001	318,000	$1,729	$10,780	$1,078	$809	$14,394

(Note: ROWS may not sum due to rounding.)

Revenues for a representative year are derived by restating the projected 1996 results to 1989 dollars. This calculation yields estimates of $7,130,000 for ski lift revenue and $1,070,000 for other ski-related revenue.

FOOD AND BEVERAGE REVENUE

This category includes the revenues projected for the restaurant and lounge facilities of the proposed hotels. Sales achieved by small restaurant tenants in the retail spaces would be netted against operating expenses, as discussed below under the heading Lease Income.

Food sales to hotel guests are calculated on the basis of revenues per guest day. We are projecting that the resort would achieve a stabilized occupancy rate of 45 percent. As the largest portion of this demand would come from tourists, the resort could anticipate a multiple occupancy factor of approximately 2.0; that is, an average of two guests per occupied room.

The Trends survey reports average "food expenditures per guest day during 1987 of $22.70 for resorts in the western region of the United States, $22.55 for resorts with over 250 guest rooms, and $22.31 for resort properties nationwide. While restaurant prices generally are higher in Alaska than in many of the resort locations represented in the survey, this effect is offset to some extent by the likelihood that guests staying in the condominium units would buy and prepare their own meals. After adjusting to 1989 dollars, the indicated expenditure per guest day is approximately $25.00.

A second component of food sales includes out-of-town visitors staying at upscale hotels other than the subject. Competitive market demand is projected to reach 865,400 occupied room nights by 1996, of which 633,300 would be captured by these properties. Because the proposed resort would be a unique attraction in the area, we expect that a large number of their guests in the tourist and group demand segments would visit the resort during their stay; for purposes of this analysis, we have assumed a visitation rate of 50 percent, a multiple occupancy factor of 2.0, and an average length of stay of four days in these segments. For commercial guests, we project visitation at 25 percent, an occupancy factor of 1.0, and an average length of stay of two days. Because airline crews are generally in Anchorage for only one night and have limited means of transportation, a visitation rate of only 10 percent is assumed in this category.

Visitors from hotels other than the proposed resort would likely take fewer meals" at the property than would resort guests. We would expect revenues per visit to be approximately one-third to one-half the average revenue per guest day, and have used a current dollar estimate of $10.00 in our projections.

The third component of food sales is provided by Anchorage residents, including day skiers. Their propensity to dine at the resort will depend on the perception of quality, the prices charged, the income level of the population base, .and the availability of alternate dining options elsewhere in the city. On a long term basis, we do not expect the resort to receive more than four to five percent of its food revenue from local residents; in current dollars, this would amount to approximately $500,000, or less than one Percent of 'he estimated revenues received by eating and drinking establishments in Anchorage. However, in the short term, we do expect the novelty of the resort to attract a larger number of local residents.

Beverage sales are calculated as ratios to food sales. For resorts included in the Trends survey for 1987, the beverage to food ratio averaged. 32. percent. This ratio was one point below the 33 percent figure achieved in 1986, and may reflect the trend toward reduced alcohol consumption. Resorts in the western region reported an average ratio of 31 Percent, the rate adopted for our projections.

Projected "Food and Beverage "Revenues

Year	Food Sales	Beverage Sales	Total F&B Sales
Rep Year	$13,107,000	$4,063,000	$17,170,000
1992	$10,105,000	$3,133,000	$13,238,000
1993	$13,097,000	$4,060,000	$17,157,000
1994	$15,355,000	$4,760,000	$20,115,000
1995	$16,973,000	$5,262,000	$22,235,000
1996	$17,834,000	$5,529,000	$23,363,000
1997	$18,634,000	$5,777,000	$24,411,000
1998	$19,467,000	$6,035,000	$25,502,000
1999	$20,348,000	$6,308,000	$26,656,000
2000	$21,264,000	$6,592,000	$27,856,000
2001	$22,217,000	$6,887,000	$29,104,000

MISCELLANEOUS REVENUES

Additional operating revenues will accrue to the resort from a variety of minor departments. These include telephone charges, laundry and valet service, operation of the swimming and tennis centers, and vending machine sales.

Most of the sales in these categories will be made to guests of the resort. It is therefore appropriate to project these revenues on a per guest day basis. The Trends survey reports an average expenditure per guest day of $6.78 in 1986 and $7.35 in 1987. Telephone revenues increased only slightly during this period, while revenues from other sources grew by approximately ten percent.

The proposed resort would have a wide variety of facilities and services with which to generate miscellaneous revenue from resort guests. In addition, such activities as swimming and tennis could be made available for a fee to Anchorage residents. Our projection averages in the effect of local sales by assuming miscellaneous revenue of $10.00 per guest day in 1989 dollars.

Projected Miscellaneous Revenues

Year	Revenue Per Guest Day	Projected Revenue
Rep Year	$10.00	*$4,599,000*
1992	$11.40	$3,148,000
1993	$11.90	$4,387,000
1994	$12.40	$5,348,000
1995	$13.00	$5,988,000
1996	$13.60	$6,258,000
1997	$14.20	$6,539,000
1998	$14.80	$6,834,000
1999	$15.50	$7,141,000
2000	$16.20	$7,462,000
2001	$16.90	$7,798,000

LEASE INCOME

The design of the resort includes 45,600 square feet of leasable shop and restaurant spaces. The spaces would be aligned along both sides of the main concourse between the convention/recreation center and the base of the ski slopes. The shop buildings would incorporate the gold rush design of the resort.

Likely retail tenants could include clothiers, gift shops, galleries, and jewelers. There would probably be one or more shops supplying food and sundries to guests staying for relatively long periods in the condominium units. Specialty and fast food restaurants would occupy some of the spaces, supplenient-ing the food and beverage facilities "of the hotels; however, "to maintain the integrity of the gold rush concept, occupancy by the more visible national chains would be discouraged.

Given the relatively high vacancy rates reported by existing retail centers in downtown Anchorage, it does not appear that a significant volume of demand presently exists for the new space. Absorption of this retail component would therefore occur gradually as the resort itself became known and established. We project a three-year lease-up period, with a stabilized vacancy rate of five percent being achieved in 1994.

Monthly rental rates are projected at slightly above the $1.10 to $1.35 Per square foot net rates presently achieved at many of the more tourist-oriented downtown locations. However, we do not expect the property to achieve rents in the $2.00 to $4.00 range currently being asked at the new (and largely vacant) Fifth Avenue Mall.

In our opinion, despite the distance of the property from the commercial center, the unique village concept and the fact that a large share of sales would be provided by "captive" resort guests would support a net rate of $1.50 per square foot, stated in 1989 dollars. Our projections assume that an adjustment for inflation would be built into each lease agreement.

Projected Lease Income

Year	Area Leased	Rent/SF/Mo	Annual Rent
Rep Year	43,320	$1.50	$780,000
1992	14,440	$1.71	$297,000
1993	28,880	$1.79	$620,000
1994	43,320	$1.87	$972,000
1995	43,320	$1.95	$1,016,000
1996	43,320	$2.04	$1,061,000
1997	43,320	$2.13	$1,109,000
1998	43,320	$2.23	$1,159,000
1999	43,320	$2.33	$1,211,000
2000	43,320	$2.43	$1,266,000
2001	43,320	$2.54	$1,323,000

CONDOMINIUM SALES RECEIPTS

The condominium units of the proposed resort are designed to be Spacious, " provide full kitchen facilities, and be somewhat removed from heaviest areas of pedestrian traffic. As such, they appear physically suited for individual sale, either outright or through a timeshare arrangement. However, the market for these units does not appear likely to support a sales program.

Direct Sales

In evaluating the potential for direct sales of condominium units, we have considered the impact of resort location, market. supply and demand, and the range of alternatives available to prospective buyers.

Location

Condominium units in resort locations typically are sold as second homes, providing the new owner with a retreat some distance from a primary residence. This motivation requires that the resort be located near enough to provide convenient access between the two locations, but far enough away to require overnight lodging.

For example, condominiums at Whistler are approximately two hours drive from Vancouver, British Columbia. Vancouver is one of the most heavily-populated urban areas on the Pacific Coast and has a relatively large number of upper income residents. This base provides a good volume of potential buyers for these units.

The site of the proposed resort is less than 20 minutes drive from the center of Anchorage; many residential cornnunities are even nearer. This close proximity would discourage local residents from purchasing these units, since they could enjoy the amenities of the resort without the cost of acquiring or maintaining an on-site residence.

Ordinarily, a resort would market units to persons living a further distance from the property. However, nearly half the population of Alaska resides in Anchorage. The reminder of the state is sparsely populated In addition, the median income of non-Anchorage. residents is. below the average for the state, further reducing their potential as buyers of second homes.

Market Conditions

Because of their proximity to established residential neighborhoods elsewhere in Anchorage, the units at the proposed resort would compete to some degree in the existing condominium market. There are approximately 7,000 units in the Anchorage"area. Much of this supply was completed during the building boom of the early 1980's.

The recent downturn in the economy has had a negative effect on the market for these units, greatly reducing demand. Approximately 2,000 of these units are currently either being offered for sale or are facing imminent foreclosure proceedings. "The total number of units sold was 218 in 1986 and 237 in 1987.

Through September 1988, 372 condominium units had sold, a strong improvement over the prior year. However, even at this improved level of activity, the excess supply now in the market and the normal resale of occupied units likely will ensure that supply exceeds demand well into the 1990's.

Due to the excess of supply over demand, condominium prices have been severely reduced. For the period ending September 1988, the average sale price of a unit was $48,409. By comparison, prices averaged $69,745 for the year 1987 and $99,384 for the year 1986. In many cases, this dramatic reduction has driven values below both the original purchase price and the cost of construction. As a result, there are virtually no new units under development in the market.

The proposed resort would offer amenities not available to the owners of a non-resort condominium, and could reasonably justify unit prices above those achieved by physically comparable units elsewhere in the market. However, the proximity of the resort to these existing units would limit the premium which buyers would be willing to pay. Since market prices are presently below the cost of construction, and given the higher selling costs generally associated with the marketing of resort condominiums, it appears unlikely that the local market would absorb the planned units at a price which would support their development.

Available Alternatives

Prospective buyers in search of a resort condominium can choose from among a wide variety of locations and amenities. As discussed in Section VII, there are several year-round major destination resorts in North America which offer facilities and services comparable or superior to those planned for the subject resort, and which are more accessible from major population centers. On a world-wide basis, a wide variety of destination resorts offer the option of condominium purchase. Given these alternatives, the likelihood that units at the subject resort could compete effectively for this demand is considered minimal.

Timeshare Sales

To date, there have been no successful attempts at selling timeshare condominium units in Anchorage. However, neither has there been a resort with the extensive facilities of the subject. We have therefore considered whether a market might exist for sale of the condominium units of the resort on a timeshare basis.

Most of the disadvantages of outright condominium ownership also apply to those owned on a timeshare basis. These include the proximity of the resort to the existing residential communities in Anchorage, the large volume of units now being offered in the market at bargain prices, and the many alternative locations available to those seeking a resort setting.

Two additional considerations affect sales on a timeshare basis. These are the high market ingandadministrat ive costs associated with sales to multiple ownership and the difficulty in securing buyers for the less desirable weeks of the year.

Selling costs are a very significant component of timeshare transactions, often running as high as 30 to 40 percent of the eventual selling price. The costs of marketing the subject would be particularly high: prospective buyers would

have to be provided- airfare and lodging to visit the property, and only a small minority of "these prospects would actually purchase a share'. There would also be costs associated with ongoing maintenance and administration" of the timeshare units. When coupled with the costs of construction,' the margin available to the developer would likely be insignificant or negative.

The full subscription of a unit on a timeshare basis requires that there be a willingness on the part of potential buyers to purchase shares during the less desirable weeks of the year, for example, the spring and fall shoulder seasons. For many resort timeshare offerings, a reduction in price during these weeks is sufficient to attract off-season buyers. For a resort in Anchorage, these "less desirable'' weeks would in fact be highly undesirable, due to what are perceived to be poor weather conditions and the limited recreational activities available.

Through participation in an exchange network, such as Resorts International, an owner's weeks in a unit may be contributed to a travel pool in exchange for a stay at another participating resort. This could encourage sales of timeshares to owners who do not intend to stay at the Anchorage property, but only to use the ownership in order to enter the pool. However, if the subject resort was not sufficiently attractive to achieve reciprocity from other resorts, there is a strong probability that it would be excluded from the network.

Conclusion

Based on our analysis of the demand for resort" condominiums and the current condition of the Anchorage market, it is our opinion that no significant demand exists for the purchase of the proposed units, either on an outright basis or through timesharing. Consequently, our projections do not include revenues from this source.

SECTION X

OPERATING EXPENSES AND NET OPERATING INCOME

OPERATING EXPENSES AND NET OPERATING INCOME

METHODOLOGY

Estimates of future operating results for Eagle Valley Resort have been derived through our evaluation of its income potential under projected market conditions. Our method is to estimate the operating results of the property for a representative future year, stated in 1989 dollars, and then to adjust these results to account for projected levels of occupancy, average room rates, and inflation.

Our projections of operating expenses are based on the actual results achieved at properties considered comparable to the subject, including full-service hotels located in Anchorage and resorts participating in the annual Pannell Kerr Forster survey, Trends in the Hotel Industry. Although the properties selected have similar characteristics, the design and location of the proposed Eagle Valley Resort are so unique as to render an exact match impossible. We do, however, consider the comparable properties to be valid indicators and therefore useful as one basis for our projections.

Fundamental to the estimates of operating results is the assumption of competent and efficient management at the property. Among the primary responsibilities of management are the maintenance of the quality of the facility and the execution of an adequate marketing effort.

The Uniform System of Accounts for Hotels, recommended by the American Hotel and Motel Association and in general use throughout the industry, has been used in the classification of revenues and expenses in this report. In conformity with this system of account classification, only direct operating expenses are charged to the operating departments of the hotel. General overhead items which are applicable to the overall operation of the facility are classified as undistributed operating expenses. Those items which are generally considered to be beyond the control of the property manager are classified as fixed costs.

Our projections also incorporate an estimate of general price inflation. To portray price level changes, we have assumed a 4.5 percent annual inflation rate over the projection period. Based on the forecasts of leading banks in major U.S. cities, this assumption is intended to portray an expected long term trend in price movements, which is the continuation of moderate rates of increase experienced over the past five years.

DEPARTMENTAL EXPENSES

Rooms Department

Expenses charged to the rooms department include those of the front office, housekeeping, and guest services. The rooms department expense ratios of the comparable properties range from 18 to 36 percent. On a per occupied room basis, this expense category ranges from $17.00 to $42.00. Expenses incurred are generally higher at resort properties than full-service hotels. Although the inclusion of condominiums within the proposed Eagle Valley Resort will create some inefficiencies, the resort will have a large number of rooms to spread the cost over.

A portion of the expenses of the rooms department are fixed in relation to property size; this component is projected at $1,300 per guest room for the representative year. Variable rooms department costs are estimated at $20.00 per occupied room night, or approximately 18 percent of departmental revenue.

Food and Beverage

The food and beverage expense ratios of the comparable properties range from 71 to 107 percent, with higher volume resorts achieving an expense ratio at the lower end of the range. Although projected food and beverage revenues for the subject property are significantly greater than those realized at the comparable resorts, labor and transportation costs in the Anchorage market are also likely to be high.

The major portion of costs in this department, including raw food, supplies, and most staffing, vary in relation to sales volume. Variable food and beverage expenses are projected at 80 percent of departmental revenue. The fixed component of costs in this department is estimated at $850,000. Taken together, the expense ratio used in our projections is 85 percent.

Ski Department

Estimates of expenses related to the ski department are based on information compiled by the National Ski Areas Association and from our in-house data base. Expenses associated with the operation of the ski lifts are calculated at 27 percent of ski lift revenue. An" additional 15 percent of ski lift revenue accounts for the expense related to snowmaking and "removal. Expenses associated with the operation of the ski school are estimated at 64 percent of ski school revenue. Expenses of the ski rental operations including replacement and repair of rental equipment is estimated at 37 percent of ski rental income.

The majority of the costs for this department are incurred independent of the volume of sales. For the department as a whole, fixed costs are estimated at $1,850,000 and variable costs at 20 percent of departmental revenue.

Other Operated Departments

This expense category consists of expenses related to the operation of a variety of minor departments, including telephone, laundry and valet service, vending machines, recreational activities such as golf, tennis and swimming. These expenses have been estimated at 80 percent of revenue based on the results of resort hotels participating in the Trends survey.

UNDISTRIBUTED OPERATING EXPENSES

Administrative and General

Administrative and general expenses include the salaries of the general manager and office staff, accounting, purchasing, and stores departments, credit card emissions, bad debts, data processing costs, subscriptions, and other miscellaneous expenses. Professional management fees are also considered to be incorporated within this expense category.

Administrative and general expenses, including management fees, incurred at the comparable resorts range from $6,100 to $7,700 Per available room, while expenses incurred in this category at the full-service hotels ranged from $4,000 to $5,200.

Several components of administrative costs vary with the total revenue achieved by the resort. These include credit card commissions, bad debts, and the fees associated with a professional management firm. Taken together, these costs are projected at seven percent of total revenue. The remaining costs in this line item are considered relatively fixed in relation to performance, and are projected at $1,000,000 plus $200 per guest unit.

Overall, administrative costs are estimated at approximately $3,700 per available guest room, stated in 1989 dollars. This equates to 9.3 percent of total revenue, an amount in line with that of the comparable properties. For the first operating year, these costs are adjusted upward by ten percent to account for initial inefficiencies in the operation of the property.

Marketing

To achieve the occupancy projected, an aggressive marketing campaign will be essential. Quality marketing will play a particularly important role in attracting international demand. Marketing costs at the comparable properties ranged from 4.0 to 11.7 percent of total revenue, or $1,400 to $5,800 per available room.

Marketing costs are dependent on both the size of the property and the projected level of occupancy. Based on the costs of advertising and direct promotion at the comparable properties and the subject's larger size, we have projected marketing costs at $2,000,000 plus $200 per guest room plus $1.00 per occupied room night.

An additional $400,000 is included for marketing of the ski area. This is approximately five percent of ski department revenue, which is typical of the ratios reported in ski industry surveys. This yields an overall cost in the representative year of $2,910,000, or 5.2 percent of total revenue.

To account for the high advertising and promotional expenses required during the first year of operation, an additional ten percent is added to the projected marketing costs in 1992. The expenses in this category do not include the cost of marketing carried out prior to the opening of the resort.

Property Operations and Maintenance

This expense is comprised of salaries and wages, employee benefits, and normal repairs associated with the maintenance of the property buildings and grounds.

We estimate an expense of $3,060,000, or approximately. $2,200 per available room. This is greater than the cost reported at the full-service hotels but less than that of the comparable resorts, due to the subject's large size. This estimate includes fixed components of $500,000 and $1,500 per guest room, and a variable component at $2.00 per occupied room night.

Maintenance expenses should be substantially lower in the early years of operation since the physical plant will be new and equipment warranties will be in effect. Accordingly, adjustments were made of 20 percent, 10 percent and 5 percent, respectively, for the first three years of operation.

Energy and Utilities

The cost of electrical power, water service, and other utilities on a per room basis was higher at the comparable resorts than at the full-service hotels. Energy costs incurred at the resorts ranged from $2,300 to $4,000 Per available room, and $12.00 to $18.00 per occupied room night. The full-service hotels incurred energy costs of $1,1OO to $1,500 per available room, and $4.00 to $5.00 per occupied room night.

Due to the subject's large size and the relatively inexpensive energy costs in Alaska, we have estimated this expense at $500,000 plus $1,000 per available room plus $3.00 per occupied room night, for an overall cost of $2,590,000 in the representative year.

FIXED COSTS

Property Taxes

Property taxes are calculated by applying the current levy rate of 1.6 percent to our estimate of the assessed value of the proposed resort over the long term. We project property taxes of $1,400 per guest room, or $1,960,000, stated in 1989 dollars.

Insurance

Expenses included in this category consist of property insurance and liability insurance. Property insurance is calculated as a percentage of the value of gross fixed assets, assumed to average $100,000,000 (in 1989 dollars) over the life of the project. This yields an estimate of $700 per guest room. Liability insurance, primarily related to the ski area, is calculated at five percent of total ski revenue. Consolidation of these insurance estimates indicates a total expense of $1,390,000 for a representative year.

Ski Slope Land Lease

Ski slope land lease payments are estimated at 3.0 percent of ski lift revenue (2.6 percent of total ski department revenue), based on the anticipated terms of an agreement between the State of Alaska and the developer.

Reserve for Replacement

Provision has been made for a reserve for the periodic replacement of furnishings, fixtures, and equipment. The annual contribution to this reserve

is calculated at three percent of. total revenues, a ratio. considered reasonable for the type and, size of facilities proposed. During the first two years of operation, a smiler reserve has been projected since all "equipment and furnishings will be new.

Net Operating Income

Net operating income is income before deducting depreciation, rent, interest, amortization, and income taxes.

STATEMENTS OF ESTIMATED ANNUAL OPERATING RESULTS

Our projections of the estimated annual operating results of the subject hotel for a representative future year, stated in 1989 dollars, and for the years 1992 through 2001 are presented on the following pages.

Projected Operating Results
1400 Guest Units

Representative Year (1989 $)

	Total	Ratios	Per Room	Per ORN (1)
Room Occupancy	45X			
Average Room Rate	$112.00			
REVENUES				
Rooms	25,754,000	45. 6%	918,396	9112.00
Food	13,107,000	23. 2%	9,362	57.00
Beverage	4,063,000	7.2X	2,902	17.67
Ski Department	8,200,000	14. 5x	5,857	35.66
Other Operated Departments	4,599,000	8.1%	3,285	20.00
Retail Lease Income	780,000	1.4%	557	3.39
Total	56,503,000	100. 0%	40, 359	245.72
DEPARTMENTAL EXPENSES				
Rooms	6,419,000	24. 9%	4,585	27.91
Food & Beverage	14,586,000	85. 0%	10,419	63.43
Ski Department	3,490,000	42. 6X	2,493	15.18
Other Operated Departments	3,679,000	80. 0%	2,628	16.00
Total	28,174,000	49. 9%	20,124	122.52
DEPARTMENTAL INCOME	28,329,000	50. 1%	20,235	123.20
UNDISTRIBUTED OPERATING EXPENSES				
Administrative and General	5,235,000	9.3x	3,739	22.77
Marketing	2,910,000	5. 2%	2,079	12.65
Property Maintenance	3,060,000	5. 4%	2, 186	13.31
Energy and Utilities	2,590,000	4.6%	1,850	11.26
Total	13,795,000	24. 4%	9,854	59.99
INCOME BEFORE FIXED CHARGES	14,534,000	25. 7%	10,381	63.21
FIXED CHARGES				
Real Estate Taxes & Licenses	1,960,000	3.5X	1,400	8.52
Building & Contents Insurance	1,390,000	2. 5%	993	6.04
Ski Slope Land Lease	213,000	0. 4%	152	0.93
Total	3,563,000	6.3X	2,545	15.49
INCOME BEFORE RESERVE	10,971,000	19. 4%	7,836	47.71
Reserve for Replacement	1,695,000	3. 0%	1,211	7.37
NET OPERATING INCOME	9,276,000	160 4X	96,626	940.34

NOTE: This statement should be read subject to the comments in the attached report.

(1) Occupied Room Night

Projected Operating Results
1400 **Guest Units**

	Total Dollar **Amounts**				
	1992	1993	1994	1995	1996
Room Occupancy	27X	36%	42X	45%	45x
Average Room Rate	9111.00	9126.00	9140.00	$147.00	9153.00
REVENUES					
Rooms	15,315,000	23,179,000	30,047,000	33,803,000	35,182,000
Food	10,105,000	13,097,000	15,355,000	16,973,000	17,834,000
Beverage	3,133,000	4,060,000	4,760,000	5,262,000	5,529,000
Ski Department	6,512,000	7,868,000	9,266,000	10,464,000	11,158,000
Other Operated Departments	3,148,000	4,387,000	5,348,000	5,988,000	6,258,000
Retail Lease Income	297,000	620,000	972,000	1,016,000	1,061,000
Total	38,510,000	53,211,000	65,748,000	73,506,000	77,022,000
DEPARTMENTAL EXPENSES					
Rooms	5,225,000	6,557,000	7,616,000	8,358,000	8,734,000
Food & Beverage	11,560,000	14,739,000	17,151,000	18,895,000	19,847,000
Ski Department	3,413,000	3,779,000	4,158,000	4,502,000	4,749,000
Other Operated Departments	2,519,000	3,510,000	4,279,000	4,791,000	5,006,000
Total	22,717,000	28,585,000	33,204,000	36,546,000	38,336,000
DEPARTMENTAL **INCOME**	15,793,000	24,626,000	32,544,000	36,960,000	38,686,000
UNDISTRIBUTED OPERATING EXPENSES					
Administrative and General	4,458,000	5,251,000	6,197,000	6,812,000	7,133,000
Marketing	3,263,000	3,415,000	3,607,000	3,789,000	3,959,000
Property Maintenance	2,739,000	3,097,000	3,459,000	3,984,000	4,163,000
Energy and Utilities	2,640,000	2,923,000	3,170,000	3,372,000	3,524,000
Total	13,100,000	14,686,000	16,433,000	17,957,000	18,779,000
INCOME BEFORE FIXED CHARGES	2,693,000	9,940,000	16,111,000	19,003,000	19,907,000
FIXED CHARGES					
Real **Estate** Taxes & Licenses	2,236,000	2,337,000	2,442,000	2,552,000	2,667,.000
Building & **Contents** Insurance	1,444,000	1,562,000	1,684,000	1,799,000	1,891,000
Ski Slope Land Lease	169,000	205,000.	241,000	272,000	290,000
Total	3,849,000	4,104,000	4,367,000	4,623,000	4,848,000
INCOME BEFORE RESERVE	(1,156,000)	5,836,000	11,744,000	14,380,000	15,059,000
Reserve for Replacement	385,000	1,064,000	1,972,000	2,205,000	2,311,000
NET OPERATING **INCOME**	(1,541,000)	4,772,000	9,772,000	12,175,000	12,748,000

NOTE: This statement **should** be read **subject** to the comments in the attached report.

Projected Operating Results
1400 Guest Units

Total Dollar Amounts

	1997	1998	1999	2000	2001
Room Occupancy	45%	45%	45%	45%	45%
Average Room Rate	9159.00	9166.00	9174.00	9182.00	9190.00
REVENUES					
Rooms	36,562,000	38,172,000	40,011,000	41,851,000	43,690,000
Food	18,634,000	19,467,000	20,348,000	21,264,000	22,217,000
Beverage	5,777,000	6,035,000	6,308,000	6,592,000	6,887,000
Ski Department	11,758,000	12,367,000	12,982,000	13,680,000	14,394,000
Other Operated Departments	6,539,000	6,834,000	7,141,000	7,462,000	7,798,000
Retail Lease Income	1,109,000	1,159,000	1,211,000	1,266,000	1,323,000
Total	80,379,000	84,034,000	88,001,000	92,115,000	96,309,000
DEPARTMENTAL EXPENSES					
Rooms	9,127,000	9,538,000	9,967,000	10,416,000	10,884,000
Food & Beverage	20,737,000	21,665,000	22,645,000	23,664,000	24,724,000
Ski Department	4,982,000	5,222,000	5,469,000	5,738,000	6,016,000
Other Operated Departments	5,231,000	5,467,000	5,713,000	5,970,000	6,239,000
Total	40,077,000	41,892,000	43,794,000	45,788,000	47,863,000
DEPARTMENTAL INCOME	40,302,000	42,142,000	44,207,000	46,327,000	48,446,000
UNDISTRIBUTED OPERATING EXPENSES					
Administrative and General	7,447,000	7,784,000	8,148,000	8,525,000	8,912,000
Marketing	4,138,000	4,324,000	4,518,000	4,722,000	4,934,000
Property Maintenance	4,351,000	4,547,000	4,751,000	4,965,000	5,188,000
Energy and Utilities	3,682,000	3,848,000	4,021,000	4,202,000	4,391,000
Total	19,618,000	20,503,000	21,438,000	22,414,000	23,425,000
INCOME BEFORE FIXED CHARGES	20,684,000	21,639,000	22,769,000	23,913,000	25,021,000
FIXED CHARGES					
Real Estate Taxes & Licenses	2,787,000	2,912,000	3,043,000	3,180,000	3,323,000
Building & Contents Insurance	1,981,000	2,075,000	2,171,000	2,274,000	2,381,000
Ski Slope Land Lease	306,000	322,000	338,000	356,000	374,000
Total	5,074,000	5,309,000	5,552,000	5,810,000	6,078,000
INCOME BEFORE RESERVE	15,610,000	16,330,000	17,217,000	18,103,000	18,943,000
Reserve for Replacement	2,411,000	2,521,000	2,640,000	2,763,000	2,889,000
NET OPERATING INCOME	13,199,000	13,809,000	14,577,000	15,340,000	16,054,000

NOTE: This statement should be read subject to the comments in the attached report.

Projected Operating Results
1400 Guest Units

	Ratios to Revenue				
	1992	1993	1994	1995	1996
Room Occupancy	27X	36X	42%	45x	45%
Average Room Rate	9111.00	9126.00	9140.00	9147.00	9153.00
REVENUES					
Rooms	39. 8%	43. 6X	45.72	46. 0%	45. 7%
Food	26. 2%	24. 6X	23. 4%	23. 1%	23. 2%
Beverage	a. 1%	7.6X	7.2%	7.2%	7.2%
Ski Department	16. 9%	1.4. 8%	14.1%	14. 2x	14. 5%
Other Operated Departments	8.2X	8.2%	8. 1%	8. 1%	8. 1%
Retail Lease Income	0. 8%	1.2%	1.5X	1. 4%	1.4X
Total	100. 0%	100. o%	100. 0%	100. 0%	100. 0%
DEPARTMENTAL EXPENSES					
Rooms	34. 1%	28. 3%	25. 3%	24. 7%	24. 8%
Food & Beverage	87. 3%	85. 9%	85. 3%	85. 0%	85. 0%
Ski Department	52. 4%	48. 0%	44. 9x	43. o%	42. 6%
Other Operated Departments	80. 0%	80. 0%	80. 0%	80. 0%	80. 0%
Total	59. o%	53. 7%	50. 5%	49. 7%	49. 8%
DEPARTMENTAL INCOME	41. 0%	46. 3%	49. 5%	50. 3%	so. 2%
UNDISTRIBUTED OPERATING EXPENSES					
Administrative and General	11.6X	9.9X	9. 4%	9.3%	9. 3%
Marketing	8. 5%	6.4%	5. 5%	5. 2%	5. 1%
Property Maintenance	7. 1%	5.8%	5.3X	5. 4%	5.4X
Energy and Utilities	6.9X	5.5X	4.8%	4.6X	4. 6%
Total	34. 0%	27. 6%	25. 0%	24. 4%	24. 4%
INCOME BEFORE FIXED CHARGES	7. o%	18. 7%	24. 5%	25. 9%	25. 8%
FIXED CHARGES					
Real Estate Taxes & Licenses	5.8%	4.4%	3*7X	3.5%	3.5X
Building & Contents Insurance	3.7X	2. 9%	2.6X	2.4X	2. 5%
Ski Slope Land Lease	0. 4x	o. 4%	o. 4%	0. 4x"	0. 4%
Total	10. o%	7.7x	6.6%	6.3X	6. 3%
INCOME BEFORE RESERVE	-3. o%	11.0%	17. 9%	19. 6%	19. 6%
Reserve for Replacement	1.0%	2. o%	3. o%	3. 0%	3.0%
NET OPERATING INCOME	-4. 0%	9. o%	14. 9x	16. 6%	16. 6%

NOTE: This statement should be read subject to the comments in the attached report.

Projected Operating Results . . Ratios to Revenue
1400 Guest Units

	1997	1998	1999	2000	2001
Room Occupancy	45%	45%	45%	45%	45%
Average Room Rate	9159.00	9166.00	9174.00	9182.00	9190.00
REVENUES					
Rooms	45. 5%	45. 4%	45. 5%	45. 4%	45. 4%
Food	23. 2%	23. 2%	23. 1%	23. 1%	23. 1%
Beverage	7.2%	7. 2%	7.2%	7.2%	7.2%
Ski Department	14. 6%	14. 7%	14.8%	14.9%	14. 9%
Other Operated Departments	8. 1%	8. 1%	8. 1%	8. 1%	8. 1%
Retail Lease Income	1.4%	1.4%	1. 4%	1.4%	1.4%
Total	100. 0%	100. 0%	100. 0%	100. 0%	100. 0%
DEPARTMENTAL EXPENSES					
Rooms	25. 0%	25. 0%	24. 9%	24. 9%	24. 9%
Food & Beverage	84. 9%	85. 0%	85. 0%	85. 0%	85. 0%
Ski Department	42. 4%	42. 2%	42. 1%	41. 9%	41. 8%
Other Operated Departments	80. 0%	80. 0%	80. 0%	80. 0%	80. 0%
Total	49. 9%	49. 9%	49. 8%	49. 7%	49. 7%
DEPARTMENTAL INCOME	50. 1%	50.1%	50.2%	50.3%	50. 3%
UNDISTRIBUTED OPERATING EXPENSES					
Administrative and General	9.3%	9.3%	9.3%	9. 3%	9.3%
Marketing	5. 1%	5. 1%	5. 1%	5. 1%	5. 1%
Property Maintenance	5. 4%	5. 4%	5.4%	5. 4%	5.4%
Energy and Utilities	4.6%	4.6%	4.6%	4.6%	4.6%
Total	24. 4%	24. 4%	24. 4%	24. 3%	24. 3%
INCOME BEFORE FIXED CHARGES	25. 7%	25. 8%	25. 9%	26. 0%	26. 0%
FIXED CHARGES					
Real Estate Taxes & Licenses	3.5%	3.5%	3. 5%	3.5%	3. 5%
Building & Contents Insurance	2. 5%	2. 5%	2. 5%	2. 5%	2.5%
Ski Slope Land Lease	0. 4%	0. 4%	0. 4%	0. 4%	0. 4%
Total	6.3%	6.3%	6.3%	6.3%	6.32
INCOME BEFORE RESERVE	19. 4%	19. 4%	19. 6%	19. 7%	19. 7%
Reserve for Replacement	3.0%	3. 0%	3. 0%	3. 0%	3.0%
NET OPERATING INCOME	16. 4%	16. 4%	16. 6%	16. 7%	16. 7%

NOTE: This statement should be read subject to the comments in the attached report.

Projected Operating Results — **Annual Amounts Per Available Room**
1400 **Guest Units**

	1992	1993	1994	1995	1996
Room Occupancy	27X	36%	42X	**45%**	**45%**
Average Room Rate	9111.00	$126.00	9140.00	9147.00	9153.00
REVENUES					
Rooms	**$10,** 939	**$16,** 556	921,462	924, 145	S25, 130
Food	7,218	9,355	10,968	12, 124	12,739
Beverage	2,238	2,900	3,400	3,759	3,949
Ski Department	4,651	5,620	6,619	7,474	7,970
Other Operated Departments	2,249	3; 134	3,820	4,277	4,470
Retail Lease Income	**212**	443	694	726	758
Total	27,507	38,008	46,963	52,504	55,016
DEPARTMENTAL EXPENSES					
Rooms	3,732	4,684	5,440	5,970	6,239
Food & Beverage	8,257	10,528	12,251	13,496	14, 176
Ski Department	2,438	2,699	2,970	3,216	3,392
Other Operated Departments	1,799	2,507	3,056	3,422	3,576
Total	16,226	20,418	23,717	26, 104	27,383
DEPARTMENTAL **INCOME**	**11,281**	"17, 590	23,246	26,400	27,633
UNDISTRIBUTED OPERATING EXPENSES					
Administrative and General	3, 184	3,751	4,426	4,866	5,095
Marketing	2,331	2,439	2,576	2,706	2,826
Property Maintenance	1,956	2,212	2,471	2,846	2,974
Energy and Utilities	1,886	2,088	2,264	2,409	2,517
Total	9,357	10,490	11,738	12,826	13,414
INCOME BEFORE FIXED CHARGES	1,924	7, 100	11,508	13,574	14,219
FIXED CHARGES,					
Real Estate Taxes **& Licenses**	1,597	1,669	"1, 744	1,823	1,905
Building & Contents Insurance	1,031	1, 116	1,203	1,285	1,351
Ski Slope. Land **Lease**	121	146	172	194	207
Total	2,749	2,931	3,119	3,302	3,463
INCOME BEFORE RESERVE	(826)	4, 169	8,389	10,271	10,756
Reserve for Replacement	275	760	1,409	1,575	1,651
NET OPERATING **INCOME**	(91,101)	$3,409	96,980	98,696	S9, 106

NOTE: This **statement** should be read **subject to the comments in the attached** report.

Projected Operating Results
1400 Guest Units

Annual Amounts Per Available Room

	1997	1998	1999	2000	2001
Room Occupancy	45%	45%	45%	45%	45%
Average Room Rate	$159.00	$166.00	$174.00	$182.00	$190.00
REVENUES					
Rooms	$26,116	927,266	$28,579	929,894	$31,207
Food	13,310	13,905	14,534	15,189	15,869
Beverage	4,126	4,311	4,506	4,709	4,919
Ski Department	6,399	8,834	9,273	9,771	10,281
Other Operated Departments	4,671	4,881	5,101	5,330	5,570
Retail Lease Income	792	828	865	904	945
Total	57,414	60,024	62,858	65,796	68,792
DEPARTMENTAL EXPENSES					
Rooms	6,519	6,813	7,119	7,440	7,774
Food & Beverage	14,812	15,475	16,175	16,903	17,660
Ski Department	3,559	3,730	3,906	4,099	4,297
Other Operated Departments	3,736	3,905	4,081	4,264	4,456
Total	28,626	29,923	31,281	32,706	34,188
DEPARTMENTAL INCOME	28,787	30,101	31,576	33,091	34,604
UNDISTRIBUTED OPERATING EXPENSES					
Administrative and General	5,319	5,560	5,820	6,089	6,366
Marketing	2,956	3,089	3,227	3,373	3,524
Property Maintenance	3,108	3,248	3,394	3,546	3,706
Energy and Utilities	2,630	2,749	2,872	3,001	3,136
Total	14,013	14,645	15,313	16,010	16,732
INCOME BEFORE FIXED CHARGES	14,774	15,456	16,264	17,081	17,872
FIXED CHARGES					
Real Estate Taxes & Licenses	1,991	2,080	2,174	2,271	2,374
Building & Contents Insurance	1,415	1,482	1,551	1,624	1,701
Ski Slope Land Lease	219	230	241	254	267
Total	3,624	3,792	3,966	4,150	4,341
INCOME BEFORE RESERVE	11,150	11,664	12,298	12,931	13,531
Reserve for Replacement	1,722	1,801	1,886	1,974	2,064
NET OPERATING INCOME	$9,428	99,864	$10,412	910,957	911,467

NOTE: This statement should be read subject to the comments in the attached report.

Projected Operating Results — Amounts Per Occupied Room Night
1400 Guest Units

	1992	1993	1994	1995	1996
Room Occupancy	27%	36%	42%	45%	45%
Average Room Rate	$111.00	$126.00	$140.00	$147.00	$153.00
REVENUES					
Rooms	$111.00	$126.00	$140.00	$147.00	$153.00
Food	73.24	71.19	71.55	73.81	77.56
Beverage	22.71	22.07	22.18	22.88	24.04
Ski Department	47.20	42.77	43.17	45.51	48.52
Other Operated Departments	22.82	23.85	24.92	26.04	27.21
Retail Lease Income	2.15	3.37	4.53	4.42	4.61
Total	279.12	289.25	306.35	319.66	334.95
DEPARTMENTAL EXPENSES					
Rooms	37.87	35.64	35.49	36.35	37.98
Food & Beverage	83.79	80.12	79.91	82.17	86.31
Ski Department	24.74	20.54	19.37	19.58	20.65
Other Operated Department	18.26	19.08	19.94	20.83	21.77
Total	164.65	155.39	154.71	158.93	166.71
DEPARTMENTAL INCOME	114.47	133.87	151.64	160.73	168.24
UNDISTRIBUTED OPERATING EXPENSES					
Administrative and General	32.31	28.54	28.87	29.62	31.02
Marketing	23.65	18.56	16.81	16.48	17.22
Property Maintenance	19.85	16.84	16.12	17.33	18.10
Energy and Utilities	19.13	15.89	14.77	14.66	15.33
Total	94.95	79.83	76.57	78.09	81.67
INCOME BEFORE FIXED CHARGES	19.52	54.03	75.07	82.64	86.57
FIXEDCHARGES					
Real Estate Taxes & Licenses	16.21	12.70	11.38	11.10	11.60
Building & Contents Insurance	10.47	8.49	7.85	7.82	8.22
Ski Slope Land Lease	1.22	1.11	1.12	1.18	1.26
Total	27.90	22.31	20.35	20.10	21.08
INCOME BEFORE RESERVE	(8.38)	31.72	54.72	62.54	65.49
Reserve for Replacement	2.79	5.78	9.19	9.59	10.05
NET OPERATING INCOME	(911.17)	$25.94	$45.53	$52.95	$55.44

NOTE: This statement should be read subject to the comments in the attached report.

'Projected Operating Results . . Amounts Per Occupied Room Night . .
1400 Guest Units

	1997	1998	1999	2000	2001
Room Occupancy	45x	45%	45x	45%	45x
Average Room Rate	$159.00	9166.00	9174.00	9182.00	9190.00
REVENUES					
Rooms	9159.00	9166.00	9174.00	9182.00	9190.00
Food	81.04	84.66	88.49	92.47	96.62
Beverage	25.12	26.24	27.43	28.67	29.95
Ski Department	51.13	53.78-	56.46	59.49	62.60
Other Operated Departments	28.44	29.72	31.05	32.45	33.91
Retail Lease Income	4.62	5.04	5.27	5.51	5.75
Total	349.55	365.44	382.70	400.59	418.83
DEPARTMENTAL EXPENSES					
Rooms	39.69	41.48	43.34	45.30	47.33
Food & Beverage	90.18	94.22	98.48	102.91	107.52
Ski Department	21.67	22.71	23.78	24.95	26.16
Other Operated Departments	22.75	23.77	24.84	25.96	27.13
Total	174.29	182.18	190.45	199.12	208.15
DEPARTMENTAL INCOME	175.26	183.27	192.25	'201. 47	210.68
UNDISTRIBUTED OPERATING EXPENSES					
Administrative and General	32.39	33.85	35.43	37.07	38.76
Marketing	18.00	18.80	19.65	20.53	21.46
Property Maintenance	18.92	19.77	20.66	21.59	22.56
Energy and Utilities	16.01	16.73	17.49	18.27	19.10
Total	85.31	89.16	93.23	97.47	101.87
INCOME BEFORE FIXED CHARGES	89.95	94.10	99.02	103.99	108.81
FIXED CHARGES					
Real Estate Taxes & Licensee	12.12	12.66	13.23	13.83	14.45
Building & Contents Insurance	8.61	9.02	9.44	9.89	10.35
Ski Slope Land Lease	1.33	1.40	1.47	1.55'	1.63
Total	22.07	23.09	24.14	25.27	26.43
INCOME BEFORE RESERVE	67.88	71.02	7 4 . 8 7	78.73	82.38
Reserve for Replacement	10.48	10.96	11.48	12.02	12.56
NET OPERATING INCOME	957.40	960.05	963.39	$66.71	S69. 82

NOTE: This statement should be read subject to the comments in the attached report.

SECTION XI

DEVELOPMENT COSTS, FINANCING, AND NET CASH FLOW

DEVELOPMENT COSTS, FINANCING, AND NET CASH FLOW

The cost to develop the proposed resort is' discussed 'in this section. Cost estimates are based on information provided by the developer, current industry standards as reported by an independent valuation service, and the experience of other hotel and resort developments.

We then apply a financing scenario to our projections of operating performance and project cost, assuming conventional financing terms as reported in an industry survey. The results include projections of annual net cash flow and return to the equity investment.

ESTIMATED PROJECT COSTS

Developerfs Estimate

Presented on the table below are the estimates of the cost of the project as provided by the developer.

ESTIMATED PROJECT COST
(Developer's Estimate)

Site		16,604,000
Land Acquisition (Resort)	1,600, 000	
Land Acquisition (Golf Course)	2,800,000	
Utilities and Roads	12,204,000	
Construction &Equipment		178,893,000
Hotels and Apartments	112,998,000	
Ski Area Development	41,007,000	
Resort Infrastructure	24,888,000	
Preliminary Expenses		*34,493,000*
Planning and Consultancy	23,493,000	
Preopening Expenses	6,000,000	
Working Capital	*5,000,000*	
Construction Period Interest		22,853,000
Total Development Cost		$252,842,000

Pannell Kerr Forster/Valuation Service Estimate

To test the reasonableness of the estimate provided by the developer, we have prepared independent projections of various components of project cost.

We have estimated structural costs using the Marshall and Swift Valuation Service. This service is a nationally recognized cost service used by appraisers and real estate analysts for estimates of cost new on virtually all building types.

The calculator method, which develops costs on a square foot basis, accounts for all direct building costs, normal site improvements, architectural and

engineering fees, contractor's overhead and profit, sales tax, construction loan fees, and construction period interest. In the estimate provided by the developer, construction interest and "architectural and engineering fees were shown separately.

The costs of furnishings, equipment, startup period expenses, legal or accounting costs, and entrepreneurial profit are not included in the Marshall and Swift estimate of structure cost. These costs have been estimated on a line-item basis using estimates provided by the cost service and the results of industry surveys.

Land Acquisition and Site Development

The actual purchase price of the resort site and the anticipated cost of the site of the proposed golf course were reported by the developer.

The developer has also provided estimates of the cost of road construction and of installation and linkage for utilities. These estimates were reportedly prepared in cooperation with the relevant departments of the Municipality of Anchorage, and are considered reliable for purposes of this report.

Structure Costs

Estimates of structure cost are dependent upon the size, type, and quality of the various buildings at the resort. We have been provided with preliminary plans for the development and with with updated information on the proposed gross building area of selected units. Our estimates of structure cost are subject to change as the nature and scope of the project is refined.

This estimate assumes that the majority of the buildings are good to excellent quality Class D construction. The supporting structures would be high-quality wood framing, with effective temperature insulation. Wood siding would overlay the framing to provide an Old West appearance.

The hotels would rise three floors above grade; the sloping topography would allow for exposed basement levels as well. The retail structures would have shops on the street level and two floors of apartments above; the raining apartments would be stacked in two-story buildings. The convention/recreation building and the remaining structures would have one to three levels.

The valuation service provides cost estimates per square foot. Planned gross building areas for most buildings were provided by the developer. Development costs of the ski center and mountain lodges have been included in a gross estimate of ski development costs, presented below.

Costs per square foot have been adjusted from the national averages to account for the higher prevailing wages and materials costs in Anchorage. According to Marshall and Swift, Anchorage costs are 49 percent greater than the U.S. average.

Furniture, Fixtures, and Equipment

Furnishings for the guest rooms of the hotels are estimated to cost $8,000 per unit, a figure which averages in the cost of common area furnishings and equipment. Apartment furnishings are estimated to cost $7,500 per unit, with an additional $3,500 for built-in appliances.

A lump sum estimate- of $300,000 is included for the' convention and. banquet facilities-, "including chairs, tables, and kitchen equipment. An additional $500,000 is provided to equip the front office and the. recreation' center.

Ski Area

The cost of the ski area is projected at a rounded figure of $46,000,000. This estimate includes initial grading and shaping of the slopes and runs; construction of the ski center, warm-up lodge, and mountain restaurant; equipment and furnishings for these facilities; construction of service roads; and related costs.

The cost estimate for ski development is consistent with a preliminary estimate provided by Snow Engineering, a firm which specializes in the development of winter recreational facilities. While the figure cannot be considered completely reliable in advance of a thorough cost analysis, it is considered adequate for the purposes of this report.

Golf Course

According to the Marshall and Swift service, the cost to develop and equip a golf course ranges from $30,000 to over $100,000 per hole. Even higher costs have been incurred where the terrain is particularly difficult.

The site of the proposed course would border a mountainous area, and could easily fall at the upper end of the range reported by the cost service. In addition, the 49 percent cost differential reported for general construction costs in Anchorage as compared to the nation as a whole may also apply to course construction.

The developer has provided a preliminary estimate of $3,000,000 for development of the 18-hole course, or $167,000 per hole. Based on the terrain of the site and the regional differential, this estimate is considered reasonable.

Swimming Pool and Spa

A total of $273,000 is projected as the construction cost for the swimming pools, based on the Marshall and Swift data.

Preopening Costs and Working Capital

Costs incurred prior to the opening of the resort will include legal and accounting costs, staff training, and preopening marketing. Hospitality Valuation Services (HVS), a firm specializing in hotel appraisal, publishes an annual report on various components of hotel development cost, including preopening expenses. According to this report, costs for luxury hotels ranged from $3,300 to $5,500 per guest room in 1988. Because of the remote location and high quality of the proposed resort, we have selected a figure near the top of this range for our analysis. With a cost of $5,000 per room and 1,400 guest units, preopening expenses are estimated at $7,000,000.

From an accounting perspective, the provision of working capital is not an expense, since it remains in the property in the form of current assets. However, the cash and inventory requirements do represent a necessary initial

outlay and should be considered in an analysis of net cash flow. Again relying on the HVS survey, and considering the additional requirements of the ski operation, working capital is estimated at approximately $3,500 per guest room, or $5,000,000.

Entrepreneurial Profit

The true cost of any development includes the amount of anticipated profit which is necessary to induce the developer to undertake the project. This figure most often is calculated as a ratio to other project costs. A range of 10 to 25 percent is considered typical for hotel and resort development. We have used a ratio of 20 percent in our analysis.

In the cost estimate provided by the developer, entrepreneurial profit is included in the form of construction management fees, and contingencies.

Inflation Adjustment

Development of the resort is projected to take place over a period of several years. Because our cost estimates are derived in 1989 dollars, it is necessary to apply adjustments to the projected construction period. We have assumed that road and utility costs and one-half the structure and recreation area costs would be incurred during 1990, and that the reminder of the costs, together with FF&E and preopening expenses, would be incurred in 1991. These assumptions result in a total adjustment of $20,872,000.

Summary

The table on the following page shows our revised estimates of development cost.

ESTIMATED PROJECT COST
(Pannell Kerr Forster Estimate)

Site		16,604,000
Land Acquisition (Resort)	1,600,000	
Land Acquisition (Golf Course and Other)	2,800,000	
Utilities and Roads	12,204,000	
Structures		93,832,000
Hotels	29,216,000	
Apartments	50,856,000	
Infrastructure	13,760,000	
Furniture, Fixtures, and Equipment		14,700,000
Recreation		49,273,000
Ski Area Development	46,000,000	
Golf Course	3,000,000	
Swimming Pool & Spa	273,000	
Preopening Expenses		7,000,000
Working Capital		5,000,000
Total Before Profit		$186,409,000
Entrepreneurial Profit (20%)		37,282,000
Total Development Cost, 1989 Dollars		$223,691,000
Inflation Adjustment (Prorated)		20,872,000
Projected Development Cost, 1992 Dollars		$244,563,000

The difference in cost as estimated by the developer and by Pannell Kerr Forster is less than five percent. We have used a rounded estimate of $250,000,000 for projected development cost in our analysis.

FINANCING SCENARIOS AND NET CASH FLOW

The basis for our assumptions regarding current financing terms is the Hospitality Investment Survey, a publication of Pannell Kerr Forster. Issued twice yearly, the Survey reports terms of debt financing and required rates of return for hotel, motel, and resort investments. Participants in the survey include commercial banks, thrifts, insurance companies, and investors.

According to the first half 1988 edition of the survey (the most recent data available), the average annual interest rate for fixed-rate loans was 10.8 percent. The amortization period reported averaged 28.1 years, with a typical holding period of 7.5 years. The amount loaned was reflected in a debt service coverage ratio of 1.27.

To estimate the amount of debt financing which would be available to the project under conventional terms, we divided the industry debt service coverage ratio into the net operating income projected for the property in 1996, the

'first Stabilized year of operation. This calculation yields a maximum annual debt service of "$10,038,000, which under the stated terms would support a loan of approximately $87,000,000. The required equity financing would be the difference between the loan amount and the total development cost, or $163,000,000.

The table at the end of this section of the report shows the derivation of annual net cash flow under this scenario. The resort is projected to have no income tax liability during the forecast period as a result of the carry forward of losses incurred during the early years of operation.

With conventional" debt financing, the annual return to equity would reach only 3.7 percent by the end of the forecast period. Excluding any interest payments made to finance the initial operating deficit, the cumulative return to equity would remain negative until the year 2000, the ninth year of operation.

The following table presents our projections of net cash flow and return to equity.

Proiected Net Cash Flow (000)

Year	Projected NOI (1)	Debt Service	Income Tax	Net Cash Flow	Return to Equity	Cumulative Return
1992	$(1,541)	10,038	-0-	$(11,579)	-7 .1%	$(11,579)
1993	$ 4,772	10,038	-0-	$ (5,266)	-3.2%	$(16,845)
1994	$ 9,772	10,038	-0-	$ (266)	-0.2%	$(17,111)
1995	$12,175	10,038	-0-	$ 2,137	1.3%	$(14,974)
1996	$12,748	10,038	-0-	$ 2,710	1.7%	$(12,264)
1997	$13,199	10,038	-0-	$ 3,161	1.9%	$ (9,103)
1998	$13,809	10,038	-0-	$ 3,771	2.3%	$ (5,332)
1999	$14,577	10,038	-0-	$ 4,539	2.8%	$ (793)
2000	$15,340	10,038	-0-	$ 5,302	3.3%	$ 4,509
2001	$16,054	10,038	-o-	$ 6,016	3.7%	$ 10,525

(1) Net Operating Income is defined as income before deducting depreciation, rent , interest, amortization, and income taxes.

SECTION XII

ECONOMIC IMPACT ANALYSIS

ECONOMIC IMPACT ANALYSIS

Development projects such as the proposed Eagle "Valley Resort have a significant impact on the economies of the city, region and state in which they are located. These benefits include increases in employment and tax revenues, stimulation of ancillary development and the overall business activity impacting the local economy. Moreover, through the multiplier effect of resending and reinvesting, indirect and induced economic benefits are added to the direct benefits brought about by initial construction and resort guest expenditures. In total, these benefits are referred to as "economic impacts" and can be categorized as direct and indirect.

Direct Impacts

Any new expenditures and benefits incurred in terms of new jobs and increased tax revenues that can be traced directly to the development or operation of the destination resort are considered to be-direct economic impacts.

Indirect Impacts

Indirect impact is generated by the resending and reinvesting of the direct impact dollars within the local regional economy. For example, the economic impact of initial out-of-state guest expenditures does not end with these expenditures but continues to generate benefits throughout the local economy. Income to firms furnishing materials and services is subsequently converted into employee salaries, materials purchases, investment in plant and equipment, savings, profits, purchase of service and a variety of other expenditures. Income to labor is subsequently respent for purchases of food, housing, transportation, entertainment, education, medical and dental services, clothing, personal services and a wide variety of other goods and services. Income to governmental units is respent as salaries, purchases and support of programs, including education, transportation and social service. In turn, individuals,. firms and governments furnishing these services again respend their income for more purchases, salaries, investments and savings. In this manner, indirect benefits result each time the initial sum is respent, and the additional sum available in the local economy induces further job creation, sales and income taxation, business development, and savings.

Quantification of these" indirect and" induced benefits has been the object of considerable economic study. Because economic relationships are so complex, no single city or area is a complete self-contained economic unit. Purchases from other" areas are often necessary, and goods and services are exported in return. As purchases are made from other areas, some of the benefits of economic resending are lost from the local economy.

The total benefits resulting from several rounds of resending can be added to the direct effects and are generally considered as multiplier effects of the spending cycle.

The American Hotel and Motel Association recently published a guidebook entitled Economic Impact of Hotels and Motels. The AH&MA research, conducted by the Center for Hospitality Research" at Virginia Polytechnic Institute and State University, developed a 1.92 revenue multiplier for the Anchorage, Alaska Standard Metropolitan Statistical Area (SMSA). When applied to guest spending, this means that every direct dollar of guest spending creates $.92 in indirect spending. In determining wage and employment multipliers, the AH&MA averaged multipliers from a cross section of SMSA's resulting in a 1.77 wage multiplier and a 1.62 employment multiplier. In essence, this means that every direct dollar of wages creates $.77 in indirect wages and every ten direct jobs creates approximately six indirect jobs.

SHORT-TERM IMPACTS

Construction Costs

The construction cost of the proposed 1,400 unit Eagle Valley Resort is estimated to be $150,000,000 (this total excludes such non-construction costs as land acquisition, purchase of FF&E and pre-opening expenses). The impact of these construction expenditures will be short-term, occurring only during the construction period. The construction period for the resort is expected to be approximately 24 months. Because the timing of this development is uncertain, short-term revenue impacts have been projected using current 1989 dollars.

Short-Term Job Creation

The experience of other construction projects indicates that construction costs are divided almost evenly between labor and materials.

At an estimated average annual salary of $50,000 for an Anchorage constructio" worker, the $75,000,000 in total labor expenses would mean approximately 1,500 man-years of labor. Using a 1.62 employment multiplier and a 1.77 wage multiplier yields 930 indirect man-years of labor, and $57,750,000 indirect wages.

The following table summarizes the short-term economic benefits that are expected to result during the construction period of the proposed resort.

Short-Term Economic Impact

Total Construction Costs	$150,000,000
Direct Wage Component	$ 75,000,000
Indirect Wage Component	57,750,000
Total Wage Component	$132,750,000
New Direct Jobs	750
New Indirect Jobs	465
Total New Jobs (1)	1,215

(1) Equivalent full-time annual jobs during 2-year construction period.

Direct Visitor Expenditures

	Summer	Winter	Shoulder	Total
New Room Nights	127,000	25,000	10,000	162,000
Double Occupancy Factor	2.0	2.0	1.5	
New Guest Nights	254,000	50,000	15,000	319,000
$ Spent per Day (Anchorage)	$135	$135	$135	$135
Dollars Spent in Anchorage	$ 34,000,000	$ 7,000,000	2,000,000	$43,000,000
New Guest Nights	254,000		15,000	269,000
Average Stay	2.5		2.5	
New Induced Guests	102,000		6,000	108,000
Days Visiting Other Areas	4		4	4
Guest Days in Other Areas	408,000		24,000	432,000
$ Spent Per Day (Other Areas)	$125		$125	$125
Dollars Spent in Other Areas	$ 51,000,000		$ 3,000,000	$54,000,000
Total Visitors Dollars Spent in Alaska	$ 85,000,000	$ 7,000,000	$ 5,000,000	$97,000,000

Total New Visitor Expenditures

	Direct	Indirect
Anchorage Area	$43,000,000	$40,000,000
Other Alaska Areas	54,000,000	50,000,000
Total	$97,000,000	$90,000,000

Long-Term Job Creation

The proposed Eagle Valley resort would provide employment for a wide variety of workers. As indicated by resort properties participating in our annual survey Trends in the Hotel Industry, 33 percent of total revenues are typically expended as payroll and related expenses. Total revenues for the subject property for a representative future year, as stated in 1989 dollars, has been calculated at $56,503,000. Assuming an average payroll cost of $20,000 per employee, this would indicate that the proposed Eagle Valley Resort would provide direct employment to approximately 1,000 people.

Other jobs are expected to be created indirectly in all sectors of the local economy and have been projected by using a 1.62 job multiplied. New visitor expenditures would result in additional jobs for other areas of Alaska to the degree that the capacity of tourist facilities can accommodate increased levels of demand.

Direct-Tax Revenues

Park concession income has been estimated based on three percent of ski lift revenues. Real estate and personal property taxes have been estimated based on industry experience. A hotel occupancy tax has been estimated based on eight percent of rooms revenues.

A summary of the direct and indirect economic impacts is as follows:

LONG-TERM IMPACTS

The activity and "operation of the destination resort will create significant direct economic impacts in the area economy. The primary function of this section is to quantify the direct and indirect economic benefits originating from guest expenditures. All revenue and expenditure projections are based on projected new guest demand accommodated at the proposed resort for a representative (stabilized) future year, and are expressed in current (1989) dollars.

Projected New Guest Expenditures

The proposed" Eagle Valley resort is estimated to attract 85,000 room nights of new induced demand to the Anchorage area, including 75,000 tourist room nights and 10,000 group room nights. In addition, the resort would be able to accommodate what otherwise would have been unsatisfied summer demand; for a representative year (1996) we have estimated the resort would, be able to accommodate 77,000 room nights of unsatisfied tourist demand during the summer. Assuming an average multiple occupancy factor of 2.0, for tourists room nights and 1.5 for group room nights, the total increase of 162,000 room nights implies an increase of 319,000 guest nights.

Based on our estimates of guest revenues at the resort, we estimate that each guest will spend an average of $135 per day, as follows:

Rooms	$ 60
Food - Beverage	35
Recreation	20
Other	20
	$135

Based on our study, we estimate that new summer and shoulder season visitors to the resort will spend an average of four days visiting other parts of Alaska, incurring daily expenditures estimated at $125.

The tables on the following page summarize the estimated direct and indirect expenditures that will result from new visitors generated by the resort. To estimate the indirect expenditures, we used the previously discussed 1.92 spending multiplier. Visitor expenditures are stated in current. 1989 dollars.

Summary of Estimated Economic Impacts

EMPLOYMENT

Construction Phase	
New direct jobs	750
New indirect jobs	465
Operating Phase	
New direct jobs	1,000
New indirect jobs	620

DIRECT TAX REVENUE FOR A REPRESENTATIVE YEAR

Park Concession Fees	$213,000
Real Estate and Personal Property Tax	$1,960,000
Hotel Occupancy Tax	$2,060,000

PROJECTED EXPENDITURES

Construction Phase	
Direct Construction Expenditures	$150,000,000
Operating Phase	
Direct New Guest Expenditures	
- Anchorage Area	$ 43,000,000
- Other Alaska	54,000,000
Total	$ 97,000,000
Indirect (at 1.92 spending multiplier)	
- Anchorage Area	$ 40,000,000
- Other Alaska	50,000,000
Total	$ 90,000,000

ANALYSIS OF 800-ROOM ALTERNATIVE

We have also analyzed the performance and impact of the proposed resort under the assumption that only 800 "guest units are developed, and' that commensurate reductions are made in retail shop space, meeting space, and recreation facilities. This discussion makes frequent reference to our analysis of the resort as originally designed, and is intended to be read in conjunction with the main body of this report.

Facilities Assumpt ions

The number of guest units is reduced to 800, consisting of 500 hotel units and 300 apartments. The average size of the apartments and the total area of the hotels are held constant. The swim center is reduced in size to 40,000 square feet. Retail area is reduced to 30,000 square feet. The convention space is decreased to 10,000 square feet and incorporated into one of the hotels. Some reduction is assumed in the extent of developed ski facilities.

Market Supply and Demand

The reduction in the size of the resort is to be made without disturbing the appeal of the project as an integrated theme resort, and is not expected to significantly affect the volume of new demand induced into the market. The property is assumed to offer the same high quality and variety of activities, and is expected to undertake a thorough marketing effort. Induced room nights are again estimated at 50,000 during the summer, 25,000 during the winter, and 10,000 during the summer.

The reduction in the number of guest rooms available at the subject resort would reduce total market supply. During the peak summer season, the capacity of the market would be reduced from 330,000 to 275,000 room nights. As a result, a much greater volume of Sumner tourist demand would remain unsatisfied. The volume of unsatisfied demand in 1996 would increase from 40,000 to 95,000 room nights.

The Anchorage market occupancy rate is projected at its practical capacity of 92 to 93 percent during the summer season. By 1996, market occupancy would reach 61 percent during the winter and 74 percent for the shoulder seasons.

Room Occupancy and Average Room Rate

Sumner occupancy at the proposed resort would again be in excess of 90 percent. However, with the reduced number of guest units, the volume of' occupied room nights would be reduced from 125,000 to 71,000 during the peak period.

Winter and shoulder season occupancy rates would improve significantly with the reduction in available rooms. The number of visitors to the resort is expected to be close to the results shown in the original analysis; a slight reduction is projected to account for the possibility that some or all of the 600 extra rooms would have been occupied during selected peak weekends.

Room rates are projected at the same levels by season and by segment as in the original analysis. However, as a result in the reduction in the volume of rooms rented during the high-rate summer period, the overall average room rate in a representative year is reduced from $112 to $106.

Projected Operating Performance

"Room revenues projected for the 800-room resort are derived from our estimates of occupancy and average room rate. In-house revenues from food and beverage sales, telephone, and miscellaneous sources are reduced in proportion to the decrease in occupied room nights. Ski department revenue from hotel guests is also reduced, due for the most part to the reduction in summer lift revenue. The projection of retail lease income is reduced in proportion to the decrease in shop area.

Operating expenses are recalculated using the criteria discussed in the body of the report. Most expense line items include a variable component which changes in proportion to the number of occupied room nights, a semi-variable component which changes in proportion to the number of guest units, and a fixed component which is held constant.

The reduction in the size of the property results in a decrease in the net operating income of the resort in a representative year. This figure is $9,276,000 for the l,400-room resort and $7,192,000 if the property is developed with 800 rooms.

Development Costs

Savings in the development cost of the resort are made to reflect the reduction in facility size. The cost per square foot for the meeting space is changed to match the unit cost of the hotels, since this space would now be part of the hotel. Ski area costs are reduced by approximately 25 percent; this estimate was provided by the developer, and, although it has not been independently evaluated, is considered adequate for purposes of this analysis.

Land acquisition and site development costs are unchanged from the original analysis,. Apartment furniture and equipment costs are reduced in proportion to the reduction in units. Preopening expenses are reduced to $6,000,000 and working capital requirements are reduced to $4,000,000. Entrepreneurial profit and the inflation adjustment are recalculated based on the other cost revisions.

The estimate of total project cost under, the 800-room alternative is $168,000,000 approximately. 33 percent below the cost estimate for the property as originally designed."

Financing and Net Cash Flow

Our projection of financing costs and net cash flow for the resort assumes average conventional financing terms as detailed in the report, with a debt service coverage ratio of 1.27, interest at 10.8 percent, and a term of 28.1 years. Total amount financed under this assumption is $66,000,000, and capital is $102,000,000.

Under these assumptions, the projected return to equity is minimal or negative throughout the forecast period.

ANCHORAGE LODGING MARKET ANALYSIS

800 Rooms at Subject

PROJECTED MARKET DEMAND

	Market supply	Potential Demand					Less Unsatisfied Tourist	Effective Total Demand	Market occupancy
		Commercial	Group	Airline	Tourist	Total			
1988 Annual	815,000	214,000	59,100	184,400	160,900	618,400	20,000	598,400	73.4$
Summer Season									
1989	218,800	44,500	12,400	54,200	120,500	231,600	29,000	202,600	92.6%
1990	218,800	46,300	13,000	53,100	128,900	241,300	39,000	202,300	92.5%
1991	218,800	48,200	13,600	52,000.	137,900	251,700	49,000	202,700	92.6%
1992	297,200	50,100	14,300	51,000	167,600	283,000	8,000	275,000	92.5%
1993	297,200	52,100	15,000	50,000	197,700	314,800	W, Ooo	274,800	92.5%
1994	297,200	54,200	15,700	49,000	219,600	338,500	63,000	275,500	92.7%
19'35	297,200	56,400	16,500	48,000	232,800	353,700	73,000	274,700	92.4$
1936	297,200	58,700	17,300	47,000	246,800	369,800	95,000	274,800	'32.5%
Hinter Season									
1989	343,900	111,300	12,400	72,300	17,200	213,200	0	213,200	62.0%
1990	343,900	115,800	13,000	70,900	18,400	218,100	0	218,100	63,4%
1991	343,900	120,400	13,600	69,500	19,700	223,200	0	223,200	64.9%
1992	467,100	125,200	14,300	68,100	31,100	238,700	0	238,700	51.1%
1993	467,100	130,200	15,000	66,700	43,000	254,900	0	254,900	54.6%
1994	467,100	135,400	15,700	65,400	50,600	267,100	0	267,100	57.2%
1995	467,100	140,800	16,,500	64,100	53,600	275,000	0	275,000	58..9%
1996	467,100	146,400	17,300	K, 800	56,800	283,300	0	283,300	60.7$
Shoulder Season									
1989	255,300	66,800	37,300	54,200	34,500	192,800	0	192,800	76.4$
1990	255,300	69,500	39,200	53,100	36,900	198,700	0	198,700	78.8%
1991	255,300	72,300	41,200	52,000	39,500	205,000	0	205,000	81.3%
1992	342; 700	75,200	45,300	51,000	42,300	213,800	0	213,800	62.4%
1993	342,700	78,200	51,600	50,000	44,800	224,600	0	224,600	65.5$
1994	342,700	81,300	56,200	49,000	47,500	234,000	0	234,000	68.3%
1995	342,700	84,600	61,000	48,000	50,300	243,900	0	243,900	71.2%
1996	342,700	88,000	64,000	47,000	53,300	252,300	0	252,300	73.6%
Annual									
1989	813,000	222,600	62,100	180,700	172,200	637,600	29,000	608,600	74.7$
1990	815,000	231,600	65,200	177,100	184,200	658,100	39,000	619,100	76.0%
1991	815,000	240,900	68,400	173,500	197,100	679,900	49,000	630,900	77.4$
1992	1,107,000	250,500	73,900	170,100	241,000	735,500	a, 000	727,500	65.7$
1993	1,107,000	260,"500	81,600	166,700	285,500	794,300	40,000	754,300	68.1%
1994	1,107, OOO	270,900	87,600	163,400	317,700	839,600	63,000	776,600	70.2%
1995	1,107, OOO	281,800	94,000	160,100	336,700	872,600	79,000	793,600	71.7%
19%	1,107, OOO	293,100	98,600	156,800	356,900	905,400	95,000	810,400	73.2%

EAGLE VALLEY RESORT
Projected Occupancy

	Commercial	Group	Airline	Tourist	Overall
SUMMER SEASON					
Penetration Rate					
1992	7%	37x	36%	140%	91X
1993	7%	37x	29%	150%	95%
1994	7%	37%	20%	160%	98X
1995	7x	37%	20%	162X	98%
1996	7%	37x	20%	164X	98%
Occupied Room Nights					
1992	900	1,400	4,800	58,900	66,000
1993	1,000	1,500	3,800	62,400	68,700
1994	1,000	1,500	2,600	66,100	71,200
1995	1,000	1,600	2,500	65,700	70,800
1996	1, 100	1,700	2,500	65,700	71,000
Occupancy Rate					
1992	1.1%	1.8X	6. 1%	75. 1%	84. 2%
1993	1.3%	1.9X	4.8%	79. 6%	87. 6%
1994	1.3X	1.9X	3.3X	84. 3%	90. 8%
1995	1.32	2.0%	3.2%	83. 8%	90. 3%
1996	1.4%	2. 2%	3.2%	83. 8%	90. 6%
WINTER SEASON					
Penetration Rate					
1992	14%	75%	36%	220%	51%
1993	14%	100%	29%	260%	65X
1994	14%	115%	20%	290%	74%
1995	14%	115%	20X	290%	75%
1996	14%	115%	20%	290%	77%
Occupied Room Nights					
1992	4,600	2,800	6,500	18,000	31,900
1993	4,800	4,000	5, 100	29,500	43,400
1994	5,000	4,800	3,500	3a, 700	52,000
1995	5,200	5,000	3, 400	41,000	54,600
1996	5,400	5,200	3,300	43, 400	57,300
Occupancy Rate					
1992	3.7%	2.3X	5. 3%	14. 6%	25. 9%
1993	3. 9%	3.2%	4. 1%	23. 9%	35. 2%
1994	4. 1%	3.9X	2. 8%	31. 4%	42. 2X
1995	4.2X	4. 1%	2.8%	33. 3%	44. 3%
1996	4.4X	4.2x	2.7%	35. 2%	46. 5%

EAGLE VALLEY RESORT
Projected Occupancy

	Commercial	Group	Airline	Tourist	Overall
SHOULDER SEASON					
Penetration Rate					
1992	14%	85%	36%	130%	57%
1993	14X	115%	29%	145X	67%
1994	14X	130X	20%	145%	70%
1995	14%	130%	20%	145%	71%
1996	14%	130%	20%	145%	72%
Occupied Room Nights					
1992	2,800	10,200	4,800	14,500	32,300
1993	2,900	15,700	3,800	17, 100	39,500
1994	3,000	19,300	2,600	10,200	43, 100
1995	3,100	20,900	2,500	19,200	45,700
1996	3,200	21,900	2,500	20,400	48,000
Occupancy Rate					
1992	3. 1%	11. 3%	5. 3%	16. 0%	35. 7%
1993	3.2x	17. 4%	4.2X	18. 9%	43. 7%
1994	3.3%	21. 3%	2. 9%	20. lx	47. 7%
1995	3.4X	23. 1%	2.8%	21. 2%	50. 6%
1996	3. 5%	24. 2%	2. 8%	22. 6%	53. 1%
ANNUAL					
Penetration Rate					
1992	13%	74%	36X	149%	6a%
1993	13%	98%	29X	168%	76%
1994	13%	111%	20X	183%	81%
1995	13%	111%	20%	185%	82%
1996	13%	111%	20%	187%	82%
Occupied Room Nights					
1992	8,300	14,400	16, 100	91,400	130,200
1993	8,700	21,200	12,700	109,000	151,600
1994	9,000.	25,600	8,700	123,000"	166, 300
1995	9,300	27,500'	8,400	125; 900	171, 100
1996	9,700	28,800	8,300	129,500	176,300
Occupancy Rate					
1992	2. 8%	4. 9%	5. 5%	31. 3%	44. 6%
1993	3.0%	7.3X	4.3%	37. 3%	51. 9x
1994	3. lx	8.8X	3.0%	42. 1%	57. 0%
1995	3.2%	9. 4%	2. 9%	43. 1%	58. 6%
1996	3. 3%	9.9X	2.8%	44. 3%	60. 4%

EAGLE VALLEY RESORT
Projected Room Rate

		Commercial.	Group	Airline	Tourist	Total
SUMMER	**SEASON**					
Room Rate						
	1992	$114	$114	"958	9140	9133
	1993	$125	$125	963	9153	9147
	1994	9137	$137	969	9168	S163
	1995	9143	$143	$72	$176	$171
	1996	$149	9149	$75	9184	9179
Occupied Room Nights						
	1992	900	1,400	4,800	58,900	66,000
	1993	1,000	1,500	3,800	62,400	68,700
	1994	1, 000	1,500	2,600	66, 100	71,200
	1995	1,000	1,600	2,500	65,700	70,800
	1996	1, 100	1,700	2,500	65,700	71,000
Room Revenue						
	1992	9103,000	9160,000	9278,000	98,246,000	98,787,000
	1993	9125,000	9187,000	9239,000	99,547,000	910,098,000
	1994	9137,000	$205,000	9179,000	911,105,000	$11,626,000
	1995	9143,000	9229,000	9180,000	911,563,000	912,115,000
	1996	.9164,000	9253,000	$187,000	$12,089,000	912,693,000
WINTER SEASON						
Room Rate						
	1992	$89	$83	958	9104	$91
	1993	$97	$91	963	$114	9104
	1994	9106	$100	$69	$125	$117
	1995	$111	9105	$72	$131	9123
	1996	S116	9110	9 7 5	$137	$129
Occupied Room Nights						
	1992	4,600	2,800	6,500	18,000	31,900
	1993	4,800	4,000	5, 100	29,500	43,400
	1994	5,000	4,800	3,500	38,700	52,000
	1995	"5, 200	5,"000	3,400	41,000	54; 600
	1996	5, 400	5,200	3,300	43,400	57,300
Room Revenue						
	1992	9409,000	9232,000	S377,000	S1,872,000	92,890,000
	1993	9466,000	9364,000	9321,000	93,363,000	S4,514,000
	1994	9530,000	9480,000	S241,000	94,837,000	96,088,000
	1995	9577,000	9525,000	9245,000	95,371,000	96,718,000
	1996	$626,000	9572,000	9247,000	95,946,000	$7,391,000

EAGLE VALLEY RESORT
Projected Room Rate

		Commercial	Group	Airline	Tourist	Total
'SHOULDER SEASON						
Room Rate						
	1992	989	$83	9 5 8	989	982
	1993	$97	991	$63	$97	991
	1994	9106	$100	$69	9106	9101
	1995	9111	9105	$72	9111	S106
	1996	S116	9110	975	9116	$111
Occupied Room Nights						
	1992	2,800	10,200	4,800	14,500	*32, 300*
	1993	2,900	15,700	3,800	17,100	39,500
	1994	3,000	19,300	2,600	18,200	43, 100
	1995	3,100	20,900	2,500	19,200	45,700
	1996	3,200	21,900	2,500	20,400	48,000
Room Revenue						
	1992	$249,000	9847,000	9278,000	$1,290,000	92,664,000
	1993	9281,000	91,429,000	9239,000	91,659,000	93,608,000
	1994	9318,000	91,930,000	9179,000	91,929,000	94,356,000
	1995	9344,000	92,194,000	9180,000	92,131,000	94,849,000
	1996	9371,000	92,409,000	9187,000	92,366,000	95,333,000
ANNUAL						
Room Rate						
	1992	992	$86	$58	9125	$110
	1993	9100	$93	$63	9134	9120
	1994	$109	9102	$69	9145	$133
	1995	9114	$107	$72	$151	$138
	1996	$120	$112	975	$158	9144
Occupied Room Nights						
	1992	8,300	14,400	16, 100	91,400	130,200
	1993	8,700	21,200	12,700	109,000	151,600
	1994	9,000	25,600	8,700	123,000	166,300
	1995	9, 300	27,500	8, 400	125,900	171, 100
	1996	9,700	28,800	8, 300	129, 500	176, 300
Room Revenue						
	1992	9761,000	91,239,000	9933,000	911,408,000	914,341,000
	1993	9872,000	91,980,000	$799,000	914,569,000	918,220,000
	1994	9985,000	92,615,000	9599,000	917,871,000	922,070,000
	1995	91,064,000	92,948,000	S605,000	919,065,000	923,682,000
	1996	91,161,000	93,234,000	9621,000	920,401,000	925,417,000

Projected Operating Results
800 "Guest Units
Representative Year (1989 $)

	Total	Ratios	Per Room	Per ORN
Room Occupancy	60%			
Average Room Rate	9106.00			
REVENUES				
Rooms	18,571,000	42. 0%	$23,214	9106.00
Food	10,370,000	23. 5%	12,963	59.19
Beverage	3,215,000	7.3x	4,019	18. 35
Ski Department . .	8,006,000	18. 1%	10,008	45.70
Other Operated Departments	3,504,000	7.9%	4,380	20.00
Retail Lease Income	520,000	1.2%	650	2.97
Total	44,186,000	100. 0%	55,233	252.20
DEPARTMENTAL EXPENSES				
Rooms	4,544,000	24. 5%	5,680	2s. 94
Food & Beverage	11,718,000	86. 3x	14,648	66.88
Ski Department	3,451,000	43. lx	4,314	19.70
Other Operated Departments	2,803,000	80. 0%	3,504	16.00
Total	22,516,000	51. 0%	28, 145	128.52
DEPARTMENTAL INCOME	21,670,000	49. 0%	27,088	123.69
UNDISTRIBUTED OPERATING EXPENSES				
Administrative and General	4,253,000	9.6X	5,316	24.28
Marketing	2,735,000	6.2X	3,419	15.61
Property Maintenance	2,050,000	4.6X	2,563	11.70
Energy and Utilities	1,826,000	4. 1%	2,283	10.42
Total	10,864,000	24. 6X	13,580	62.01
INCOME BEFORE FIXED CHARGES	10,806,000	24. 5%	13,508	61.68
FIXED CHARGES				
Real Estate Taxes & Licenses	1,120,000	2. 5x	1,400	6.39
Building & "Contents Insurance	960,000	2.2x	1,200	5.48
Ski Slope Land Lease	208,000	0.5%	260	1.19
Total	2,288,000	5.2x	2,860	13.06
INCOME BEFORE RESERVE	8,518,000	19. 3%	10,648	48.62
Reserve for Replacement	1,326,000	3. 0%	1,658	7.57
NET OPERATING INCOME	7,192,000	16. 3%	S8, 990	941.05

NOTE: This statement should be read subject to the comments in the attached report.

Projected Operating Results
800 Guest Units

	Total Dollar Amounts				
	1992	1993	1994	1995	1996
Room Occupancy	45x	52%	57x	59%	60%
Average Room Rate	9110.00	$120.00	9133.00	9138.00	9144.00
REVENUES					
Rooms	14,454,000	18,221,000	22,137,000	23,775,000	25,229,000
Food	9,730,000	11,182,000	12,353,000	13,218,000	14,109,000
Beverage	3,016,000	3,466,000	3,829,000	4,098,000	4,374,000
Ski Department	6,487,000	7,743,000	9,052,000	10,206,000	10,895,000
Other Operated Departments	2,999,000	3,621,000	4,148,000	4,486,000	4,768,000
Retail Lease Income	198,000	413,000	648,000	677,000	708,000
Total	36,884,000	44,646,000	52,167,000	56,460,000	60,083,000
DEPARTMENTAL EXPENSES					
Rooms	4,185,000	4,861,000	5,444,000	5,841,000	6,183,000
Food & Beverage	11,167,000	12,732,000	14,005,000	14,960,000	15,943,000
Ski Department	3,408,000	3,754,000	4,116,000	4,450,000	4,696,000
Other Operated Departments	2,399,000	2,897,000	3,318,000	3,589,000	3,814,000
Total	21,159,000	24,244,000	26,883,000	28,840,000	30,636,000
DEPARTMENTAL INCOME	15,725,000	20,402,000	25,284,000	27,620,000	29,447,000
UNDISTRIBUTED OPERATING EXPENSES					
Administrative and General	4,182,000	4,508,000	5,097,000	5,463,000	5,784,000
Marketing	3,104,000	3,233,000	3,397,000	3,558,000	3,722,000
Property Maintenance	1,906,000	2,120,000	2,342,000	2,662,000	2,790,000
Energy and Utilities	1,933,000	2,093,000	2,242,000	2,366,000	2,484,000
Total	11,125,000	11,954,000	13,078,000	14,049,000	14,780,000
INCOME BEFORE FIXED CHARGES	4,600,000	8,448,000	12,206,000	13,571,000	14,667,000
FIXED CHARGES					
Real Estate Taxes & Licenses	1,278,000	1,335,000	1,396,000	1,458,000	1,524,000
Building & Contents Insurance	963,000	1,055,000	1,150,000	1,239,000	1,307,000
Ski Slope Land Lease	169,000	201,000	235,000	265,000	283,000
Total	2,410,000	2,591,000	2,781,000	2,962,000	3,114,000
INCOME BEFORE RESERVE	2,190,000	5,857,000	9,425,000	10,609,000	11,553,000
Reserve for Replacement	369,000	893,000	1,565,000	1,694,000	1,802,000
NET OPERATING INCOME	1,821,000	4,964,000	7,860,000	8,915,000	9,751,000

NOTE: This statements should be read subject to the comments in the attached report.

Projected Operating Results 800 Guest Units	Total Dollar Amounts 1997	1998	1999	2000	2001
Room Occupancy	60%	60%	60%	60%	60%
Average Room Rate	$150.00	$157.00	$164.00	$172.00	$179.00
REVENUES					
Rooms	26,280,000	27,506,000	28,733,000	30,134,000	31,361,000
Food	14,742,000	15,399,000	16,097,000	16,822,000	17,575,000
Beverage	4,570,000	4,774,000	4,990,000	5,215,000	5,448,000
Ski Department	11,483,000	12,079,000	12,681,000	13,366,000	14,066,000
Other Operated Departments	4,982,000	5,207,000	5,441,000	5,686,000	5,942,000
Retail Lease Income	739,000	773,000	807,000	844,000	882,000
Total	62,796,000	65,738,000	68,749,000	72,067,000	75,274,000
DEPARTMENTAL EXPENSES					
Rooms	6,461,000	6,752,000	7,056,000	7,373,000	7,705,000
Food & Beverage	16,658,000	17,401,000	18,189,000	19,009,000	19,860,000
Ski Department	4,927,000	5,165,000	5,409,000	5,675,000	5,950,000
Other Operated Department	3,986,000	4,165,000	4,353,000	4,549,000	4,753,000
Total	32,032,000	33,483,000	35,007,000	36,606,000	38,268,000
DEPARTMENTAL INCOME	30,764,000	32,255,000	33,742,000	35,461,000	37,006,000
UNDISTRIBUTED OPERATING EXPENSES					
Administrative and General	6,045,000	6,325,000	6,614,000	6,927,000	7,236,000
Marketing	3,889,000	4,064,000	4,247,000	4,438,000	4,638,000
Property Maintenance	2,915,000	3,047,000	3,184,000	3,327,000	3,477,000
Energy and Utilities	2,596,000	2,713,000	2,835,000	2,962,000	3,096,000
Total	15,445,000	16,149,000	16,880,000	17,654,000	18,447,000
INCOME BEFORE FIXED CHARGES	15,319,000	16,106,000	16,862,000	17,807,000	18,559,000
FIXED CHARGES					
Real Estate Taxes & Licenses	1,593,000	1,664,000	1,739,000	1,817,000	1,899,000
Building & Contents Insurance	1,370,000	1,436,000	1,504,000	1,577,000	1,653,000
Ski Slope Land Lease	299,000	314,000	330,000	348,000	366,000
Total	3,262,000	3,414,000	3,573,000	3,742,000	3,918,000
INCOME BEFORE RESERVE	12,057,000	12,692,000	13,289,000	14,065,000	14,641,000
Reserve for Replacement	1,884,000	1,972,000	2,062,000	2,162,000	2,258,000
NET OPERATING INCOME	10,173,000	10,720,000	11,227,000	11,903,000	12,383,000

NOTE: This statement should be read subject to the comments in the attached report.

Projected Operating Results — Ratios to Revenue

800" Guest Units

	1992	1993	1994	1995	"1996
Room Occupancy	45x	52X	57%	59x	60%
Average Room Rate	$110.00	$120.00	9133.00	9138."00	9144.00
REVENUES					
Rooms	39. 2x	40. 8%	42. 4%	42. 1%	42. 0%
Food	26. 4X	25. 0%	23. 7X	23. 4%	23. 5%
Beverage	8.2X	7.8X	7.3%	7.3X	7.3X
Ski Department	17. 6X	17. 3x	17. 4%	18. 1%	18. 1%
Other Operated Departments	8. lx	a. 1%	8. 0X	7 . 9 x	7.9x
Retail Lease Income	o. 5x	o. 9x	1.2X	1.2X	1.2%
Total	100. o%	100. ox	100. o%	100. 0%	100. ox
DEPARTMENTAL EXPENSES					
Rooms	29. 0X	26. 7X	24. 6X	24. 6X	24. 5X
Food & Beverage	87. 6%	86. 9x	86. 5%	86. 4x	86. 3%
Ski Department	52. 5X	48. 5X	45. 5x	43. 6%	43. 1%
Other Operated Departments	80. 0X	80. 0X	80. 0X	80. ox	80. 0X
Total	57. 4%	54. 3%	51. 5x	51. lx	51. 0%
DEPARTMENTAL INCOME	42.6%	45.7%	48. 5X	48.9%	49. ox
UNDISTRIBUTED OPERATING EXPENSES					
Administrative and General	11. 3%	10. 1%	9.8X	9.7x	9.6X
Marketing	8.4%	7.2X	6.5%	6. 3X	6. 2X
Property Maintenance	5.2x	4.7x	4. 5%	4.7%	4.6X
Energy and Utilities	5.2%	4.7x	4.3x	4.2X	4. lx
Total	30. 2x	26. 8X	25. 1%	24. 9X	24. 6X
INCOME BEFORE FIXED CHARGES	12. 5x	18. 9X	23. 4X	24. 0X	24. 4X
FIXED CHARGES					
Real Estate Taxes & Licenses	3.5X	3.0%	" 2.7%	2.6%	2.5%
Building & Contents Insurance	2.6X	2. 4%	2.2x	2.2%	2.2x
Ski Slope Land. Lease	o. 5x	o. 5x	.0. 5x	o. 5x	o. 5%
Total	6. 5X	5. 8%	5.3%	5. 2x	5.2x
INCOME BEFORE RESERVE	5.9x	13. lx	18. 1%	18. 8%	19. 2x
Reserve for Replacement	1.0%	2. ox	3. ox	3. ox	3. ox
NET OPERATING INCOME	4.9x	11. lx	15. lx	15. 8%	16. 2X

NOTE: This statement should be read subject to the comments in the attached report.

Projected Operating Results
800 Guest Units

	Ratios to Revenue				
	1997"	1998	1999	2000	2001
Room Occupancy	60%	60%	60%	60%	60%
Average Room Rate	9150.00	$157.00	S164. 00	9172.00	9179.00
REVENUES					
Rooms	41. 8%	41. 8%	41. 8%	41. 8%	41.7%
Food	23. 5x	23. 4%	23. 4%	23. 3%	23. 3%
Beverage	7.3x	7.3%	7.3x	7.2X	7.2x
Ski Department	18. 3X	18. 4%,	18. 4%	18. 5%	18. 7%
Other Operated Departments	7.9x	7.9x	7.9 %	7.9%	7.9x
Retail Lease Income	1.2%	1.2x	1.2x	1.2%	1.2%
Total	100. o%	100. o%	100. o%	100. o%	100. o%
DEPARTMENTAL EXPENSES					
Rooms	24. 6%	24. 5x	24. 6%	24. 5X	24. 6X
Food & Beverage	86. 3x	86. 3%	86. 3%	86. 3%	86. 3%
Ski Department	42. 9X	42. 8%	42. 7%	42. 5%	42. 3%
Other Operated Departments	80. O%	80. O%	80. O%	80. O%	80. O%
Total	51. 0%	50. 9%	50. 9%	50. 8%	50. 8%
DEPARTMENTAL" INCOME	49.0%	49. 1%	49. 1%	49. 2x	49. 2x
UNDISTRIBUTED OPERATING EXPENSES					
Administrative and General	9.6%	9.6%	9.6X	9.6%	9.6%
Marketing	6. 2%	6.2X	6.2X	6. 2%	6.2%
Property Maintenance	4.6X	4.6%	4.6X	4.6%	4.6X
Energy and Utilities	4. 1%	4. 1%	4. 1%	4. 1%	4. 1%
Total	24. 6%	24. 6X	24. 6%	24. 5X	24. 5%
INCOME BEFORE FIXED CHARGES	24. 4%	24. 5%	24. 5%	24. 7%	24. 7%
FIXED CHARGES					
Real Estate Tax"es & Licenses	2.5%	2.5x	2.5%	2.5%	2.5%
Building & Contents Insurance	2.2x	2.2x	2.2%	2.2%	2. 2%
Ski Slope Land Lease	o. 5%	0. 5%	o. 5%	o. 5%	o. 5x
Total	5.2x	5.2x	5.2X	5.2X	5.2x
INCOME BEFORE RESERVE	19. 2x	19. 3%	19. 3%	19. 5%	19. 5%
Reserve for Replacement	3. 0%	3. 0%	3. 0%	3.0%	3. 0%
NET OPERATING INCOME	16. 2X	16. 3X	16. 3%	16. 5%	16. 5X

NOTE: This statement should be read subject to the comments in the attached report.

Projected Operating Results
800 Guest Units

Annual Amounts Per Available Room

	1992	1993	1994	1995	1996
Room Occupancy	45%	52%	57%	59%	60%
Average Room Rate	$110.00	$120.00	$133.00	$138.00	$144.00
REVENUES					
Rooms	918,068	922,776	927,671	$29, 719	931,536
Food	12, 163	13,978	15,441	16,523	17,636
Beverage	3,770	4,333	4,786	5, 123	5,468
Ski Department	8,109	9,679	11,315	12,758	13,.619
Other Operated Departments	3,749	4,526	5, 185	5,608	5,960
Retail Lease Income	248	516	810	846	885
Total	46, 105	55,808	65,209	70,575	75,104
DEPARTMENTAL EXPENSES					
Rooms	5,231	6,076	6,805	7,301	7,729
Food & Beverage	13,959	15,915	17,506	18,700	19,929
Ski Department	4,260	4,693	5, 145	5,563	5,870
Other Operated Departments	2,999	3,621	4, 148	4,486	4,768
Total	26,449	30,305	33,604	36,050	38,295
DEPARTMENTAL INCOME	19,656	25,503	31,605	34,525	36,809
UNDISTRIBUTED OPERATING EXPENSES					
Administrative and General	5,228	5,635	6,371	6,829	7,230
Marketing	3,880	4,041	4,246	4,448	4,653
Property Maintenance	2,383	2,650	2,928	3,328	3,488
Energy and Utilities	2,416	2,616	2,803	2,958	3, 105
Total	13,906	14,943	16,348	17,561	18,475
INCOME BEFORE FIXED CHARGES	5,750	10, 560	15,258	16,964	18,334
FIXED CHARGES					
Real Estate Taxes & Licenses	1,598	1,669	1,745	1,823	1,905
Building & Contents Insurance	1,204	1,319	1,438	1, 549	1,634
Ski Slope Land Lease	211	251	294	331	354
Total	3,013	3,239	3,476	3,703	3,893
INCOME BEFORE RESERVE	2,738	7,321	11,781	13,261	14,441
Reserve for Replacement	461	1, 116	1,956	2,118	2,253
NET OPERATING INCOME	92,276	96,205	$9,825	911, 144	$12, 189

NOTE: This statement should be read subject to the comments in the attached report.

Projected Operating Results . . . Annual Amounts Per Available Room
800 Guest Units -

	1997	1998	i.999	2000	2ooi
Room Occupancy	60%	60%	60%	60%	60%
Average Room Rate	9150.00	9157.00	9164.00	9172.00	9179.00
REVENUES					
Rooms	$32,850	934,383	935,916	937,668	939,201
Food	18, 42a	19,249	20,121	21,028	21,969
Beverage	5,713	5,968	6,238	6,519	6,810
Ski Department	14,354	15,099	15,851	16,708	17,583
Other Operated Departments	6,228	6,509	6,801	7, 108	7,428
Retail Lease Income	924	966	1,009	1,055	1,103
Total	78,495	82, 173	85,936	90,084	94,093
DEPARTMENTAL EXPENSES					
Rooms	8,076	8,440	8,820	9,216	9,631
Food & Beverage	20,823	21,751	22,736	23,761	24,825
Ski Department	6,159	6,456	6,761	7,094	7,438
Other Operated Departments	4,983	5,206	5,441	5,686	5,941
Total	40,040	41,854	43,759	45,758	47,835
DEPARTMENTAL INCOME	38,455	40,319	42, 178	44, 326	46,258
UNDISTRIBUTED OPERATING EXPENSES					
Administrative and General	7,556	7,906	8,268	8,659	9,045
Marketing	4,861	5,080	5,309	5,548	5,798
Property Maintenance	3,644	3,809	3,980	4, 159	4,346
Energy and Utilities	3,245	3,391	3,544	3,703	3,870
Total	19,306	20,186	21, 100	22,068	23,059
INCOME BEFORE FIXED CHARGES	19, 149	20, 133	21,078	22,259	23, 199
FIXED CHARGES					
Real Estate Taxes & Licenses	1,991	2.080	2,174	2,271	2,374
Building & Contents Insurance	1,713	1; 795	1; 880	1,971	2,066
Ski Slope Land Lease	3.74	393	413	435	458
Total	4,078	4,268	,4,466	4,678	4,898
INCOME BEFORE RESERVE	15,071	15,865	16,611	17,581	18,301
Reserve for Replacement	2,355	2,465	2,578	2,703	2,823
NET OPERATING INCOME	912,716	913,400	$14,034	914,879	915,479

NOTE: This statement should be read subject to the comments in the attached report.

Projected operating Results — Amounts Per Occupied Room Night
800 Guest Units

	1992	1993	1994	1995	1996
Room Occupancy	45x	52X	57%	59%	60%
Average Room Rate	9110.00	9120.00	9133.00	S138. 00	9144.00
REVENUES					
Rooms	9110.00	9120.00	9133.00	9138.00	9144.00
Food	74.05	73.64	74.22	76.72	80.53
Beverage	22.95	22.83	23.01	23.79	24.97
Ski Department	49.37	50.99	54.39	59.24	62.19
Other Operated Departments	22.82	23.85	24.92	26.04	27.21
Retail Lease Income	1.51	2.72	3.89	3.93	4.04
Total	280.70	294.03	313.43	327.72	342.94
DEPARTMENTAL EXPENSES					
Rooms	31.85	32.01	32.71	33.90	35.29
Food & Beverage	84.98	83.85	84.14	86.84	91.00
Ski Department	25.94	24.72	24.73	25.83	26.80
Other Operated Departments	18.26	19.08	19.94	20.83	21.77
Total	161.03	159.67	161.52	167.40	174.86
DEPARTMENTAL INCOME	119.67	134.37	151.91	160.32	168.08
UNDISTRIBUTED OPERATING EXPENSES					
Administrative and General	31.83	29.69	30.62	31.71	33.01
Marketing	23.62	21.29	20.41	20.65	21.24
Property Maintenance	14.51	13.96	14.07	15.45	15.92
Energy and Utilities	14.71	13.78	13.47	13.73	14.18
Total	84.67	78.73	78.57	81.55	84.36
INCOME BEFORE FIXED CHARGES	35.01	55.64	73.34	78.77	83.72
FIXED CHARGES					
Real Estate Taxes & Licenses	9.73	8.79	8.39	8.46	8.70
Building & Contents Insurance	7.33	6.95	6.91	7.19	7.46
Ski Slope Land Lease	1.29	1.32	1.41	1.54	1.62
Total	18.34	17.06	16.71	17.19	17.77
INCOME BEFORE RESERVE	16.67	38.57	56.63	61.58	65.94
Reserve for Replacement	2.81	5.88	9.40	9.83	10.29
NET OPERATING INCOME	913.86	$32.69	947.22	951.75	955.66

NOTE: This statement should be read subject to the comments in the attached report.

Projected Operating Results — **Amounts Per Occupied Room Night**

800 **Guest Units**

	1997	1998	1999	2000	2001
Room **Occupancy**	60%	60%	60%	60%	60%
Average Room Rate	9150.00	9157.00	9164.00	$172.00	9179.00
REVENUES					
Rooms	9150.00	9157.00	9164.00	9172.00	9179.00
Food	84.14	87.89	91.88	96.02	100.31
Beverage	26.08	27.25	28.48	29.77	31.10
Ski Department	65.54	68.94	72.38	76.29	80.29
Other Operated Departments	28.44	29.72	31.06	32.45	33.92
Retail Lease Intone	4.22	4.41	4.61	4.82	5.03
Total	358.42	375.22	392.40	411.34	429.65
DEPARTMENTAL EXPENSES					
Rooms	36.88	38.54	40.27	42.08	43.98
Food & Beverage	95.08	99.32	103.82	108.50	113.36
Ski Department	28.12	29.48	30.87	32.39	33.96
Other Operated Departments	22.75	23.77	24.85	25.96	27.13
Total	182.83	191.11	199.81	208.94	218.42
DEPARTMENTAL **INCOME**	175.59	184.10	192.59′	202.40	211.22
UNDISTRIBUTED OPERATING EXPENSES					
Administrative and General	34.50	36.10	37.75	39.54	41.30
Marketing	22.20	23.20	24.24	25.33	26.47
Property Maintenance	16.64	17.39	18.17	18.99	19.85
Energy and **Utilities**	14.82	15.49	16.18	16.91	17.67
Total	88.16	92.17	96.35	100.76	105.29
INCOME BEFORE FIXED CHARGES	87.44	91.93	96.24	101.64	105.93
FIXED CHARGES					
Real Estate Taxes & Licenses	9.09"	9.50	"9.93	10.37	10.84
Building & Contents Insurance	7.82	8.20	8.58	9.00	9.43
Ski Slope Land LeaBe	1.71	1.79	1.88	1.99	2.09
Total	.18.62	19.49	20.39	21.36	22.36
INCOME BEFORE RESERVE	68.82	72.44	75.85	80.28	83.57
Reserve for Replacement	10.75	11.26	11.77	12.34	12.89
NET OPERATING **INCOME**	$58.07	961.19	964.08	967.94	970.68

NOTE: This statement should be read subject to the comments in the attached report.

EAGLE VALLEY" RESORT
Development Costs

	Number of Units	Coet Per Unit	Estimated Cost (000)	
Site				916,604
Land Cost (Resort)			1,600	
Land Cost (Golf)			2,800	
Engineering			400	
Roads			6,000	
utilities			5,013	
Contingency			791	
Structures				957,203
Hotel Golden Eagle	177,700	982	14,571	
Hotel Black Eagle	178,600	S82	14,645	
Apartments	211,900	$80	16,952	
Retail Space	30,000	$65	1,950	
Meeting Space	10,000	982	820	
Swimming Hall	40,000	$89	3,560	
Tennis Hall	26,800	$89	2,385	
Church	6,000	999	594	
Garage	75,000	923	1,725	
FF&E				98, 100
Hotels	500	98,000	4,000	
Apartment FFE	300	911,000	3,300	
Conv Ctr			300	
Other			500	
Recreation				537,772
Ski Area			34,572	
Golf Course			3,000	
Swimming Pool & Spa			200	
Preliminary. Costs				.s10,000
Total Before Profit				**$129,679**
Developer's Profit				**25,936**
Total Development Cost, 1989 Dollars				**$155,615**
Inflation Adjustment				**12,000**
Projected Development Cost				**$167,615**
Rounded Estimate				**9168,000**

Projected Net Cash Flow (000)

Year	Projected NOI (1)	Debt Service	Income Tax	Net Cash Flow	Return to Equity	Cumulative Return
1992	$1,821	$7,678	-o-	$(5,857)	-5.7%	$(5,857)
1993	$4,964	$7,678	-o-	$(2,714)	-2.7%	$(8,571)
1994	$7,860	$7,678	-o-	$ 182	0.2%	$(8,389)
1995	$8,915	$7,678	-o-	$ 1,237	1.2%	$(7,152)
1996	$9,751	$7,678	-o-	$ 2,073	2.0%	$(5,079)
1997	$10,173	$7,678	-o-	$ 2,495	2.4%	$(2,584)
1998	$10,720	$7,678	-o-	$ 3,042	3.0%	$ 458
1999	$11,227	$7,678	-o-	$ 3,549	3.5%	$ 4,007
2000	$11,903	$7,678	-o-	$ 4,225	4.1%	$8,232
2001	$12,383	$7,678	-o-	$ 4,705	4.6%	$12,937

(1) Net Operating Income is defined as income before deducting depreciation, rent, interest, amortization, and income taxes.

Direct Visitor Expenditures

	Summer	Winter	Shoulder	Total
New Room Nights	72,000	25,000	10,000	107,000
Double Occupancy Factor	2.0	2.0	1.5	
New Guest Nights	144,000	50,000	15,000	209,000
$ Spent Per Day (Anchorage Area)	$135	$135	$135	$135
Dollars Spent in Anchorage	19,000,000	7,000,000	$ 2,000,000	$28,000,000
New Guest Nights	144,000		*15,000*	*159,000*
Average Stay	2.5		*2.5*	
New Induced Guests	58,000		*6,000*	*64,000*
Days Visiting Other Areas	4		*4*	*4*
Guest Days in Other Areas	232,000		*24,000*	*256,000*
$ Spent Per Day (Other Areas)	$125		*$125*	*$125*
Dollars Spent in Other Areas	$ 29,000,000		*$ 3,000,000*	*$32,000,000*
Total Visitors Dollars Spent in Alaska	$ 48,000,000	$ 7,000,000	$ 5,000,000	$60,000,000

Total New Visitor Expenditures

	Direct	Indirect
Anchorage Area	$28,000,000	$26,000,000
Other Alaska Areas	32,000,000	30,000,000
Total	$60,000,000	$56,000,000

Summary of Estimated Economic Impacts

	800 Unit Resort
EMPLOYMENT	
Construction Phase	
New direct jobs	550
New indirect jobs	340
Operating Phase	
New direct jobs	800
New indirect jobs	500
DIRECT TAX REVENUE FOR A REPRESENTATIVE YEAR	
Park Concession Fees	$208,000
Real Estate and Personal Property Tax	$1,120,000
Hotel Occupancy Tax	$1,486,000
PROJECTED EXPENDITURES	
Construction Phase	
Direct Construction Expenditures	$110,000,000
Operating Phase	
Direct New Guest Expenditures	
- Anchorage Area	$ 28,000,000
- Other Alaska	32,000,000
Total	$ 60,000,000
Indirect (at 1.92 spending multiplier)	
- Anchorage Area	$ 26,000,000
- Other Alaska	30,000,000
Total	$ 56,000,000

APPENDIX B

ECONOMIC DATA

Demographic Profile

	1980	1982	1984	1985	1986	1987	Projected 1992	Compound Annual Growth Rate 1980-1987	Average 1987-1992
Population									
Anchorage	175,500	196,300	229,800	237,100	**239,500**	**231,100**	**252,900**	**4.0%**	**1.8%**
State of Alaska	410,200	454,000	**523,700**	**537,800**	**551,700**	**545,700**	**611,800**	**4.2%**	2.3%
Population, Households									
Anchorage	62,700	72,100	83,800	87,400	88,500	85,100	94,600	**4.5%**	**2.1%**
State of Alaska	136,600	156,300	178,700	185,300	190,300	186,500	212,100	**4.5%**	2.6%
Effective Buying Income (000)									
Anchorage	$1,849,807	$2,536,781	$3,500,946	$3,792,676	$3,865,706	$3,649,024	$5,575,160	**10. X**	8.8%
State of Alaska	$4,178,047	$5,417,770	$7,288,594	$7,841,910	$8,144,445	$7,876,698	$12,669,246	**9.5%**	**10. 0%**
Income Per Household									
Anchorage	$29,503	$35,184	$41,777	$43,394	**$43,680**	$42,879	$58,934	**5.5%**	6 . 6 %
State of Alaska	$30,586	$34,663	$40,787	$42,320	**$42,798**	$42,234	$59,732	**4. 7%**	7.2%
Retail Sales (000)									
Anchorage	$1,156,435	$1,500,866	$2,440,434	$2,596,640	$2,675,045	$2,475,699	$3,576,763	**11.5%**	7. **6%**
State of Alaska	$2,295,107	$2,956,878	$4,173,888	$4,355,797	$4,507,806	$4,227,151	$6,299,887	**9.1%**	**8.3%**
Sales Per Household									
Anchorage	$18,444	"$20,816	$29,122	$29,710	$30,227	$29,092	$37,809	**6.7%**	**5.4%**
State of Alaska	$16,802	$18,918	$23,357	$23,507	$23,688	$22,666	$29,702	**4.4%**	5.6%

Source: Sales and Marketing Management, "Survey of Buying Power" and "Data Service".

Non-agricultural Wage and Salary Employment
Anchorage

	1980	1981	1982	1983	1984	1985	1986	1987	October 1988
Private Employment									
Mining	2,700	3,400	3,700	3,500	3,800	3,900	3,700	3,200	3,650
Construction	5,400	6,000	8,400	9,700	10,100	9,300	7,200	5,600	4,900
Manufacturing	2,700	3,100	2,900	2,700	2,700	2,800	2,500	2,300	2,250
Transportation/Communication/Utilities	8,000	8,400	8,400	8,900	9,400	9,600	9,800	9,400	9,600
Trade	17,000	19,700	22,900	25,500	26,900	27,300	25,800	23,400	24,150
Wholesale Trade	4,100	4,800	5,500	6,000	6,600	6,600	6,200	5,400	5,500
Retail Trade	12,900	14,900	17,400	19,400	20,400	20,700	19,700	18,000	18,650
Finance/Insurance/Real Estate	5,300	5,700	6,400	7,300	8,300	8,600	8,200	7,400	7,150
Services & Miscellaneous	17,000	19,300	21,400	22,900	25,200	26,300	24,900	23,700	23,800
Government	22,000	23,000	23,900	24,700	25,400	26,400	26,400	26,000	26,100
Federal	9,500	9,600	9,800	9,900	10,200	9,900	10,000	10,400	10,350
State	5,000	5,500	6,100	6,500	6,600	7,300	7,200	6,700	7,200
Local	7,400	7,900	7,900	8,300	8,700	9,200	9,100	8,900	8,550
Total Nonagricultural	80,000	88,600	98,000	105,200	111,800	114,300	108,500	101,100	101,600
Unemployment Rate*	7.0%	6.7%	7.3%	7.3%	7.5%	7.2%	8.6%	8.5%	6.9%

Source: State of Alaska, Department of Labor

* Unemployment rates for 1980-1987 are annual averages

Mn-agricultural Wage end Salary Employment
State of Alaska

	1980	1981	1982	1983	1984	1985	1986	1987	October 1988
Private Employment									
Mining	6,700	8,900"	8,900	8,200	8,700	9,500	9,100	8,500	8,800
Construction	10,600	13,000	16,900	20,700.	20,400	18,600	13,400	10,600	10,000
Manufacturing	14,000	14,100	12,900	12,100	11,300	12,100	12,600	13,500	13,300
Transportation/Communication/Utilitlea	17,200	18,300	18,600	18,800	19,200	18,700	17,900	17,700	17,800
Trade	29,400	33,200	37,700	41,400	44,500	45,800	43,700	41,400	42,000
Wholesale Trade	5.,500	6,500	7,200	8,000	8,700	8,700	8,100	7,400	7,300
Retail Trade	23,800	26,800	30,500	33,400	35,800	37,100	35,500	34,000	34,700
Finance/Insurance/Real Estate	8,100	8,800	9,900	10,700	12,200	12,800	12,400	11,200	10,600
Servicee & Miscellaneous	30,200	33,500	37,000	39,700	43,000	44,800	43,700	41,700	41,500
Government	54,800	57,200	60,000	62,800	66,500	68,300	68,000	65,700	67,800
Federal	17,700	17,500	17,700	17,700	18,100	17,600	17,600	18,000	18,000
State	15,400	16,600	18,000	18,900	19,300	20,500	20,200	18,700	20,700
Local	21,600	23,100	24,400	26,200	29,100	30,300	30,200	29,000	29,100
Total Nonagricultural	170,900	187,100	201,900	214,400	225,700	230,700	220,700	210,300	211,800
Unemployment Rate*	9.6%	9.2%	10.0%	10.3%	10.2%	9.6%	10.9%	10.8%	8.4%

Source: State of Alaska, Department of Labor

* Unemployment rates for 1980-1987 are annual averages

ANCHORAGE AIR PASSENGER TRAFFIC

Domestic

Year	In/Out	%	Transit	%	Total	%
1973	923,949		49,883	-	973,832	-
1974	1,026,962	11%.	89,980	80%	1,116,942	15%
1975	1,329,694	29X	131,061	46%	1,460,755	31X
1976	1,627,122	22X	161,694	23X	1,788,816	22x
1977	1,795,905	10%	119,423	-26%	1,915,328	7%
1978	1,838,566	2X	98,737	-17X	1,937,303	Ix
1979	1,960,063	7%	89,474	-9%	2,049,537	6%
1980	1,946,600	-1%	100,503	12%	2,047,103	-o%
1981	2,076,930	7%	107,781	7%	2,184,711	7%
1982	2,282,508	10%	74,578	-31%	2,357,086	8%
1983	2,524,624	11%	85,788	15%	2,610,412	11%
1984	2,615,587	4%	87,662	2%	2,703,249	4%
1985	2,882,364	10%	113,311	29%	2,995,675	11%
1986	2,942,951	2X	122, 550	8%	3,065,501	2%
1987	2,668,672	-9%	152,050	24%	2,820,722	-8%
1988	2,650,892	-1%	157,977	4%	2,808,869	-0%

International

Year	In/Out	%	Transit	%	"Total	%
1973	43,570		583,228		626,798	-
1974	65, 862	51%	706,065	21%	771,927	23%
1975	82, 900	26%	749,411	6X	832,311	8%
1976	100, 064	21%	723,068	-4%	823, 132	-1%
1977	111, 535	11%	816,609	13%	928, 144	13%
1978	96,698	-13%	877,322	7%	974,020	5%
1979	54,285	-44%	1,076,926	23X	1,131,211	16X
1980	51,452	-5x	1,166,971	ax	1,218,423	8%
1981	55,981	9%	1,349,113	16%	1,405,094	15%
1982	60, 454	8%	1,428,628	6 %	1,489,082	6%
1983	54,529	-lo%	1,339,294	-6%	1,393,823	-6%
1984	48,852	-lo%	1,285,017	-4%	1,333,869	-4%
1985	56,961	17X	1,447,861	13%	1, 504, 822	13%
1986	56,065	-2x	1,512,279	4%	1, 568, 344	4 %
1987	60,248	7x	1,475,504	-2%	1,535,752	-2X
1988	70,252	17%	1,548,854	5%	1,619, 106	5%

ANCHORAGE AIR PASSENGER TRAFFIC

Combined

Year	In/Out	%	Transit	%	Total	x
1973	967,519		633, 111		1,600,630	
1974	1,092,824	13X	796,045	26X	1,888,869	18X
1975	1,412,594	29X	880,472	11%	2,293,066	21X
1976	1,727,186	22%	884,762	0%	2,611,948	14X
1977	1,907,440	10%	936,032	6X	2,843,472	9%
1978	1,935,264	1%	976,059	4x	2, 911; 323	2x
1979	2,014,348	4x	1,166,400	20%	3,180",748	9x
1980	1,998,052	-1%	1,267,474	9x	3,265,526	3%
1981	2,132,911	7x	1,456,894	15%	3,589,805	10%
1982	2,342,962	10%	1,503,206	3x	3,846, 168	7x
1983	2,579,153	10%	1,425,082	-5%	4,004,235	4%
1984	2,664,439	3x	1,372,679	-4%	4,037, 118	1%
1985	2,939,325	10%	1,561,172	14%	4,500,497	11%
1986	2,999,016	2%	1,634,829	5%	4,633,845	3x
1987	2,728,920	-9x	1,627,554	-0%	4,356,474	-6X
1988	2,721,144	-o%	1,706,831	5%	4,427,975	2%

Compound Average Annual Growth" Rates

Domestic		International		Combined	
In/Out	7. 3%	In/Out	3.2%	In/Out	7. 1x
Transit	8.0%	Transit	6.7%	Transit	6.8X
Total	7. 3%	Total	6.5X	Total	7. 0%

ANCHORAGE AIR PASSENGER TRAFFIC

	In/Out			Transit			Total		
	FY87	FY88	% Change	FY87	FY88	% Change	FY87	FY88	% Change
INTERNATIONAL									
Air France	3,361	3,331	-0.9%	123,998	119,875	-3.3%	127,359	123,206	-3.3
British Airways	13,074	11,547	-11.7%	177,685	118,443	-33.3%	190,759	129,990	-31.9%
Iberia	0	631	-	0	33,931	-	0	34,562	-
K.L.M.	4,914	5,717	16.3%	90,536	90,946	0.5%	95,450	96,663	1.3%
Lufthansa	6,300	6,755	7.2%	101,722	133,199	30.9%	108,022	139,954	29.6%
Sabena	1,917	2,660	38.8%	28,933	34,519	19.3%	30,850	37,179	20.5%
S.A.S.	6,726	8,516	26.6%	49,931	55,376	10.9%	56,657	63,892	12.8%
Swiss Air	2,374	4,082	71.9%	30,358	39,329	29.6%	32,732	43,411	32.6%
Europe	38,666	43,239	11.8%	603,163	625,618	3.7%	641,829	668,857	4.2%
China Air	2,634	3,325	26.2%	58,908	65,279	10.8%	61,542	68,604	11.5%
Japan Air Lines	12,318	15,568	26.4%	400,498	402,930	0.6%	412,816	418,498	1.4%
Korean Air Lines	1,294	3,001	131.%	266,416	307,373	15.4%	267,710	310,374	15.9%
Far East	16,246	21,894	34.8%	725,822	775,582	6.9%	742,068	797,476	7.5%
Flying Tiger	0	0	0.0%	112,812	122,067	8.2%	112,812	122,067	8.2%
Other	5,336	5,119	-4.1%	33,707	25,587	-24.1%	39,043	30,706	-21.4%
Subtotal	60,248	70,252	16.6%	1,475,504	1,548,#4	5.0%	1,535,755	1,619,106	5.4$
DOMESTIC									
Air Cal/American	68,415	28,341	-58.6%	0	0	0.0%	68,415	28,341	-58.6$
Alaska	844,534	905,457	7.2%	74,068	78,432	5.9%	918,602	983,889	7.1%
Delta/Western	366,426	348,292	-4.9%	6,762	18,952	180.3%	373,188	367,244	-1.6%
Hawaiian Air	28,330	64,028	126.0%	1,059	10,165	859.9%	29,389	74,193	152.5%
Northwest	173,732	139,950	-19.4%	4,280	1,564	-63.5%	178,012	141,514	-20.5%
T.W.A.	27,540	25,931	-5.8%	0	0	0.0%	27,540	25,931	-5.8%
United	291,038	274,649	-5.6%	61,280	48,139	-21.4%	352,318	322,788	-8.4$
National	1,800,015	1,786,648	-0.7$	147,449	157,252	6.6%	1,%7,464	1,943,900	-0.2%
ERA	131,199	124,591	-5.0%	0	0	0.0%	131,199	124,591	-5.0%
Friendship Air	1,445	5	-99.7%	0	0	0.0%	1,445	5	-99.7$
Harbor Air	1,?23	1,984	15.1%	0	0	0.0%	1,723	1,984	15.1%
Markair	299,343	320,381	7.0%	476	0	-100.0%	299,819	320,381	6.9%
Peninsula Air	8,737	25,379	190.5%	0	0	0.0%	8,737	25,379	190.5$
Reeve	42,317	39,508	-6.6%	0	0	0.0%	42,317	39,508	-6.6%
Ryan	41,791	25,704	-38.5%	0	0	0.0%	41,791	25,704	-38.5$
South Central	115,832	99,242	-14.3%	0	0	0.0%	115,832	99,242	-14.3%
Wilbur's	9,083	10,893	19.9%	5	0	-100.0%	9,088	10,893	19.9%
State	651,470	647,687	-0.6%	481	0	-100.0%	651,951	647,687	-0.7%
Oil Companies	184,455	191,782	4.0%	0	0	0.0%	184,455	191,782	4.0%
Other	32,732	24,775	-24.3%	4,120	725	-82.4$	36,852	25,500	-30.8%
Subtotal	2,668,672	2,650,892	-0.7%	152,050	157,977	3.9%	2,820,722	2,808,869	-0.4%
TOTAL	2,728,920	2,721,144	-0.3%	1,627,554	1,706,831	4.%	4,356,474	4,427,975	1.6%

ANCHORAGE AIR PASSENGER TRAFFIC

	In/Out			In/out		
	7-9/86	7-9/87	% Change	10-12/86	10-12/87	% Change
INTERNATIONAL						
Air France	1,637	1,685	3%	460	369	-20%
British Airways	5,415	4,546	-16%	2,058	1,642	-20%
Iberia	0	0	0%	0	182	ERR
K.L.M.	1,830	2,712	48%	1,082	670	-37$
Lufthansa	2, 869	2,362	-18%	1,125	882	-22%
Sabena	895	1,033	15%	228	544	139%
S. A.S.	2,174	2,575	18%	1,532	1,780	16%
Swiss Air	865	1,608	86%	222	558	98%
Europe	15,685	16,521	5%	6,767	6,635	-2%
China Air	518	833	61%	705	861	22%
Japan Air Lines	4,024	4,539	13%	2,203	2,359	7%
Korean Air Lines	420	1,296	209%	310	435	40%
Far East	4,962	6,668	34%	3,218	3,655	14%
Flying Tiger	0	0	0%	0	0	0%
Other	276	877	218%	1,018	678	-33%
Subtotal	20,922	24,066	15%	11,003,	10,968	-0%
DOMESTIC						
Air Cal/American	16,023	25,502	62%	14,032	2,439	-833
Alaska	284,816	279,638	-2%	168,577	192,367	14%
Delta/Western	122, 468	103, 287	-16%	88,184	68,859	-22%
Hawaiian Air	0	10,553	ERR	0	16,690	ERR
Northwest	86,603	76, 449	-12%	22,750	21,118	-7%
T.W.A.	12,022	14,055	17%	4, 824	10,726	122%
United	122,478	115,616	-6%	53,172	47,212	-11%
National	644,419	625,497	-3%	351,539	359,411	2%
ERA	45,845	37,369	-18%	27,015	26,376	-2%
Friendship Air	0	0	0%	137	5	-%%
Harbor Air	530	709	34%	362	219	-40%
Markair	103,226	%, 137	-7%	65, 968	67,643	3%
Peninsula Air	2,375	6,617	179%	1,748	5,742	228%
Reeve	14,389	15,302	6%	8,172	8,348	2%
R y a n	14,908	15,691	5%	10, 776	8,228	-24%
South Central	35,414	32,037	-10%	28,897	24, 879	-14%
Wilbur's	3,029	2,971	-2%	1,875	1,953	4%
State	219,716	206,833	-6%	144,950	143,393	-1%
Oi 1 Companies	50,012	49,153	-2%	46,495	45,959	-1%
Other	21,919	16,919	-23%	1,007	592	-41%
Subtotal	936, 066	8'38,402	-4%	543,991	549,355	1%
TOTAL	956,989	922,468	-4%	5s4,994	560, 323	1%

ANCHORAGE AIR PASSENGER TRAFFIC

	In/Out 1-3/87	In/Out 1-3/88	% Change	In/Out 4-6/87	In/Out 4-6/88	% Change
INTERNATIONAL						
Air France	452	441	-2%	812	836	3%
British Airways	2,198	1,923	-13%	3,403	3,436	1%
Iberia	0	215	ERR	0	234	ERR
K.L.M.	628	761	21%	1,374	1,566	14%
Lufthansa	936	889	-5%	1,370	2,622	91%
Sabena	176	256	45%	618	827	34%
s.A.s.	1,192	1,583	33%	1,828	2,578	41%
Swiss Air	295	662	124%	932	1,254	35%
Europe	5,877	6,730	15%	10,337	13,353	29%
China Air	714	913	28%	697	718	3%
Japan Air Lines	2,068	3,664	77%	4,023	5,006	24%
Korean Air Lines	311	533	71%	253	737	191%
Far East	3,033	5,110	65%	4,973	6,461	30%
Flying Tiger	0	0	07.	0	0	o%
Other	1,711	1,339	-22%	2,331	2,225	-5%
Subtotal	10,681	13,179	23%	"17,641	22,	039 25%
DOMESTIC						
Air Cal/American	19,076	0	-100%	19,284	0	-loo%
Alaska	164,962	191,941	16%	226,179	241,511	7%
Delta/Western	67,527	73,252	-16%	68,247	102, 8%	51%
Hawaiian Air	16,604	21,476	29%	11,726	15,309	31%
Northwest	21,292	14,607	-31X	43,081	27,776	-36%
T.W.A.	3,477	1,153	-67%	7,214	0	-loo%
United	43,593	41,413	-5%	71,795	70,408	-2%
National	356,531	343,842	-4%	447,526	457,898	2%
ERA	24,857	25,620	3%	33,482	35,226	5%
Friendship Air	792	0	-100%	516	0	-loo%
Harbor Air	226	255	13%	605	801	32%
Markair	55,137	64,720	17%	75,012	91,873	22%
Peninsula Air	1,668	4,682	181%	2,946	8,338	183%
Reeve	7,859	5,523	-30%	11,897	10,335	-13%
Ryan	7,329	1,785	-76%	8,770	0	-loo%
South Central	25,080	17,713	-29%	26,441	24,613	-7%
Wilbur's	1,531	2,256	47%	2,648	3,713	40%
State	124,479	122,562	-2%	162,325	174,899	8%
Oil Companies	42,884	47,186	10%	45,064	49,484	10%
Other	1,013	656	-3s%	8,793	6,608	-25%
Subtotal	524,907	514,246	-2%	663,708	688,889	4%
TOTAL	535,588	527,425	-2%	681,349	710,'328	4%