1. Build-Out Costs and Lease Term

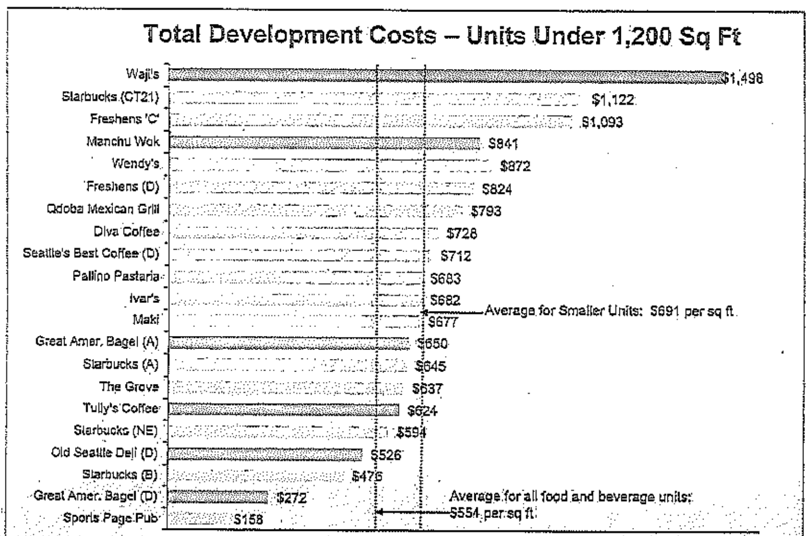
A. High investment requirements for fit-out of spaces

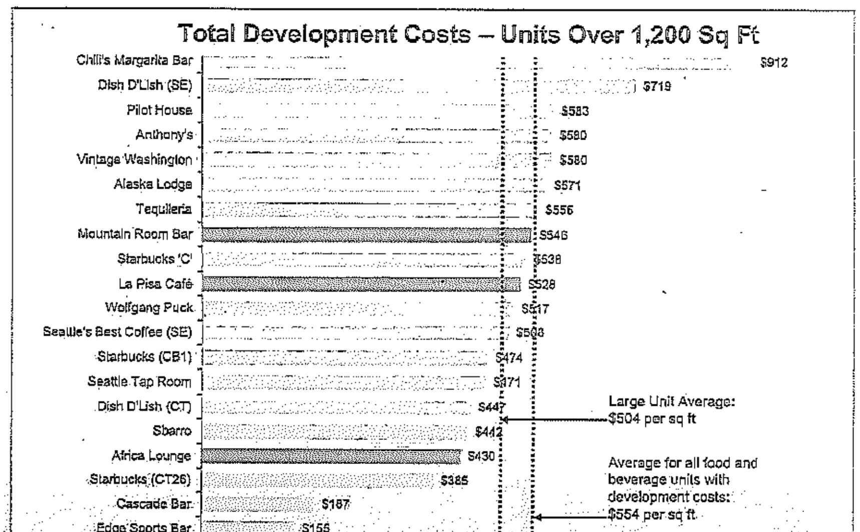
The figures below show the total development cost per sq ft of concession units at Sea-Tac. The figure on the left shows the range of unit costs for units under 1,200 sq ft (smaller units), while the figure at right shows the costs for units larger than 1,200 sq ft (larger units).

Concourse A DBE group tenants had costs above the small unit average, two were right around the average, and two were below the average. Similarly, for larger units two were above the large unit average by 10% or less, and one was under the average by about 17%.

The total average cost for all F&B tenants making investment in new units was $556 compared with the DBE Group average (large and small) of $526 per sq ft, a difference of about 5.4%. Waji's was constructed in 2007 and had a very high build-out cost on a sq-ft basis. According to the Port, staff raised concerns about the high cost of redeveloping this unit and asked the concessionaire to review its sales estimates and development costs carefully before preceding. The concessionaire made the decision to proceed with construction.

The development costs for the DBE Group was, on average, somewhat lower than the average cost of all terminal F&B tenants. However, as noted on the following page, the average cost per sq ft for F&B units were high by airport industry standards.





1. Build-Out Costs and Lease Term

B. Changes to the construction and design standards mandated by Port after concession agreements were entered into.

While the cost of development for the DBE Group was slightly lower than for other units at Sea-Tac, the costs for all units appear to be high.

The DBE Group has stated that:

1. The concessions on Concourse A were the first to be developed and they were, in effect, "guinea pigs" while the Port and its consultants developed new tenant design standards.
2. The DBE Group believes the consultants were particularly aggressive in the review of designs and changing standards, causing repeated changes during design development.
3. The design and construction period for the new units took 18 months, about half again as long as a normal development schedule, due to difficult and changing requirements.
4. As a result, the development costs were high overall and high relative to the sales they were able to achieve after opening.

The figure at right shows the recent (2006-2007) actual costs for developing a variety of food and beverage units at Denver International Airport. At Denver, the average cost for a variety of F&B projects was $360 per sq ft, about 30% lower than the cost of developing similar concession units at Sea-Tac ($504 per sq ft).

The DBE Group tenants also pointed out that Host commissioned an engineering report which found that the cost of developing its new spaces were "35% to 50% higher" than at other large airports due to Port-mandated requirements. The tenants also pointed out that there were no design standards for renovations, only for new unit construction. In 2005, Host provided a summary of development costs for units it had recently developed at airports across the coverage with an average cost of $360 per sq ft.

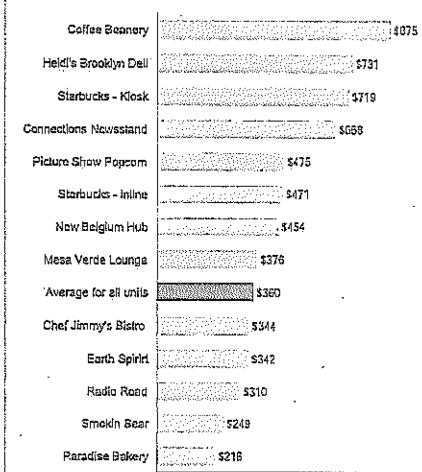
At large airports today, food and beverage development costs will typically run above $400 per sq ft.

The 2001 RCDP stated that concession fit-out costs would be in the range of $400 per sq ft for quick-serve and coffee units and $350 per sq ft for larger spaces. The sublease has a minimum investment requirement of $250 per sq ft.

Based on the above, the cost of developing the spaces appears high relative to other airports and the expected development costs at the time the agreements were entered into. This has been recognized by the Port and led to the 2005 relief package.

A comparison of development costs to the sales performance is presented on the following page.

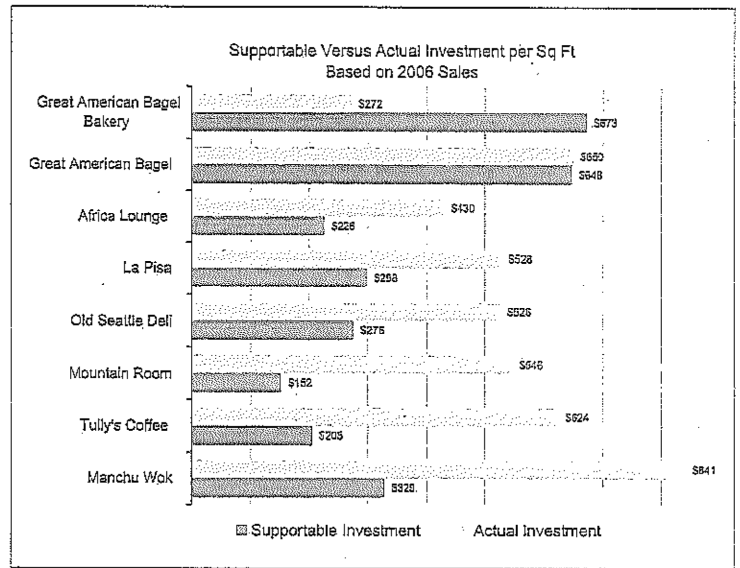
Recent Development Costs per Sq Ft at Denver International Airport



1. Build-Out Costs and Lease Term

Supportable investment based on forecast sales

For comparison purposes we performed a "back-in" analysis to estimate the reasonable build-out cost per sq ft for each concession unit. Normally a concessionaire would expect sales to be 3 times the capital investment. For this analysis we used 2006 sales, the second full calendar year of operation. Normally a concessionaire would look at historical sales per sq ft and sales per enplanement data for the location, adjust for the new brand or concept and for the attractiveness of new facilities. However, there was no historical data for units on Concourse A, as this was a new development.



The analysis, presented graphically top right, indicates that 6 of the 8 units had development costs that were much higher than the sales could support. Only Great American Bagel Bakery had a ratio of sales to investment that was above the reasonableness test (and by a wide margin). Manchu Wok, Tully's, and the Mountain Room had the largest differences in actual versus supportable investment.

This simplistic analysis ignores the "real world" business risks, including operating and development risks. Many of the Host and SRA units did not produce a 3X sales to investment ratio (even though Host has industry-leading competencies in concession investment development).

The figure excludes the Old Seattle Deli unit on Concourse B, which has no new capital investment, and the new Waji's unit on Concourse C, which was re-concepted and re-opened in 2007.