

Appendix A: Estimates of Demand and Cash Flow for Proposed Expo Center

Estimates of Demand

- Estimates of demand for the Proposed Expo Center are based on the following findings:
 - On a regional basis:
 - New York State is estimated to capture the largest number of tradeshows in 2002 in the region, also including New Jersey, Connecticut, Pennsylvania and Massachusetts.
 - Nearly half of regional event planners organized both major events and smaller regional shows.
 - On a national basis:
 - 59 percent of exhibitions require less than 100,000 net square feet, with more than half of these events requiring less than 50,000 net square feet.
 - 62 percent of events capture less than 7,500 attendees, with over 80 percent of these events reporting attendance levels of less than 5,000.
 - 62 percent of events capture less than 300 exhibitors, with over 73 percent of these events reporting exhibitor levels of less than 200.
 - 84 percent of event organizers are focused only on tradeshows, with 5 managing only consumer shows and 11 percent managing both types of events.
 - On a local basis (see Appendix B for data on NYC show organizers and venues):
 - Show organizers report events ranging from 3 to 21 days, including move-in and move-out days, with an average event length of approximately 9 days. Venues report the average event ranged in duration from 4 to 6 days including move-in and move-out days.
 - Net square feet required by the majority of the organizers ranged from 15,000 to 35,000 net square feet. Venues indicated that the required space ranged from 4,340 to 33,600 net square feet per hall, with an average of 18,127.
 - Comparable venues averaged 49 percent net usable square feet to gross square feet.
 - Comparable venues achieved an average rental rate of \$0.48 per net square foot per day or \$2.46 per net square foot per event.

- Show organizers reported that they pay rental rates ranging from \$4,000 to \$13,000 per day, with the majority of organizers paying \$10,000 to \$13,000 for space that is smaller in size than the Proposed Expo Center.
 - Additionally, eight of the nine organizers interviewed indicated a willingness to pay more for higher quality space: one organizer indicated that they would pay \$20,000 for the Armory space if it underwent a planned renovation, while another indicated that they would pay a daily rate of approximately \$21,000 (could be higher with reduced move-in/move-out time) to hold their major show at a higher quality facility.
 - The number of events hosted annually at comparable venues ranged from 12 to 40 (including trade shows, consumer shows and special events).
- The following text discusses the bases for specific estimates of demand for the Proposed Expo Center:
- Facility Size:
 - 180,000 square feet of exhibit space and 30,000 square feet of meeting space, based on facility program.
 - Approximately 50 percent of the exhibit space is estimated to be net usable space based on data provided by local comparable venues.
 - Occupancy assumptions:
 - 49 percent estimated occupancy which is conservative when compared with the average national exhibit center occupancy (62 percent) published by the International Association of Assembly Managers (IAAM) 1996 Industry Profile Survey.
 - Average of 68,000 net square feet required per event based on the Proposed Expo Center's contiguous exhibit space relative to the comparable local venues, as well as interviews with event organizers who indicated an ability to grow their events beyond the capacity of most existing venues.
 - Average of 6 days per event including move-in and move-out days, which is comparable with local venues but at the lower end of the data provided by event organizers; it is anticipated that the Proposed Expo Center's state-of-the-art technology, layout and design will reduce the required move-in and move-out time for events similar to those managed by the respondent event organizers.
 - Events:
 - 30 annual major events (consumer shows and tradeshow/conventions) are calculated from the estimated 49 percent occupancy, 6 days per event, average event size of 68,000 net square feet, and ratio of net usable to gross exhibit space of 50 percent; the estimate is within the range of comparable venues based on the Proposed Expo Center's contiguous space and user-friendly design and technology, and location

proximate to Jacob Javits Convention Center (which will potentially generate overflow and unaccommodated demand).

- Based on the event mix achieved at local comparable venues as well as on national trends, the Proposed Expo Center's event mix is estimated to be 7 percent consumer shows and 93 percent tradeshow/conventions.
 - Of the 30 annual major events, 2 are estimated to be consumer shows and 28 are estimated to be trade shows/conventions.
 - An additional 3 special events, which are comprised of one-day banquets, seminars, civic meetings, etc., are estimated based on data from local comparable venues.
- Attendance:
- The estimated average attendance for tradeshow/conventions is estimated at 8,625 based on interviews with event organizers, local comparable venue data and regional and national trends.
 - Attendance for consumer shows, which generally have higher attendance, is estimated at 14,625.
 - The resulting combined average attendance per major event at the Proposed Expo Center is slightly above 9,000 attendees.
 - Average attendance for special events is estimated at 1,750 attendees, based on discussions with representative of convention center management companies.
- Rental Revenues:
- The Proposed Expo Center is estimated to achieve an average rental rate of \$0.45 per net square foot per day, comparable to other local venues. This estimate translates to \$30,600 per day for the average 68,000-square foot event. Similarly, special events are estimated to average \$30,600 per event.
 - Based on an average event length of 6 days, rental revenue is estimated to be approximately \$2.70 per net square foot per event.
- Exhibitors:
- An average of 242 exhibitors per event is estimated for the Expo Center, resulting in an average of 280 square feet of exhibit space utilized per exhibitor (based on the average event size of 68,000 square feet). According to the *Tradeshow Week Data Book* (2002), an average of 256 square feet of space is utilized per exhibitor in the State of New York.
 - The estimated average of 242 exhibitors per event is commensurate with data provided in the *1998 Convention Income Survey Report* by the IACVB, which indicates an average of 246 exhibitors per event for International, National and Regional Events.
 - Estimates of demand for the Proposed Expo Center are summarized on the following page.

Proposed Expo Center/Large Configuration - Stabilized Year Assumptions	
FACILITY PROGRAM	ASSUMPTION
FACILITY	Proposed Expo Center
EXHIBIT SPACE	180,000
NET SQUARE FOOTAGE %	60.0%
NET SQUARE FOOTAGE AMOUNT	90,000
% MEETING SPACE TO EXHIBIT SPACE	0%
NET MEETING ROOM SPACE	-
TOTAL USABLE SQUARE FEET	180,000
ANNUAL (1Y) SEMI ANNUAL (1/2)	1.00
OCCUPANCY ASSUMPTIONS	
NUMBER OF EVENTS PER USE DAY AT FULL OCCUPANCY	1
ANNUAL USE DAYS AT FULL OCCUPANCY	365
ESTIMATED OCCUPANCY	49.0%
ANNUAL USE DAYS AT ESTIMATED OCCUPANCY RANGE	179
AVG. USE DAYS PER EVENT (INCL. IN-OUT) AT EST. OCCUPANCY RANGE	6.0
EVENTS (CONSUMER SHOWS AND TRADE SHOWS/CONVENTIONS)	
NUMBER OF EVENTS	30
CONSUMER SHOWS %	7.00%
TRADE SHOWS/CONVENTIONS %	93.00%
NUMBER OF CONSUMER SHOWS	2
NUMBER OF TRADE SHOWS/CONVENTIONS	28
ATTENDANCE (CONSUMER SHOWS AND TRADE SHOWS/CONVENTIONS)	
AVERAGE ATTENDANCE PER CONSUMER SHOW	14,625
AVERAGE ATTENDANCE PER TRADE SHOW/CONVENTION	8,625
AVERAGE ATTENDANCE FOR ALL EVENTS	9,046
TOTAL ATTENDANCE - CONSUMER SHOWS	30,713
TOTAL ATTENDANCE - TRADE SHOWS/CONVENTIONS	240,636
TOTAL ATTENDANCE	271,350
RENTAL REVENUES (CONSUMER SHOWS AND TRADE SHOWS/CONVENTIONS)	
RENTAL RATE PER NET S.F. PER DAY	\$0.45
TOTAL EVENTS WITH EXHIBITS	30
ESTIMATED NET SF PER EVENT USED	66,000
TOTAL RENTED NET SF	12,161,800
TOTAL RENTAL REVENUE - EVENTS W/ EXHIBITS	\$ 5,472,610
SPECIAL EVENTS AND ASSOCIATED RENTAL REVENUE	
NUMBER OF SPECIAL EVENTS	3
SPECIAL EVENT AVERAGE ATTENDANCE	1,750
SPECIAL EVENT TOTAL ATTENDANCE	6,250
AVG. DAY RENTAL RATE (PER EVENT)	\$ 30,000
MEETING ROOM RENTAL REVENUES	\$ 51,800
TOTAL ATTENDANCE - ALL EVENTS	276,600
TOTAL RENTAL REVENUE - ALL EVENTS	\$ 5,564,610
EXHIBITORS	
ESTIMATED EXHIBITORS PER CONSUMER SHOW	200
ESTIMATED EXHIBITORS PER TRADE SHOW/CONVENTION	245
TOTAL NUMBER OF EXHIBITORS - CONSUMER SHOWS	420
TOTAL NUMBER OF EXHIBITORS - TRADE SHOWS/CONVENTIONS	6,836
TOTAL EXHIBITORS	7,256
AVERAGE EXHIBITORS PER EVENT	242

Estimates of Cash Flow before Taxes, Depreciation and Debt Service

- Estimates of cash flow for the Proposed Expo Center are based on:
 - The assumed opening year of 2009, with a ramp-up to a stabilized level of events estimated at 65 percent in 2009, 85 percent in 2010, and 100 percent in 2011;
 - An analysis of the operating cash flow for three comparably-sized facilities in national and regional urban convention destinations (see Comparables A-C subsequent to text);
 - Statistics published in the IACVB 1998 Convention Income Survey Report;
 - Data published in the IAAM 1996 Industry Profile Survey; and,
 - The demand estimates presented previously and specific attributes of the Proposed Expo Center, including location, size, and level of quality.

- The following text discusses the basis for estimates of cash flow for the Proposed Expo Center:
 - Operating Revenue:
 - Event rental revenue is estimated from an average price of \$0.45 per net square foot per day and special event revenue of \$30,600 per day.
 - Event services/ancillary rental income includes revenue from decorating/set-up, security, audio/visual services, etc., and is estimated to be approximately 25 percent of event rental income, which is at the lower end of the range indicated by the three comparable facilities (as the event rental rate for the Proposed Expo Center is significantly higher than the three comparables and is anticipated to include some ancillary services).
 - The Proposed Expo Center is estimated to outsource food and beverage concessions and catering and receive 20 percent of gross food and beverage revenues. Gross revenue of \$12.50 per attendee was estimated based on national data provided by Tradeshow Week Research, which nets approximately \$2.50 per attendee to the Proposed Expo Center.
 - Miscellaneous income includes concierge, forklift, Internet service, advertising and other miscellaneous items. This revenue item is estimated to be approximately 20 percent of event rental income, near the average of the three comparable facilities.

 - Operating Expenses:
 - Salaries and wages are estimated to be \$22.50 per gross square foot, falling within the range of comparable data (\$9.56 to \$28.34); this estimate is at the higher end of the range, as Comparable C—at \$28.34 per square

foot—is a unionized facility in a location characterized by a high cost of living.

- The balance of operating expenses (excluding management fees)—administrative, marketing, operations overhead/property operations and maintenance, insurance, utilities and event services/overhead—comprise approximately 35.4 percent of total revenue, ranging between Comparable A at 29.6 percent and Comparable B at 49.3 percent (averaging to 37.7%); these comparable properties achieved positive Net Operating Income while Comparable C did not.
- Utility expenses were based on utility expenses per gross square foot at other New York venues.
- A management fee of 5 percent of total revenue is based on discussions with private exhibition center operators and is commensurate with data provided by Tradeshow Week Research.

A summary of cash flow data for the three comparable facilities are presented on the next two pages, followed by estimates of cash flow for the Proposed Expo Center in current value (2003) dollars, on a per gross square foot basis (in 2003\$) and on a ratio basis.

COMPARABLE FACILITY CASH FLOWS

Facility	Comparable A			Comparable B			Average (Comparables A & B)					
	Total	Ratio	PSF	Per Att	Total	Ratio	PSF	Per Att	Total	Ratio	PSF	Per Att
Building Program Functional Square Feet												
Exhibit Space	108,000	69.5%	-	-	150,700	73.5%	-	-	129,400	71.8%	-	-
Meeting Space	47,400	30.5%	-	-	54,300	26.5%	-	-	50,900	28.2%	-	-
Total Function Space	155,400	100.0%	-	416,530	205,000	100.0%	-	247,900	180,300	100.0%	-	332,215
Ratio of Mtg SF to Exhibit SF		43.9%				36.0%				39.3%		
Revenues												
Rent	\$2,724,100	41.1%	\$17.53	\$6.54	\$2,048,600	43.7%	\$9.99	\$8.26	2,386,400	42.2%	\$13.24	\$7.18
Event Services/Rentals	1,359,100	20.5%	8.75	3.26	454,200	9.7%	2.22	1.83	906,700	16.0%	5.03	2.73
Food & Beverage	2,251,100	34.0%	14.49	5.40	2,099,300	44.8%	10.24	8.47	2,175,200	38.4%	12.06	6.55
Misc. (excluding subsidies)	290,700	4.4%	1.87	0.70	88,900	1.9%	0.43	0.36	189,800	3.4%	1.05	0.57
Total Revenues	6,625,000	100.0%	42.63	15.91	4,691,000	100.0%	22.86	18.92	5,658,100	100.0%	31.38	17.03
Expenses												
Salaries & Wages	2,512,200	37.9%	16.17	6.03	1,960,100	41.8%	9.56	7.91	2,236,200	39.5%	12.40	6.73
Operations & Maintenance	1,956,700	29.5%	12.59	4.70	2,313,000	49.3%	11.28	9.33	2,134,900	37.7%	11.84	6.43
Total Expenses	4,468,900	67.5%	28.76	10.73	4,273,100	91.1%	20.84	17.24	4,371,100	77.3%	24.24	13.16
Profit/(Loss)	\$2,156,100	32.5%	\$13.87	\$5.18	\$417,900	8.9%	\$2.04	\$1.69	\$1,287,000	22.7%	\$7.14	\$3.87
Expenses as a Ratio to Total Expenses												
Salaries & Wages	2,512,200	56.2%	16.17	6.03	1,960,100	45.9%	9.56	7.91	2,236,200	51.2%	12.40	6.73
Operations & Maintenance	1,956,700	43.8%	12.59	4.70	2,313,000	54.1%	11.28	9.33	2,134,900	48.8%	11.84	6.43
Total Expenses	4,468,900	100.0%	28.76	10.73	4,273,100	100.0%	20.84	17.24	4,371,100	100.0%	24.24	13.16

Notes:

Revenue and Expense ratios are to Total Revenues.

PSF: Per Square Foot of Gross Function Space.

Per Att: Per Attendee.

NAV: Not Available.

Source: Individual Facilities and Ernst & Young, LLP

COMPARABLE FACILITY CASH FLOWS (Continued)

Facility	Comparable C			Average (Comparables A - C)				
	Total	Ratio	PSF	Per Aft	Total	Ratio	PSF	Per Aft*
Building Program Functional Square Feet								
Exhibit Space	143,000	74.6%	-	-	100,400	72.8%	-	-
Meeting Space	48,600	25.4%	-	-	37,600	27.2%	-	-
Total Function Space	191,600	100.0%	-	NAV	138,000	100.0%	-	332.215
Ratio of Mtg SF to Exhibit SF		34.0%				37.5%		
Revenues								
Rent	\$3,100,900	40.9%	\$16.18	*	1,968,400	41.6%	\$14.26	\$7.18
Event Services/Rentals	1,487,000	19.6%	7.76	*	825,100	17.5%	5.98	2.73
Food & Beverage	1,631,500	21.5%	8.52	*	1,495,500	31.6%	10.84	6.55
Misc. (excluding subsidies)	1,369,600	18.0%	7.15	*	437,300	9.3%	3.17	0.57
Total Revenues	7,589,000	100.0%	39.61	*	4,726,300	100.0%	34.25	17.03
Expenses								
Salaries & Wages	5,430,400	71.6%	26.34	*	2,475,700	52.4%	17.94	6.73
Operations & Maintenance	5,247,600	69.1%	27.39	*	2,379,300	50.3%	17.24	6.43
Total Expenses	10,678,000	140.7%	55.73	*	4,855,000	102.7%	35.18	13.16
Profit/(Loss)	(\$3,089,000)	(40.7%)	(\$16.12)	*	(\$128,700)	(2.7%)	(\$0.93)	\$3.87
Expenses as a Ratio to Total Expenses								
Salaries & Wages	5,430,400	50.9%	26.34	*	2,475,700	51.0%	17.94	6.73
Operations & Maintenance	5,247,600	49.1%	27.39	*	2,379,300	49.0%	17.24	6.43
Total Expenses	10,678,000	100.0%	55.73	*	4,855,000	100.0%	35.18	13.16

Notes:

* Per Attendee averages do not include Comparable C.

Revenue and Expense ratios are to Total Revenues.

PSF: Per Square Foot of Gross Function Space.

Per Aft: Per Attendee.

NAV: Not Available.

Source: Individual Facilities and Ernst & Young, LLP

ESTIMATES OF CASH FLOW FOR PROPOSED EXPO CENTER

Per Gross Square Foot (2003\$)

	Year 1	Year 2	Year 3	Year 4	Year 5
Events					
			Number of Events Per Year		
Consumer Shows	1	2	2	2	2
Trade Shows/Conventions	20	24	28	28	28
Special Events	2	3	3	3	3
Total Events	23	29	33	33	33
Pricing					
Exhibitions	\$21.28	\$35.36	\$30.40	\$30.40	\$30.40
Special Events	\$0.36	\$0.43	\$0.51	\$0.51	\$0.51
Total Rental Revenues	\$21.64	\$26.79	\$30.91	\$30.91	\$30.91
Attendance					
Exhibitions	1.06	1.31	1.51	1.51	1.51
Special Events	0.02	0.02	0.03	0.03	0.03
Total Attendance	1.08	1.33	1.54	1.54	1.54
Operating Revenue					
Event Rental Income	\$21.64	\$26.79	\$30.91	\$30.91	\$30.91
Event Services/Ancillary Income	\$6.41	\$6.70	\$7.73	\$7.73	\$7.73
Food and Beverage - Net	\$2.69	\$3.33	\$3.84	\$3.84	\$3.84
Miscellaneous ¹	\$4.33	\$5.36	\$6.18	\$6.18	\$6.18
Total Operating Revenue	\$34.07	\$42.17	\$48.67	\$48.67	\$48.67
Operating Expenses					
Salaries and Wages	\$22.50	\$22.50	\$22.50	\$22.50	\$22.50
Administrative Expenses	\$1.60	\$1.60	\$1.60	\$1.60	\$1.60
Marketing	\$1.19	\$1.49	\$1.70	\$1.70	\$1.70
Operations Overhead	\$2.40	\$2.40	\$2.40	\$2.40	\$2.40
Insurance	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
Utilities	\$4.40	\$4.40	\$4.40	\$4.40	\$4.40
Event Services Labor/Overhead	\$3.26	\$4.02	\$4.64	\$4.64	\$4.64
Management Fee	\$1.08	\$1.34	\$1.55	\$1.55	\$1.55
Total Operating Expenses	\$38.92	\$40.23	\$41.29	\$41.29	\$41.29
NET OPERATING INCOME ²	-\$4.85	\$1.93	\$7.38	\$7.38	\$7.38

¹ Miscellaneous revenues include concierge, food & beverage, internet services, advertising, and other misc. items

² Net Operating Income before taxes, depreciation and debt service.

ESTIMATES OF CASH FLOW FOR PROPOSED EXPO CENTER Ratios

	Year 1	Year 2	Year 3	Year 4	Year 5
Number of Events Per Year					
Events					
Consumer Shows	1	2	2	2	2
Trade Shows/Conventions	20	24	26	20	28
Special Events	2	3	3	3	3
Total Events	23	29	33	33	33
Bidding					
Exhibitions	98.4%	98.4%	98.4%	98.4%	98.4%
Special Events	1.6%	1.6%	1.6%	1.6%	1.6%
Total Rental Revenues	100.0%	100.0%	100.0%	100.0%	100.0%
Attendance					
Exhibitions	98.1%	98.1%	98.1%	98.1%	98.1%
Special Events	1.9%	1.9%	1.9%	1.9%	1.9%
Total Attendance	100.0%	100.0%	100.0%	100.0%	100.0%
Operating Revenue					
Event Rental Income	63.5%	63.5%	63.5%	63.5%	63.5%
Event Services/Ancillary Income	15.9%	15.9%	15.9%	15.9%	15.9%
Food and Beverage - Net	7.9%	7.9%	7.9%	7.9%	7.9%
Miscellaneous ¹	12.7%	12.7%	12.7%	12.7%	12.7%
Total Operating Revenue	100.0%	100.0%	100.0%	100.0%	100.0%
Operating Expenses					
Salaries and Wages	66.0%	53.4%	46.2%	46.2%	46.2%
Administrative Expenses	4.7%	3.6%	3.3%	3.3%	3.3%
Marketing	3.5%	3.5%	3.5%	3.5%	3.5%
Operations Overhead	7.0%	5.7%	4.9%	4.9%	4.9%
Insurance	7.3%	5.9%	5.1%	5.1%	5.1%
Utilities	12.9%	10.4%	9.0%	9.0%	9.0%
Event Services Labor/Overhead	9.5%	9.5%	9.5%	9.5%	9.5%
Management Fee	5.0%	5.0%	5.0%	5.0%	5.0%
Total Operating Expenses	115.1%	97.2%	86.7%	86.7%	86.7%
NET OPERATING INCOME ²	-16.1%	2.8%	13.3%	13.3%	13.3%

¹ Miscellaneous revenues include concierge, locker, internet service, advertising, and other misc. items

² Net Operating Income before taxes, depreciation and debt service.