



Honey Creek Resort Asset Management Presentation

Prepared for:

***Iowa Legislature Joint
Subcommittee***

***Iowa Department of Natural
Resources***

February 9, 2011



Agenda

- Introduction
- State of the Industry
- Honey Creek Resort Performance

Introduction – CHM Experience



- CHM dedicated to hotel asset and investment management since 1990; CHM in operation for a decade
- Representing a wide range of client types, including public agencies, pension funds, lenders, Fortune 500 corporations, private investors and institutional owners
- Asset management portfolio has included more than 50 hotels with 25,000 rooms over the past decade, including several resorts
- Current portfolio reflects approximately 20 individual properties hotels with more than 13,000 rooms
- Registered Investment Advisor with the SEC and designated Qualified Professional Asset Manager (QPAM)

Hotel Asset Management is Not a Service...It's Our Business

CHM Experience

Public Sector Experience



Brings 25 years of Consulting and Asset Management expertise to Iowa DNR. Dedicated to asset management for government services, supported by 17 professionals within the organization

Geoff Baekey, CRE
 EVP , Government Services



Sample List of Public-Sector Clients

- California State Teachers' Retirement System
- Plumber & Pipefitters National Pension Fund
- The Port Authority of New York & New Jersey
- Baltimore Development Corporation
- Colorado Convention Center Hotel Authority
- Massachusetts Convention Center Authority
- Pittsburgh Sports & Exposition Authority
- National Park Service
- U.S. Air Force Services Agency
- U.S. Forest Service
- Numerous State Park Systems



State of the Industry

Recessions Since World War II

		Duration in Months		Peak-to-Trough % Change			Jobless Rate		
Peak	Trough	Recession Peak to Trough	Expansion Trough to Peak	Real GDP	Industrial Production	Nonfarm Employment	Low	High	Change
Dec-07	Aug-09	20	75	-3.9%	-19.2%	-6.1%	3.4%	10.1%	5.8%
Mar-01	Nov-01	8	120	-0.4%	-6.3%	-2.0%	3.8%	6.3%	2.5%
Jul-90	Mar-91	8	92	-1.3%	-4.3%	-1.5%	5.0%	7.8%	2.8%
Jul-81	Nov-82	16	12	-2.9%	-9.5%	-3.1%	7.2%	10.8%	3.6%
Jan-80	Jul-80	6	58	-2.2%	-6.2%	-1.3%	5.6%	7.8%	2.2%
Nov-73	Mar-75	16	36	-3.1%	-14.8%	-2.7%	4.6%	9.0%	4.4%
Dec-69	Nov-70	11	106	-1.0%	-5.8%	-1.4%	3.4%	6.1%	2.7%
Apr-60	Feb-61	10	24	-1.3%	-6.2%	-2.3%	4.8%	7.1%	2.3%
Aug-57	Apr-58	8	39	-3.8%	-12.7%	-4.4%	3.7%	7.5%	3.8%
Jul-53	May-54	10	45	-2.7%	-9.0%	-3.3%	2.5%	6.1%	3.6%
Nov-48	Oct-49	11	37	-1.7%	8.6%	-5.1%	3.4%	7.9%	4.5%
Average		10	57	-2.0%	-8.3%	-2.7%	4.4%	7.6%	3.2%

Source: **PKF Colliers**, NBER, BEA, FRB, BLS, Moody's



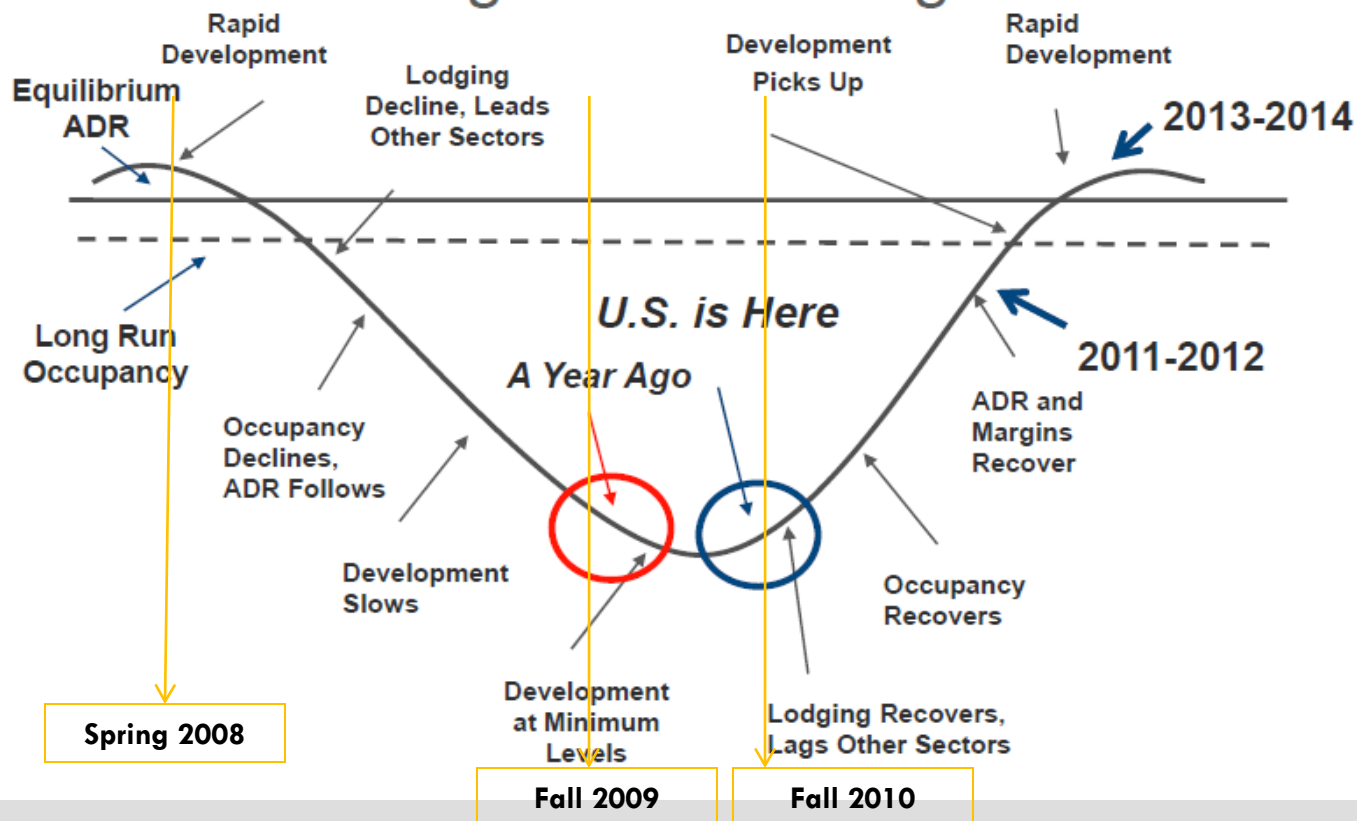
State of the Industry

The Hotel Market Cycle

PKF
HOSPITALITY
RESEARCH



Moving Past the Trough

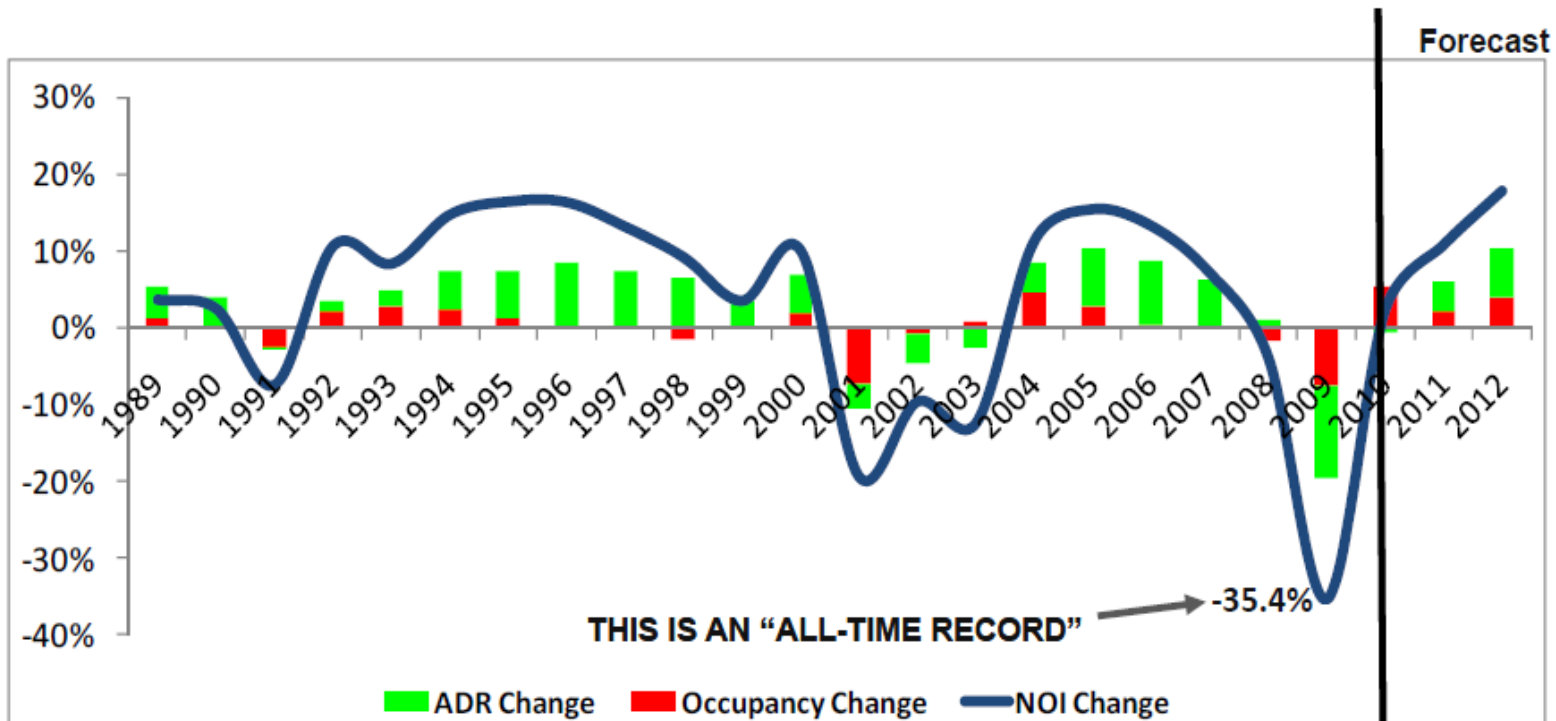




State of the Industry

Average Daily Rate vs. Occupancy - Impact on Profits

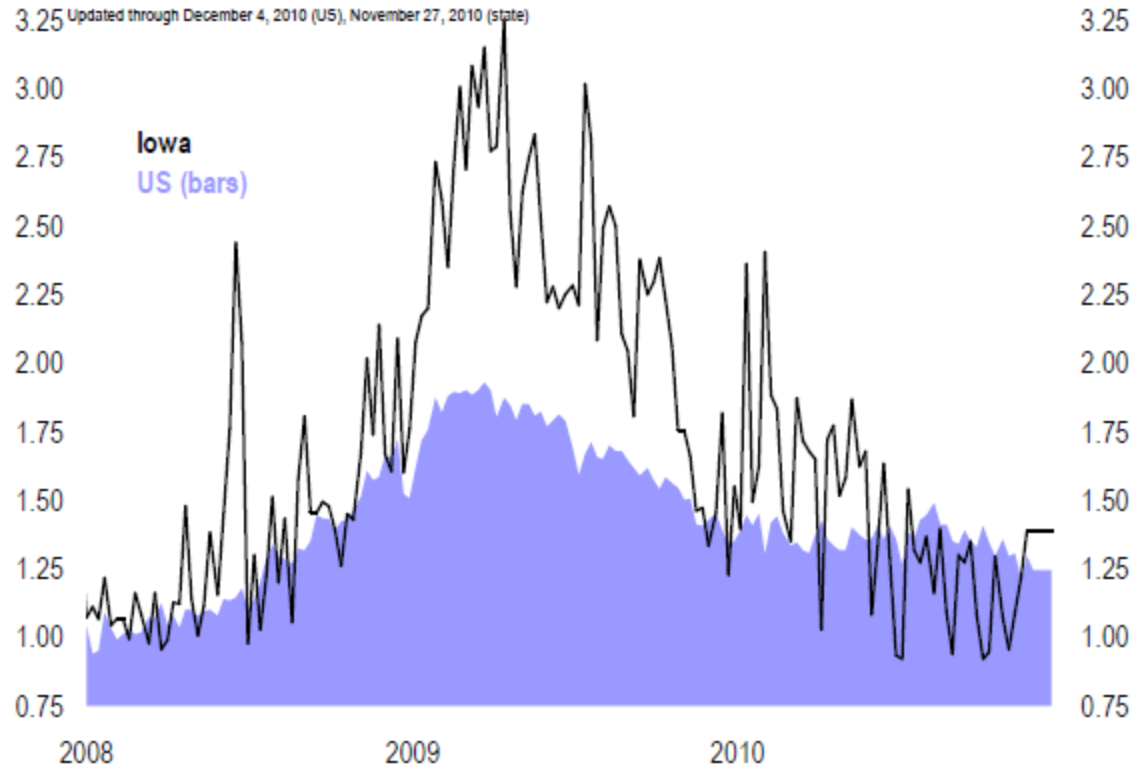
PKF
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State of the Industry

Ratio of jobless claims to the 2007 Q4 level



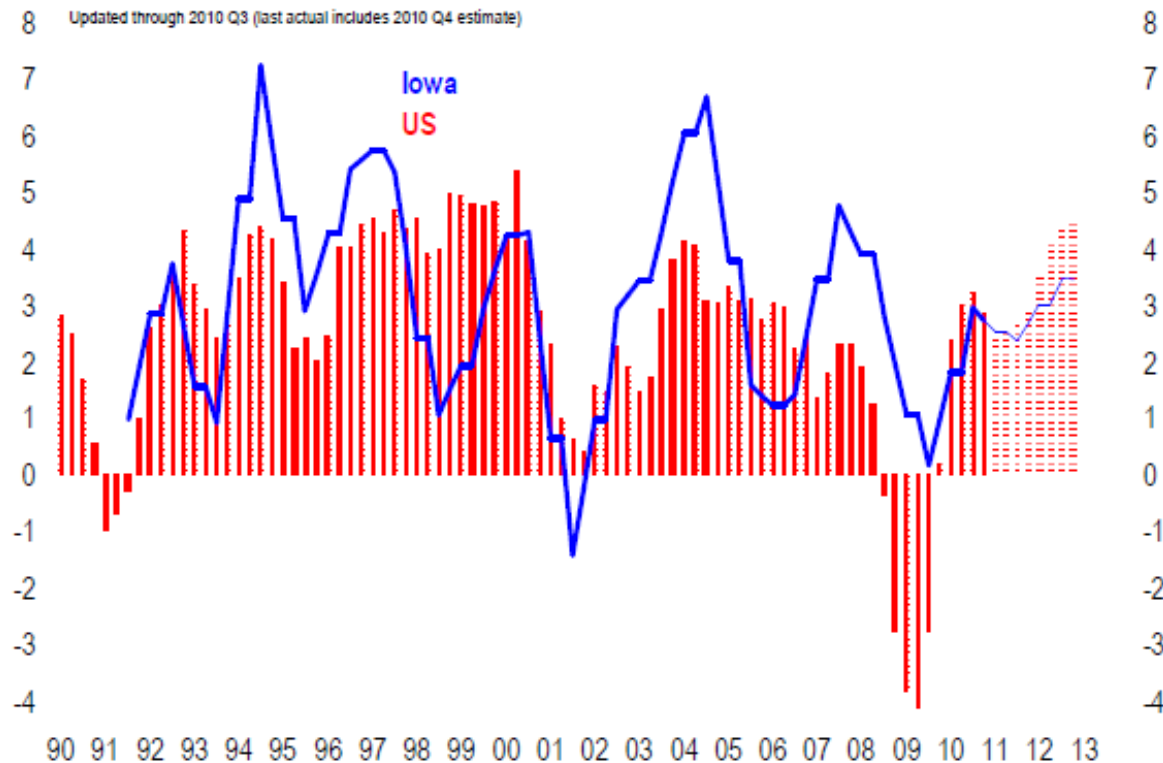
Source: JPMorgan Chase

- Non-farming layoffs and unemployment claims in Iowa rose sharply over the recessionary period, at a pace significantly greater than the national average, but have now fallen back and are nearing pre-recession levels.



State of the Industry

Real GDP (% change from four quarters earlier, thin lines or altered shading are forecasts)

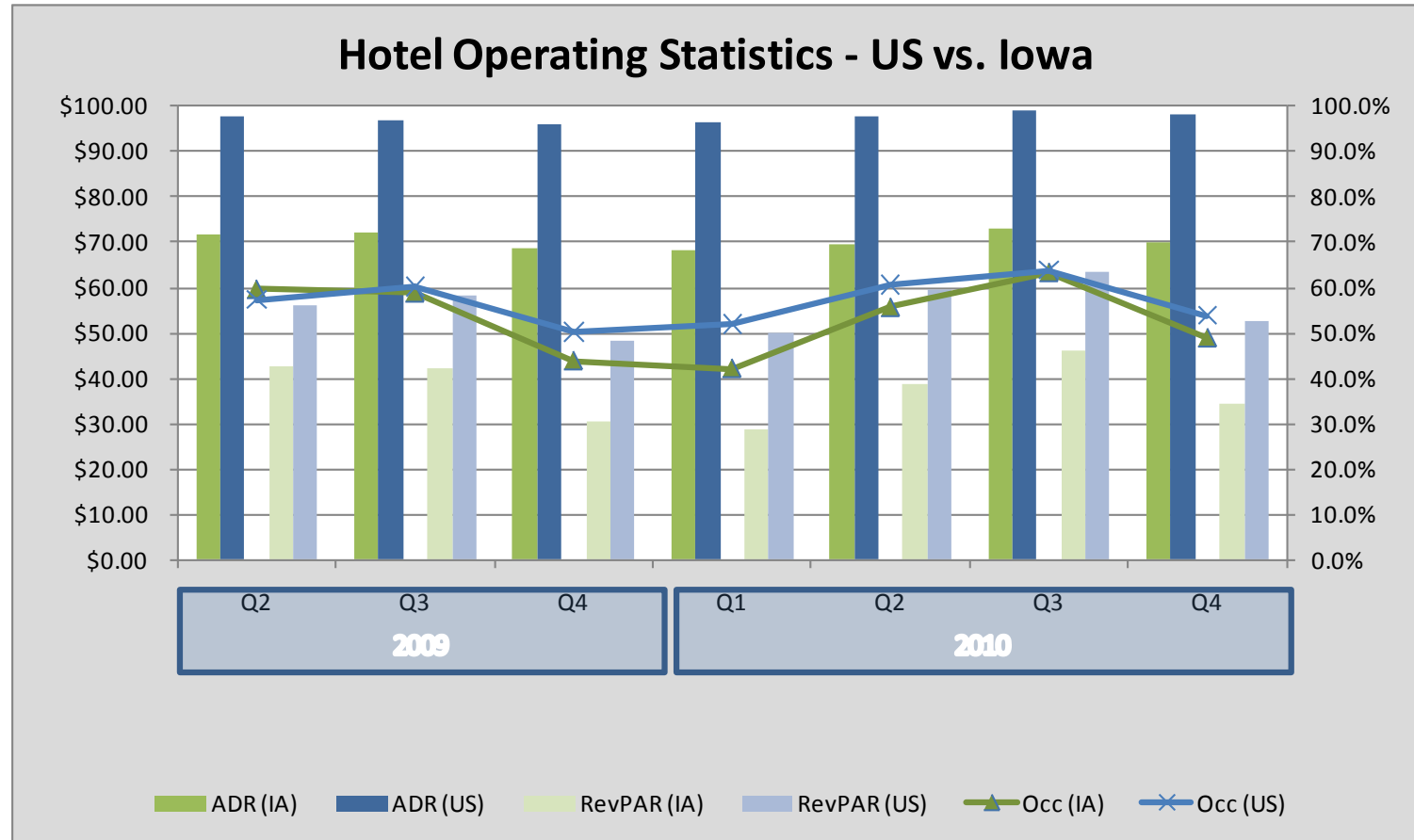


Source: JPMorgan Chase

- Although not as significant due to the extent of agricultural production in Iowa, changes in real GDP in Iowa have followed a similar pattern to that of the nation, and are forecasted to rebound consistent with national trends, albeit at a slower pace.



State of the Industry



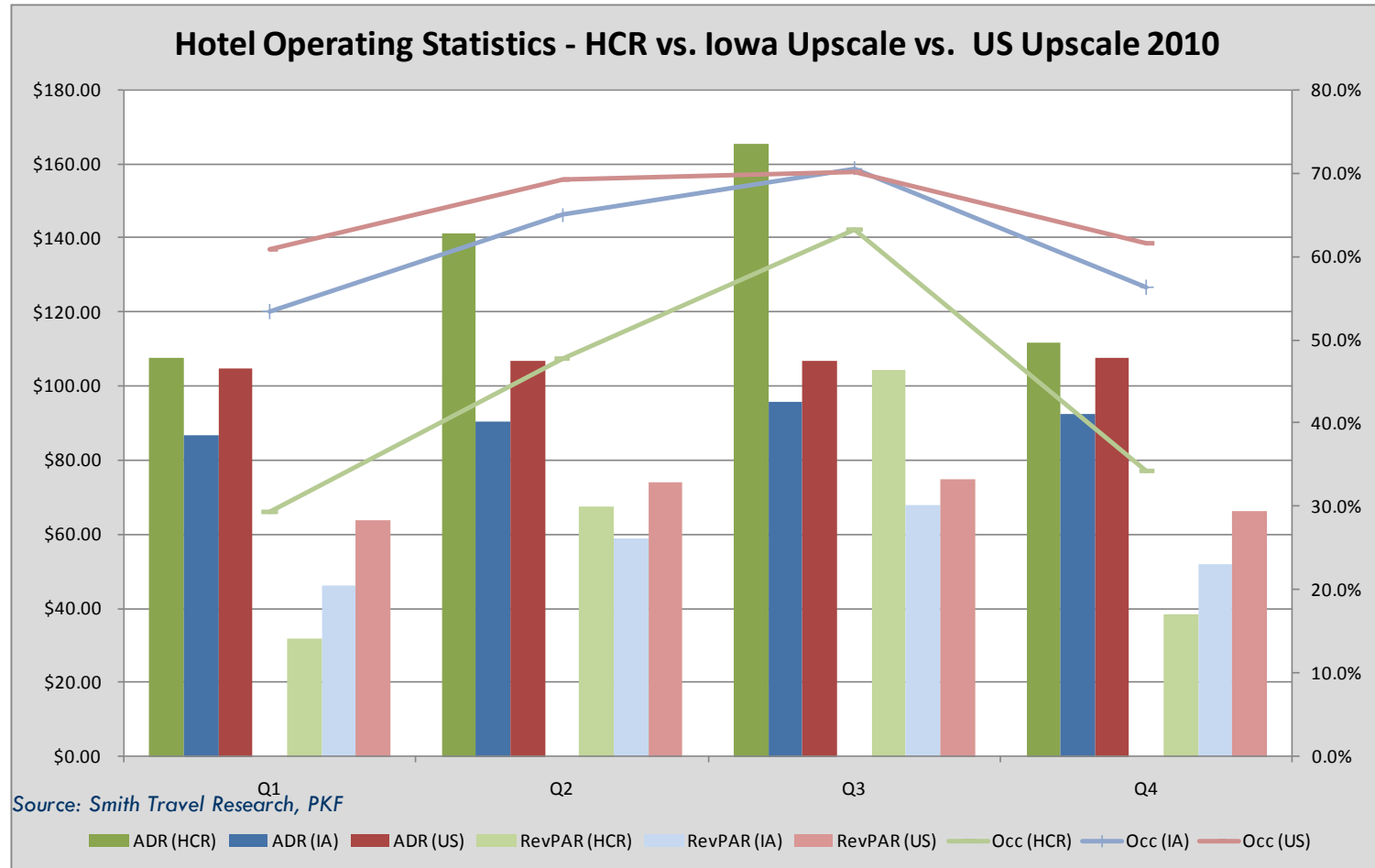
Source: Smith Travel Research, PKF

- Over the past seven quarters, hotel performance in Iowa has generally followed national trends, but has significantly lagged behind in ADR and RevPar; two key performance metrics.





State of the Industry



- In 2010, Honey Creek Resort achieved a higher ADR than Iowa as a whole and the US, and a higher RevPAR two of the four quarters (calendar year).



Strategic Initiatives

Fiscal Year 2011

1. Fine-tune reporting and accounting practices.
2. Work with Management to develop and implement a creative sales, marketing, and public relations plan as well as action steps and target dates to invigorate 2011 performance.
3. Work with Management to develop and implement a strategy to flex hotel operations during the winter/low season to minimize losses.
4. Redefine competitive set to consider comparable properties, demand segments and pricing.
5. Develop a capital plan for both planned and emergency expenditures.
6. Assess Honey Creek's amenity potential in an effort to improve NOI.



Strategic Initiatives Progress: Sales & Marketing

Focus, Accountability, and Transparency

- New sales and marketing plan completed; sales target goals and demand segments have been set and allocated to the sales staff.
- To support off-site sales efforts, a new group coordinator has been hired onsite, and a contract with the Knowland Group has been executed to supplement sales team effort.
- Role of interpretation in sales and marketing further defined; collateral and marketing material being proofed.
- Presented Web Review to management team, culminating in a SWOT analysis and future action steps, such as exploring booking opportunities with OTAs, re-organizing and expanding certain information presented, and tips for managing and enhancing user-generated content.



Financial Performance – December

	Year to Date This Year	Percent	Year to Date Budget	Year to Date Variance	Year to Date Last Year	Percent
REVENUES						
Room	1,046,593	31.76	1,131,271	(84,678)	974,727	29.71
Cottage	712,401	21.62	699,099	13,302	649,187	19.79
Food	856,352	25.99	975,371	(119,019)	965,040	29.42
Beverage	196,033	5.95	192,170	3,863	188,217	5.74
Gift Shop	28,270	0.86	36,693	(8,423)	33,381	1.02
Buccancer Bay Waterpark	57,203	1.74	70,866	(13,663)	67,465	2.06
The Preserve - Golf	351,912	10.68	408,772	(56,860)	348,699	10.63
Telephone	5	0.00	680	(675)	71	0.00
Other	46,672	1.42	60,925	(14,253)	53,811	1.64
Total Revenue	3,295,441	100.00	3,575,847	(280,406)	3,280,598	100.00
PARTMENTAL COSTS AND EXPENSES						
Room	269,487	8.18	289,068	(19,581)	312,558	9.53
Cottage	75,608	2.29	83,725	(8,117)	79,708	2.43
Food	799,307	24.25	852,342	(53,035)	870,762	26.54
Beverage	108,230	3.28	112,230	(4,000)	113,560	3.46
Gift Shop	26,380	0.80	26,760	(380)	31,344	0.96
Waterpark	103,013	3.13	111,480	(8,467)	121,851	3.71
Golf	351,442	10.66	417,143	(65,701)	366,206	11.16
Telephone	30,595	0.93	25,678	4,917	28,185	0.86
Total Dept Costs & Expense	1,764,062	53.53	1,918,426	(154,364)	1,924,174	58.65
Operating Dept Income	1,531,379	46.47	1,657,421	(126,042)	1,356,424	41.35
UNDISTRIBUTED EXPENSES						
Administrative & General	255,163	7.74	243,120	12,043	296,296	9.03
Sales & Marketing	348,976	10.59	372,553	(23,577)	386,652	11.79
Property Operation/Maintenance	162,723	4.94	146,973	15,750	138,371	4.22
Energy	213,729	6.49	225,340	(11,611)	200,818	6.12
Total Undistributed Expenses	980,591	29.76	987,986	(7,395)	1,022,137	31.16
Income Bf Mgmt Fee & Fixed Chg	550,788	16.71	669,435	(118,647)	334,287	10.19
MANAGEMENT FEES AND FIXED CHARGES						
Management Fees	111,000	3.37	111,000	0	111,000	3.38
Rent, Prop Tax & Insurance	93,859	2.85	108,000	(14,141)	95,141	2.90
Interest	753,743	22.87	753,744	(1)	757,758	23.10
Total Mgmt Fee-Fixed Charges	958,602	29.09	972,744	(14,142)	963,899	29.38
Net Income Before Taxes	(407,814)	(12.38)	(303,309)	(104,505)	(629,612)	(19.19)
BOND FUND INTEREST						
Bond Interest Accrued	753,743	22.87	753,744	(1)	757,758	23.10
Net Operating Income	345,929		450,435		128,146	

- Due to improved exposure and new sales strategy, Rooms revenue is up 7.4% over last year, Cottage revenue is up 9.7%.
- Food revenue down 11.3%, but revised sales strategy should yield catering and banquet gains to address this trend.
- Aggressive cost containment strategies have resulted in an overall decrease of departmental costs by 8.3%. Efficiencies achieved in every department except Telephone.
- A&G and Sales & Marketing are beginning to stabilize; FY 2012 budget to reflect further cost-containment strategies.
- Demonstrated results in revised hotel flexing to achieve a \$220,000 gain.



Financial Performance – FY 2012

Budget FY 2012

- First draft of the FY 2012 budget currently in review.
- To be delivered by March 1st and presented at Commissioner Meeting in April.
- Preliminarily projecting to increase overall revenue by 6%, departmental profit to increase by almost 8%, and Net Income to increase by over 45%.



Questions?

