

**Dep. Ex. 851**

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF FLORIDA

In re:  
FONTAINEBLEAU LAS VEGAS HOLDINGS,  
LLC, *et al.*,

Case No. 09-21481-BKC-AJC

Chapter 11

Debtors.

(Jointly Administered)

\_\_\_\_\_  
FONTAINEBLEAU LAS VEGAS LLC,

Plaintiff,

v.

BANK OF AMERICA, N.A., *et al.*,

Adv. Pro. No. 09-01621-ap-AJC

Defendants.  
\_\_\_\_\_

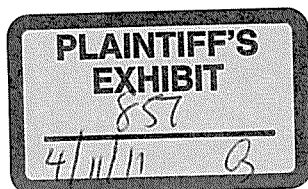
**DECLARATION OF ROBERT W. BARONE**

I, Robert W. Barone, being duly sworn, hereby declare as follows:

1. I am a Senior Vice President and Principal of Inspection and Valuation International, Inc. My business address is 106 Corporate Park Drive, Suite 417, White Plains, New York 10604.

2. All of the facts in this declaration are known to me personally or from my review of relevant business records. If called as a witness I could and would testify competently to all facts set forth herein.

3. I have been employed by IVI since 1984. I have over 25 years of experience in the construction industry. I have worked on a wide range of projects in the commercial and residential areas, with a strong concentration in complex mixed-used projects. During my career, I have been responsible for reviewing development proposals and providing



owner representation services for foreign governments, major lending institutions and equity investors.

4. During my career at IVI, I have been responsible for monitoring a number of large mixed-use construction projects, including several in the gaming industry. These projects have included the Wynn Las Vegas, a \$2.5 billion, 5,200,000 Square Foot Gross (“SFG”) resort and casino in Las Vegas, Trump International Hotel and Tower, a \$600 million 96-story mixed-used building in Chicago, The Cosmopolitan, a \$2.0 billion, approximately 6,000,000 SFG resort and casino in Las Vegas; Time-Warner Center, an \$860 million, 2,800,000 SFG mixed used building in Manhattan, Xanadu, a \$1.2 billion, 5,900,000 SFG enclosed mall in East Rutherford New Jersey, and Atlantis – Phase III, a \$730 million expansion of the Nassau, Bahamas resort.

5. I have an associate degree in architecture and engineering and am a registered architect in New York State. I am also a LEED Accredited Professional. LEED stands for Leadership in Energy and Environmental Design and pertains to a set of standards for environmentally sustainable construction.

6. In May 2007, IVI was retained by Bank of America, on behalf of a group of lenders, to serve as a construction consultant to oversee the construction of Fontainebleau Las Vegas, a 63-story, 8,749,063 SFG casino resort located on “The Strip” in downtown Las Vegas (the “Project”).

7. I was designated to be the Principal for this engagement. The Senior Project Manager for this Project was Paul R. Bonvicino., Jr., who reported directly to me.

8. IVI’s responsibilities included monitoring documentation and information provided by Fontainebleau and the General Contractor for the Project, Turnberry West

Construction, Inc. (“Turnberry”), concerning the progress of the Project and whether, among other things: (i) it was being built according to the appropriate plans and specifications, (ii) it remained on schedule to be completed by the Scheduled Opening Date, (iii) all project costs for which Advances were requested were properly substantiated, (iv) all future costs required to complete the Project were being accurately reported, (v) the Project remained within the approved budget, and (vi) an adequate contingency balance was maintained for potential additional costs that were not specifically budgeted for.

9. In this role, we reviewed materials made available to us by Fontainebleau and Turnberry.

10. The Master Disbursement Agreement, dated as of June 6, 2007 (the “Disbursement Agreement”) set forth numerous conditions and requirements associated with the Project, including preconditions that had to be met and documented and representations that had to be made by Fontainebleau in order to obtain Advances to pay Project Costs. One of IVI’s responsibilities was to review the Advance Requests that Fontainebleau submitted each month and to report to Bank of America and the other lenders on the adequacy and appropriateness of the information submitted, insofar as it related to construction costs at the Project.

11. On January 30, 2009, IVI issued its Project Status Report No. 21. Attached hereto as Exhibit 1 is a true and complete copy of this January 30, 2009 Report. In performing the review and analysis to prepare this Report, IVI became concerned that Fontainebleau was not fully or accurately reporting all of the Remaining Costs associated with the Project. Each month, the General Contractor, Turnberry, was required to provide us with an Anticipated Cost Report (“ACR”). The ACR was supposed to include an estimate of Anticipated Additional Costs, representing a worst case projection of additional costs that might be incurred

in the future based, in part, on additional expenses, or “change orders,” that had been submitted by the subcontractors. As we stated in our January 30, 2009 Report, IVI was concerned about the completeness and accuracy of the ACR. Specifically, we wrote, “While the Anticipated Cost Report indicates the Project is expected to stay within budget, IVI is concerned that all the subcontractor claims have not been fully incorporated in the report and potential acceleration impact to meet the schedule has not been included.” Exhibit 1 (January 30 Report at page 7).

12. The “potential acceleration impact” mentioned in the January 30 Report was a reference to the fact that the construction of the Podium portion of the Project appeared to be behind schedule. Consequently, the projected completion date was aggressive and work on the Podium—an area of the Project that would house the casino and retail space—would have to be accelerated in order to meet that date. Normally, such work accelerations result in overtime and other additional expenses and we were concerned that not all of these anticipated costs were included in the ACR. As we noted in the January 30 Report, although Fontainebleau and the General Contractor were projecting a project surplus of approximately \$50,000,000, “that is suspect pending potential contractor claims to accelerate the schedule to meet the aggressive target.” Exhibit 1 (January 30 Report at page 7).

13. We were also concerned that costs associated with “pending” owner change orders that already existed as of our January 30 Report—*i.e.*, cost increases in the General Contractor’s budget that were pending approval by Fontainebleau—would substantially exhaust the contingency balance. This would leave little or no cushion in the budget for future additional costs, which we thought were highly likely, especially given the need to aggressively accelerate the rate of construction on the Podium. Accordingly, we stated in our January 30 Report, “The Anticipated [Contingency] Summary anticipates a balance contingency of

\$50,514,708; however, IVI is concerned that the anticipated balance may drop substantially in order to meet the aggressive schedule. The concern specifically, is that all of the subcontractors have not fully incorporated the potential costs to meet the schedule.” Exhibit 1 (January 30 Report at page 22).

14. I had raised these concerns about the completeness and accuracy of the additional costs being reported no later than the last quarter of 2008, but they remained unresolved as of the date of the January Report.

15. Our January 30 Report also stated, “it appears that the LEED credits are tracking behind projections and the Developer has begun a detailed audit.” Exhibit 1 (January Report at page 7.) LEED credits are state sales tax credits for the purchase of building materials for new construction that met prescribed standards for environmentally-friendly construction. The State of Nevada had indicated that the Project would be considered for such credits. Fontainebleau had projected approximately \$59 million in LEED credits in its initial budget. To the extent these credits were not realized, that would increase the costs of construction. We explained in our January 30 Report that “it appears that the anticipated LEED credits are tracking behind projections, possibly in excess of \$15,000,000. The Developer has begun a detailed audit of the GC’s cost documentation to determine if all the possible credits have been obtained from the subcontractors.” Exhibit 1 (January 30 Report at page 22). IVI had been told that this audit was in process, although we were never provided with the results of that audit.

16. It is important to note that under the Disbursement Agreement, Remaining Costs “shall, in all events include the entire amount of any disputed claims with Contractors, except to the extent the Construction Consultant concurs with the Project Entities that the amount asserted by the relevant Contractor is in excess of the amount which is reasonably likely to be

due to that Contractor.” (Disbursement Agreement, Exhibit A at page 26). Thus, in order for IVI to do its review and to determine what the total Remaining Costs of the Project were, it was critical that we receive information on all potential costs, claims and change orders, even if they were disputed by Fontainebleau or Turnberry.

17. IVI’s concerns about the completeness and accuracy of the construction cost information we were reviewing persisted through February 2009. Consequently, on March 3, 2009, IVI issued its Project Status Report No. 22. Attached hereto as Exhibit 2 is a true and accurate copy of this March 3, 2009 Report. In this report, we wrote that “[t]he Anticipated [Contingency] Summary anticipates a balance contingency of \$15,545,478; however, IVI is concerned that the anticipated balance may drop substantially in order to meet the aggressive schedule. The concern specifically, is that all of the subcontractors have not fully disclosed the potential costs to meet the schedule.” Exhibit 2 (March 3, 2009 Report at 23). As noted above, the contingency balance was to provide for additional costs that were not specifically included in the budget. Since our January 30 Report, the contingency balance had dropped from more than \$50 million to approximately \$15.5 million and we were concerned that this balance would be depleted quickly to meet to accelerated work schedule for the Podium, as well as additional claims for design changes, job conditions and other contingencies that would be expected to arise with a Project of this magnitude that still had a minimum of eight months left to completion. Exhibit 2 (March 3, 2009 Report at 7).

18. Our March 3, 2009 Report repeated our concern from the January 30 Report that “[w]hile the Anticipated Cost Report indicates the Project is expected to stay within budget, IVI is concerned that all the subcontractor claims have not been fully incorporated into the report and potential acceleration impact to meet the schedule has not been included.” Exhibit

2 (March 3, 2009 Report at 7). The Report also reiterated that the LEED credits were tracking behind projections.

19. On March 5, 2009, I wrote to Deven Kumar, the Vice President of Development Finance of Fontainebleau Las Vegas, LLC. Attached hereto as Exhibit 3 is a true and correct copy of my March 5, 2009 letter to Mr. Kumar. In the letter, I raised three main topics – the Podium venues, the owner change orders and anticipated cost report, and the LEEDS credits.

20. The Podium venues were retail spaces that were designed to support the hotel and casino functions. My concern with the venue opening schedule related to the fact that the progress on podium construction was behind schedule, which directly impacted the extent to which the shops and restaurants would be ready for the Grand Opening. Thus, I told Mr. Kumar in my March 5 letter that we were “hoping to see the finalized schedule within a week.” I also stated “[a]t this point in the project schedule, we would expect to have a better understanding of the design and budget approval status for the venues, and which are planned to be ready for the Grand Opening. Please provide this schedule as soon as possible.” Exhibit 3 (March 5, 2009 Letter at page 1).

21. I also asked Mr. Kumar “for a summary of any costs in excess of the budget related to venue completion.” Exhibit 3 (March 5, 2009 Letter at page 1). Again, we believed that additional costs on the Project were highly likely, given the amount of work that remained prior to completion and the accelerated pace of construction that would be necessary to complete the Podium and the retail venues by the Scheduled Opening Date.

22. The issues concerning owner change orders and the anticipated cost report that I raised in my March 5, 2009 letter to Mr. Kumar were similar to the issues that I had



discussed with Fontainebleau in the last quarter of 2008, that we had raised in our January 30 Report and which had yet to be resolved and, in fact, seemed to be getting worse. As I stated in my letter, "Based upon our review of the Turnberry West Construction Requisition for the month of February 2009 (received last week) and the Anticipated Costs for Fontainebleau dated January 2009 (the 'ACR'), there appears to be a delay in the execution of Owner Change Orders, which seems to have gotten larger recently." Exhibit 3 (March 5, 2009 Letter at page 1). The Turnberry West Construction Requisition contained a request for payment of costs that had been incurred to date. Owner Change Orders, as I indicated above, were changes to the budget that had been approved by Fontainebleau. It appeared to me that likely Owner Change Orders were not being included in the ACR or the calculation of Remaining Costs until they had been approved by Fontainebleau, even though those costs were being reflected in the Turnberry Requisition. This created two problems. First, the ACR and Remaining Costs reports were supposed to include even disputed potential additional costs, regardless of whether they had been approved by Fontainebleau, unless IVI agreed that those costs could be excluded. Second, because the amounts associated with the Owner Change Orders were reflected in the Turnberry Requisition, it appeared to us that these amounts were not disputed. My March 5 letter therefore stated:

It appears that the ACR's "Anticipated Additional Costs," which were supposed to be a worst case projection of the potential owner change orders, are actually a summary of the projected costs to date with no projection of future needs. This is not what the ACR should be representing. This seems to be the case as just about all of the Anticipated Additional Costs (approx. \$60,800,000) have now been included in TWC's latest requisition as a credit entry labeled "TW Construction – Commitments Against POCs." It seems that TWC has already committed all of the Anticipated Additional Costs into their project as subcontractor change orders and Fontainebleau Las Vegas, LLC ("FBLV") has not signed the Owner Change Orders. This gives the indication that the project contingency is higher than it actually is."

Exhibit 3 (March 5, 2009 Letter at page 2).

23. I tried to convey the severity of my concerns in my March 5 letter, which stated “this leads us to believe that FBLV and TWC are not on the same page with respect to the Owner Change Orders, which needs to be resolved, and that the entire picture regarding additional pending costs are not being fully shown. At this point in the project, it is hard to believe that there are no additional costs or claims out there. The ACR is designed to show the pending costs to the project and if all shown are already in TWC’s requisitions as credits, which balances the contract amounts against the project budget, there must be items missing.” Exhibit 3 (March 5, 2009 Letter at page 2).

24. I asked Mr. Kumar to provide us with “a submission of future potential claims being made by the subcontractors against TWC and any budget overruns related to the un-bought work. Please update the ACR to show the potential exposures to FBLV and a better indication of the current contingency.” Exhibit 3 (March 5, 2009 Letter at page 2). By “un-bought work,” I meant work that had to be completed for the Project, but was not yet the subject of a purchase order or agreement with a specific contractor.

25. Finally, my March 5 letter to Mr. Kumar addressed the LEED credit issue. I told him that we continued “to be concerned about the ability to achieve the required LEED credits for the project.” I asked that the detailed audit, which we were told was in progress, be expedited “to understand the extent of the projected shortfall.” Exhibit 3 (March 5, 2009 Letter at page 2).

26. The following week, I met with Mr. Kumar in Las Vegas on March 11. During this meeting, Mr. Kumar informed me that the Project was more than \$35 million over budget and presented me with a spreadsheet indicating a negative contingency balance. I told him that just based on a review of the spreadsheet, the anticipated cost estimate was too low and

that it looked like there were at least \$41 million in additional costs that would have to be added to the budget. Shortly after our meeting, Mr. Kumar informed me that they would increase the construction cost budget by \$50 million to cover additional costs.

27. The additional costs that Mr. Kumar first told me about on March 11 were not reflected in the March 11 Advance Request, which reflected Remaining Costs of \$1,001,749,043 and an In-Balance cushion of \$42,005,669. This In-Balance cushion was substantially less than the In-Balance cushion of \$115,984,214 that Fontainebleau had reported in connection with its February Advance Request, and that was without the additional \$50 million in costs that Fontainebleau added to the construction cost budget in March. Fontainebleau subsequently revised their In Balance cushion—twice—to account for the \$50 million construction budget increase.

28. While we accepted the additional cost information that we received in March from Fontainebleau and Turnberry as true, IVI was still concerned that all the subcontractor claims had not been fully incorporated into the disclosed costs.

29. On April 1 through 3, 2009, IVI conducted a project visit. During this visit, it appeared to us that work in the Podium had fallen behind the aggressive target completion date. It also seemed that work related to many of the retail venues had made little progress. It was our impression from this that key decisions concerning the build-out of the retail venues had not been made and contracts were not being awarded for the necessary construction work. It also appeared that there were no leases with third parties for much of the retail space. Consequently, the feasibility of the new, November 2009 completion date seemed questionable.

30. Thereafter, I sent an April 8, 2009 letter to Mr. Kumar, posing a number of

questions. Attached hereto as Exhibit 4 is a true and correct copy of my April 8, 2009 letter to Mr. Kumar. In that letter, I asked Fontainebleau to “confirm that the Anticipated Final Costs of \$2,101,178,979 carried last month and this month on the ACR Summary is still all inclusive and no additional costs are anticipated for the duration of the project. We still have concerns that not all of the subcontractor claims are being carried with the submitted ACR.” I also inquired as to “the status of determining the build-out limits on the Retail Level.” Exhibit 4 (April 8, 2009 Letter at page 1).

31. It is my understanding that five days later, on April 13, 2009, Fontainebleau issued a notice stating that certain “events, occurrences or circumstances” had occurred which “reasonably could be expected” to prevent the Fontainebleau from satisfying the In-Balance Test, achieving the scheduled Opening Date or meeting its obligations under the Prime Construction Agreement or the other Material Contracts as and when required thereunder. None of this had previously been disclosed to IVI; not during our discussions with the Company in connection with the January, February or March Advance Requests, not during any of my meetings or discussions with Mr. Kumar and not during our site visits in 2009, including the one that had just occurred on April 1 to 3.

32. The next day, I received a spreadsheet from Mr. Kumar, which was entitled “Anticipated Costs as of April 14, 2009.” The spreadsheet was labeled “Draft” and “Preliminary Analysis” and “Subject to Change.” Attached hereto as Exhibit 5 is a true and correct copy of this April 14, 2009 Spreadsheet. It reflected \$189,412,030 in “Anticipated Additional Costs Over Budget.” It also reflected an April 2009 ACR of \$2,258,938,312. Exhibit 5.

33. As noted above, prior to April 14, 2009, I had been concerned that all

anticipated costs were not being reflected in prior ACRs from the Company. Nonetheless, I was stunned to see such an enormous increase in anticipated costs, which had not been previously reported to us, despite our repeated requests that all such information be disclosed. It is inconceivable to me that such a significant amount of costs arose suddenly in April of 2009. I suspected at the time that Fontainebleau had to be aware of these costs, or most of them, much earlier than they were reported to us.

34. This suspicion was confirmed when IVI reviewed a revised project budget that Fontainebleau submitted on May 4, 2009. This budget, which was labeled as "Enhanced," totaled \$3,521,990,142 and represented a \$375 million increase over the previous budget. Our analysis of the revised budget is contained in a Cost-to-Complete Report that IVI issued on May 15, 2009. Annexed hereto as Exhibit 6 is a true and correct copy of this May 15, 2009 Report.

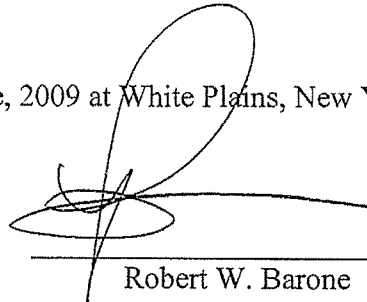
35. In connection of our review of the revised budget, we were provided with an April 2009 Anticipated Cost Report. As we stated in our May 15 Report, "the updated ACR incorporated the anticipated costs to complete each component of the project and includes substantially more entries than the prior version received for the period ending February 2009." Exhibit 6 (May 15, 2009 Report at page 19). The ACR included \$298,053.918 in Pending Owner Changes. As we also stated in the May 15 Report, "it is clear from the number and scope of pending items, the claims were made by the subcontractors some time ago, possibly as far back as a year, and were never included on prior ACRs submitted to IVI." Exhibit 6 (May 15, 2009 Report at page 20).

36. Based on my experience generally and with this Project specifically, I believe that it is highly likely that Turnberry and/or Fontainebleau possess records that would enable one to determine the timeframe in which each of the claims and pending change orders

reflected in the April 2009 ACR were brought to the attention of Turnberry and/or Fontainebleau.

37. I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information and belief.

EXECUTED, this 30th day of June, 2009 at White Plains, New York.



Robert W. Barone

**Dep. Ex. 860**



CONSTRUCTION CONSULTING & PROJECT MANAGEMENT

INSPECTION & VALUATION INTERNATIONAL, INC.

55 West Red Oak Lane
White Plains, New York 10604
(914) 694-1900 (tel)
(914) 694-4007 (fax)
www.ivi-intl.com

EXHIBIT C-2
to the Master Disbursement Agreement

CONSTRUCTION CONSULTANT ADVANCE CERTIFICATE

(Delivered pursuant to Sections 2.4.4(b) and 3.3.5 of the Disbursement Agreement)

Date: March 19, 2009
Advance Date: March 25, 2009

Bank of America, N.A.,
as Disbursement Agent
Relationship Administration Office Manager
Credit Services & Administration
Commercial Real Estate NJ & PA
Bank of America, N.A.
750 Walnut Avenue
MC: NJ6-502-01-03
Cranford, NJ 07016
Attn: Jeanne P. Brown, Vice President

Lehman Brothers Holdings Inc.
as Retail Agent
c/o Lehman Brothers Holdings
399 Park Avenue
New York, New York 10022
Attention: Josh Freedman
Facsimile No.: (212) 713-1278

Bank of America, N.A., as Bank Agent
Mail Code: TX1-492-14-11
Bank of America Plaza
901 Main Street
Dallas, TX 75202-3714
Attn: Donna F. Kimbrough

Wells Fargo Bank, National Association,
as Trustee
Corporate Trust Services
MAC N9303-120
608 2nd Avenue South
Minneapolis, MN 55479
Attention: Fontainebleau Resorts Account
Manager

Re: Advance Request No. 23 (the "Current Advance Request") under the Master Disbursement Agreement dated as of June 6, 2007 (the "Disbursement Agreement") among Fontainebleau Las Vegas Holdings, LLC, Fontainebleau Las Vegas Capital Corp., Fontainebleau Las Vegas Retail, LLC, Fontainebleau Las Vegas, LLC and Fontainebleau Las Vegas II, LLC (collectively, the "Project Entities"), the Funding Agents referred to therein, and Bank of America, N.A., as Disbursement Agent.

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LOS ANGELES · MIAMI · WASHINGTON, D.C.
BARCELONA · LONDON · PARIS NICE · STOCKHOLM

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Ladies and Gentlemen:

Inspection & Valuation International, Inc. (the "Construction Consultant"), hereby certifies as follows:

1. The Construction Consultant has reviewed the above referenced Disbursement Agreement, to which the Project Entities are a party, to the extent necessary to understand the defined terms contained herein and in the Current Advance Request that are incorporated by reference from the Disbursement Agreement and to provide the certifications contained herein. This certificate is being delivered pursuant to Sections 2.4.4(b) and 3.3.5 of the Disbursement Agreement. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Disbursement Agreement.

2. We have reviewed the material and data made available to us by the Project Entities, the General Contractor, the Architect, the other Contractors and the Subcontractors since the date of the last Advance Request, which material and data consists of the Current Advance Request and the appendices and other items attached thereto; relevant Contractor and Subcontractor invoices; and Plans and Specifications. We have also observed the status of construction progress at the Site. Our review and observations were performed in accordance with generally accepted consulting practices consisting of a walk-through of the Site conducted on March 1, 2009 observation of installed equipment and material, observation of work procedures, review of "QA," "QC" and safety program reports as made available by the General Contractor, Contractors and Subcontractors, and our attendance of the construction review progress meetings. We have also reviewed the Architect's Advance Certificate and the General Contractor's Advance Certificate (together, the "Supporting Certificates") (unless the Disbursement Agreement does not require one or more of such Supporting Certificates to be included with the Advance Request) attached to the Current Advance Request as Appendix 14 and 15 (together, the "Current Supporting Certificates"), including each monthly progress report submitted pursuant to the Prime Construction Agreement. We have also reviewed all previous Advance Requests and the Supporting Certificates submitted with such previous Advance Requests.

3. Based on our review of the aforementioned information, and of data provided to us by others which we have not independently verified, we are of the opinion that, as of the Advance Date:

- a) Based on our periodic review of the progress of design, procurement and construction of the Project, we have not discovered any substantial deviations from the Plans and Specifications in the claims for materials that have been procured and work performed under the Current Advance Request and all previous Advance Requests;
- b) The Project Entities have properly substantiated, in all material respects, the Project Costs for which payment is requested in the Current Advance Request.
- c) The Remaining Cost Report attached to the Current Advance Request **does not** accurately reflect, in all material respects, the Remaining Costs required to achieve Final Completion, segregated by each Line Item Category. **IVI believes that an additional \$50,000,000 will be required for Construction Costs, or \$663,967,560 cost to complete.**
- d) The Unallocated Contingency Balance is substantially as set forth in the Detailed Remaining Cost Report attached to the Current Advance Request and does **not** equal or exceed the Required Minimum Contingency;
- e) The Opening Date is **not** likely to occur on or before the Scheduled Opening Date set forth in the Current Advance Request. **IVI believes November 1, 2009 is the likely Opening Date.** The Completion Date is likely to occur within 180 days thereafter;
- f) Our scope of review has not brought to our actual attention any material errors in the information contained in the Current Advance Request or in the Current Supporting Certificates referred to in paragraph 2 of this Construction Consultant Advance Certificate, **except as noted in 3(c), 3(d) and 3(e);**
- g) Except for the Permits detailed in Exhibit G to the Disbursement Agreement, to the best of our actual knowledge, there are no other material Permits or governmental authorizations currently required in connection with the construction and operation of the

Project not related to business license, taxation and employment;

- h) We have periodically observed the progress of work and have met with various representatives of the Project Entities and Contractors working on the Project and have reviewed documents provided by the Project Entities' consultants and design professionals and based on the foregoing we have not found any material discrepancies from the Plans and Specifications and consider the work performed to date to be in accordance with the Plans and Specifications in all material respects;
- i) The Advances requested in the Current Advance Request are, in our reasonable judgment, generally appropriate in light of the percentage of construction completed and the amount of Unincorporated Materials;
- j) To the best of our knowledge, there are no approved or material proposed Scope Changes (other than Minor Scope Changes) which are not listed on Appendix 17 to the Current Advance Request listing Scope Changes or that have not been listed in a previous Advance Request;
- k) The Project Entities have delivered the written inventory of Unincorporated Materials and evidence reasonably satisfactory to us that the conditions set forth in Section 3.3.22 have been satisfied;
- l) The undersigned has not discovered any material error in the matters set forth in the Current Advance Request or Current Supporting Certificates, **except as noted in 3(c), 3(d) and 3(e).**

Based on the foregoing, the Construction Consultant approves the Current Advance Request.

The foregoing certifications as to Project Costs incurred pursuant to the Resort Budget, relate solely to Total Hard Costs.

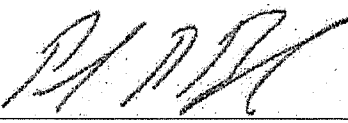
In making the foregoing representations, warranties and certifications, the Construction Consultant has relied whenever it has deemed it reasonably appropriate to do so, on the accuracy and legality of all documents provided to the Construction Consultant by third parties. The Construction Consultant is not providing independent verification as to the accuracy of each item of information provided nor is it performing the services of a design professional.

The foregoing representations, warranties and certifications are true and correct, are made for the benefit of the Disbursement Agent, the Funding Agents and the Lenders represented thereby, and may be relied upon by such parties for the purposes of making Advances pursuant to the Disbursement Agreement; provided, that, to the extent any such Person is not entitled to rely on such representations, warranties and certifications pursuant to Section 11.18 of the Disbursement Agreement then such representations, warranties and certifications are deemed to not to have been made to such Person and such Person may not rely on thereon.

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IN WITNESS WHEREOF, the Construction Consultant has executed this Construction Consultant Advance Certificate as of the 19 day of March, 2009.

INSPECTION & VALUATION INTERNATIONAL, INC.,  
a New York corporation

By: 

Name: Paul R. Bonvicino Jr.  
Title: Senior Project Manager

**Dep. Ex. 861**

From: Bill Scott. Sent: 3/22/2009 1:10 PM.  
To: Alan Martin; eric.t.sieke@bankofamerica.com; Alan Martin; eric.t.sieke@bankofamerica.com.  
Cc: Yu, Henry; Yu, Henry.  
Bcc:  
Subject: FW: FB Las Vegas - Remaining Cost.

Redacted -- Privileged

William M. Scott IV  
333 South Hope Street  
48th Floor  
Los Angeles, CA 90071-1448  
bscott@sheppardmullin.com  
Direct: 213.617.4276  
Fax: 213.443.2717  
Cell: 818.515.3679

Circular 230 Notice: In accordance with Treasury Regulations we notify you that any tax advice given herein (or in any attachments) is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of (i) avoiding tax penalties or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein (or in any attachments).

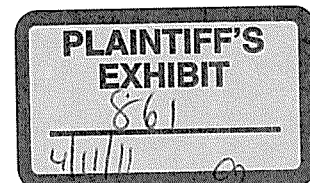
Attention: This message is sent by a law firm and may contain information that is privileged or confidential. If you received this transmission in error, please notify the sender by reply e-mail and delete the message and any attachments.

From: Barone, Robert [mailto:robert.barone@ivi-intl.com]  
Sent: Sunday, March 22, 2009 8:38 AM  
To: Bill Scott  
Cc: Bolio, Brandon; Yu, Henry; Corum, Brian; Bonvicino, Paul R.  
Subject: FB Las Vegas - Remaining Cost

Bill

As a follow up to our conversation yesterday, I wanted to outline the \$50,000,000 increase to the Remaining Costs as included in our recent draw certification.

Over the last two weeks or so, we have been working with the developer to update their most recent anticipated cost report ("ACR") as we did not believe it included all costs it should. Through this review, we have agreed that the prior ACR did not include an adequate projection of costs, only those actually incurred to date and requiring change orders at this time. The developer has now provided an ACR that they state



represents their understanding of the hard cost exposures to the project, which totals \$53,172,979 broken down as follows:

LEED Credit Shortfall - \$6,007,876  
Site, Tower, Garage/Convention and Podium - \$23,165,103  
General Conditions - \$24,000,000

While we have not conducted an audit of the information presented (it would take weeks), the information presented appears reasonable at this stage in the project. I have attached the ACR (Funding Summary) and back up worksheet (ACR Overview) that outlines what is included in the numbers. It is important to note that these are just the developer's worst case projections and do not represent committed costs. However, the LEED shortfall and general condition costs are a reasonably certain cost while the remaining \$23,165,103 could still be considered Unallocated Contingency.

As part of this month's draw, the developer has issued change orders to the contractor (Turnberry West) to cover the committed costs, which resulted in a remaining Unallocated Contingency of \$11,994,445.

When the remaining Unallocated Contingency of \$11,994,445 is applied against the potential overrun of \$53,172,979, an overrun of \$41,178,542 is projected for the developer's best guess of their exposures.

While we believe the developer has done a credible job of projecting the potential costs, it is prudent to include some additional funds for what is not known or expected at this time. At this point, IVI is recommending an additional +/- \$9,000,000 contingency, which results in our \$50,000,000 increase in the remaining costs. With the addition of the \$9,000,000, the IVI recommended contingency would be about \$32,165,000. This will be monitored on a monthly basis.

I hope this helps clarify our recommendation.

Regards,

Bob

Robert W. Barone, R.A., LEED AP  
Inspection & Valuation International, Inc.  
106 Corporate Park Drive, Suite 417

White Plains, NY 10604

914.694.1900 x 5113 (tel)  
914.694.4007 (fax)  
914.368.4613 (direct fax)  
robert.barone@ivi-intl.com <mailto:robert.barone@ivi-intl.com>

[www.ivi-intl.com](http://www.ivi-intl.com/)<<http://www.ivi-intl.com/>>

**Dep. Ex. 862**



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**From:** Barone, Robert  
**Sent:** Monday, March 23, 2009 5:42 PM  
**To:** Bolio, Brandon; Bonvicino, Paul R.; Yu, Henry; Alan Martin; Corum, Brian; Bill Scott; Naval, Ronaldo; Brown, Jeanne P; Sieke, Eric -Legal  
**Subject:** RE: Las Vegas Draw Reports  
**Attachments:** EXHIBIT C-2 IVI #23 3-23-09.pdf; Advance\_Request\_revised\_3-23-2009.pdf; Detailed\_Remaining\_Cost\_revised\_3-23-2009.pdf; Remaining\_Cost\_Report\_revised\_3-23-2009.pdf

Brandon,

Attached is our executed Construction Consultant Advance Certificate for the revised Advance Request and the documents we based our approval on.

It is important to note that while the documents are acceptable, they are unsigned, and executed versions should be obtained.

Let us know if you need anything further.

Regards,

Bob

Robert W. Barone, R.A., LEED AP  
Inspection & Valuation International, Inc.  
106 Corporate Park Drive, Suite 417  
White Plains, NY 10604  
914.694.1900 x 5113 (tel)  
914.694.4007 (fax)  
914.368.4613 (direct fax)  
[robert.barone@ivi-intl.com](mailto:robert.barone@ivi-intl.com)  
[www.ivi-intl.com](http://www.ivi-intl.com)

---

**From:** Bolio, Brandon [mailto:brandon.bolio@bankofamerica.com]  
**Sent:** Monday, March 23, 2009 7:17 PM  
**To:** Barone, Robert; Bonvicino, Paul R.; Yu, Henry; Alan Martin; Corum, Brian; Bill Scott; Naval, Ronaldo; Brown, Jeanne P; Sieke, Eric -Legal  
**Subject:** FW: Las Vegas Draw Reports

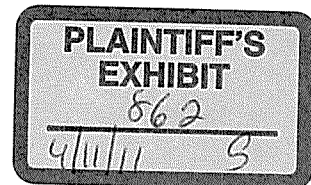
Attached are the revised draw reports...reviewing them now. Let me know if you have comments.

---

**From:** Jaclyn Miller [mailto:jmiller@fontainebleau.com]  
**Sent:** Monday, March 23, 2009 6:11 PM  
**To:** Bolio, Brandon  
**Cc:** Bill Bewley; Deven Kumar  
**Subject:** Las Vegas Draw Reports

Brandon,

Here are our proposed changes to the reports for your review. Please let us know if you have any comments.



Thanks,  
Jacki

Jaclyn Miller / Director of Development Accounting  
Fontainebleau Resorts, LLC  
[jmiller@fontainebleau.com](mailto:jmiller@fontainebleau.com)  
O: 702 495 7673 C: 702 468 6449 F: 702 495 7675  
101 Convention Center Suite P100 / Las Vegas NV 89109  
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**CONSTRUCTION CONSULTING &  
PROJECT MANAGEMENT**

**INSPECTION & VALUATION  
INTERNATIONAL, INC.**

55 West Red Oak Lane  
White Plains, New York 10604  
(914) 694-1900 (tel)  
(914) 694-4007 (fax)  
www.ivi-intl.com

EXHIBIT C-2  
to the Master Disbursement Agreement

CONSTRUCTION CONSULTANT ADVANCE CERTIFICATE

(Delivered pursuant to Sections 2.4.4(b) and 3.3.5 of the Disbursement Agreement)

Date: March 23, 2009  
Advance Date: March 25, 2009

Bank of America, N.A.,  
as Disbursement Agent  
Relationship Administration Office Manager  
Credit Services & Administration  
Commercial Real Estate NJ & PA  
Bank of America, N.A.  
750 Walnut Avenue  
MC: NJ6-502-01-03  
Cranford, NJ 07016  
Attn: Jeanne P. Brown, Vice President

Lehman Brothers Holdings Inc.  
as Retail Agent  
c/o Lehman Brothers Holdings  
399 Park Avenue  
New York, New York 10022  
Attention: Josh Freedman  
Facsimile No.: (212) 713-1278

Bank of America, N.A., as Bank Agent  
Mail Code: TX1-492-14-11  
Bank of America Plaza  
901 Main Street  
Dallas, TX 75202-3714  
Attn: Donna F. Kimbrough

Wells Fargo Bank, National Association,  
as Trustee  
Corporate Trust Services  
MAC N9303-120  
608 2nd Avenue South  
Minneapolis, MN 55479  
Attention: Fontainebleau Resorts Account  
Manager

Re: Advance Request No. 23 (the "Current Advance Request") under the Master Disbursement Agreement dated as of June 6, 2007 (the "Disbursement Agreement") among Fontainebleau Las Vegas Holdings, LLC, Fontainebleau Las Vegas Capital Corp., Fontainebleau Las Vegas Retail, LLC, Fontainebleau Las Vegas, LLC and Fontainebleau Las Vegas II, LLC (collectively, the "Project Entities"), the Funding Agents referred to therein, and Bank of America, N.A., as Disbursement Agent.

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LOS ANGELES · MIAMI · WASHINGTON, D.C.  
BARCELONA · LONDON · PARIS · NICE · STOCKHOLM

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Ladies and Gentlemen:

Inspection & Valuation International, Inc. (the "Construction Consultant"), hereby certifies as follows:

1. The Construction Consultant has reviewed the above referenced Disbursement Agreement, to which the Project Entities are a party, to the extent necessary to understand the defined terms contained herein and in the Current Advance Request that are incorporated by reference from the Disbursement Agreement and to provide the certifications contained herein. This certificate is being delivered pursuant to Sections 2.4.4(b) and 3.3.5 of the Disbursement Agreement. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Disbursement Agreement.

2. We have reviewed the material and data made available to us by the Project Entities, the General Contractor, the Architect, the other Contractors and the Subcontractors since the date of the last Advance Request, which material and data consists of the Current Advance Request and the appendices and other items attached thereto; relevant Contractor and Subcontractor invoices; and Plans and Specifications. We have also observed the status of construction progress at the Site. Our review and observations were performed in accordance with generally accepted consulting practices consisting of a walk-through of the Site conducted on March 1, 2009 observation of installed equipment and material, observation of work procedures, review of "QA," "QC" and safety program reports as made available by the General Contractor, Contractors and Subcontractors, and our attendance of the construction review progress meetings. We have also reviewed the Architect's Advance Certificate and the General Contractor's Advance Certificate (together, the "Supporting Certificates") (unless the Disbursement Agreement does not require one or more of such Supporting Certificates to be included with the Advance Request) attached to the Current Advance Request as Appendix 14 and 15 (together, the "Current Supporting Certificates"), including each monthly progress report submitted pursuant to the Prime Construction Agreement. We have also reviewed all previous Advance Requests and the Supporting Certificates submitted with such previous Advance Requests.

3. Based on our review of the aforementioned information, and of data provided to us by others which we have not independently verified, we are of the opinion that, as of the Advance Date:

- a) Based on our periodic review of the progress of design, procurement and construction of the Project, we have not discovered any substantial deviations from the Plans and Specifications in the claims for materials that have been procured and work performed under the Current Advance Request and all previous Advance Requests;
- b) The Project Entities have properly substantiated, in all material respects, the Project Costs for which payment is requested in the Current Advance Request.
- c) The Remaining Cost Report attached to the Current Advance Request accurately reflect, in all material respects, the Remaining Costs required to achieve Final Completion, segregated by each Line Item Category;
- d) The Unallocated Contingency Balance is substantially as set forth in the Detailed Remaining Cost Report attached to the Current Advance Request and does equal or exceed the Required Minimum Contingency;
- e) The Opening Date is likely to occur on or before the Scheduled Opening Date set forth in the Current Advance Request and the Completion Date is likely to occur within 180 days thereafter;
- f) Our scope of review has not brought to our actual attention any material errors in the information contained in the Current Advance Request or in the Current Supporting Certificates referred to in paragraph 2 of this Construction Consultant Advance Certificate;
- g) Except for the Permits detailed in Exhibit G to the Disbursement Agreement, to the best of our actual knowledge, there are no other material Permits or governmental authorizations currently required in connection with the construction and operation of the Project not related to business license, taxation and employment;

- h) We have periodically observed the progress of work and have met with various representatives of the Project Entities and Contractors working on the Project and have reviewed documents provided by the Project Entities' consultants and design professionals and based on the foregoing we have not found any material discrepancies from the Plans and Specifications and consider the work performed to date to be in accordance with the Plans and Specifications in all material respects;
- i) The Advances requested in the Current Advance Request are, in our reasonable judgment, generally appropriate in light of the percentage of construction completed and the amount of Unincorporated Materials;
- j) To the best of our knowledge, there are no approved or material proposed Scope Changes (other than Minor Scope Changes) which are not listed on Appendix 17 to the Current Advance Request listing Scope Changes or that have not been listed in a previous Advance Request;
- k) The Project Entities have delivered the written inventory of Unincorporated Materials and evidence reasonably satisfactory to us that the conditions set forth in Section 3.3.22 have been satisfied;
- l) The undersigned has not discovered any material error in the matters set forth in the Current Advance Request or Current Supporting Certificates.

Based on the foregoing, the Construction Consultant approves the Current Advance Request.

The foregoing certifications as to Project Costs incurred pursuant to the Resort Budget, relate solely to Total Hard Costs.

In making the foregoing representations, warranties and certifications, the Construction Consultant has relied whenever it has deemed it reasonably appropriate to do so, on the accuracy and legality of all documents provided to the Construction Consultant by third parties. The Construction Consultant is not providing independent verification as to the accuracy of each item of information provided nor is it performing the services of a design professional.

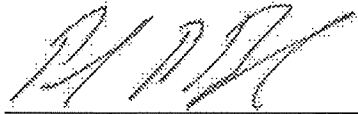
The foregoing representations, warranties and certifications are true and correct, are made for the benefit of the Disbursement Agent, the Funding Agents and the Lenders represented thereby, and may be relied upon by such parties for the purposes of making Advances pursuant to the Disbursement Agreement; provided, that, to the extent any such Person is not entitled to rely on such representations, warranties and certifications pursuant to Section 11.18 of the Disbursement Agreement then such representations, warranties and certifications are deemed to not to have been made to such Person and such Person may not rely on thereon.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the Construction Consultant has executed this Construction Consultant Advance Certificate as of the 23 day of March, 2009.

INSPECTION & VALUATION INTERNATIONAL, INC.,  
a New York corporation

By:



Name: Paul R. Bonvicino Jr.  
Title: Senior Project Manager

EXHIBIT C-1  
to Master Disbursement Agreement

ADVANCE REQUEST

Certificate Date: **March 11, 2009**

Bank of America, N.A.,  
as Disbursement Agent  
Relationship Administration Office Manager  
Credit Services & Administration  
Commercial Real Estate NJ & PA  
Bank of America, N.A.  
750 Walnut Avenue  
MC: NJ6-502-01-03  
Cranford, NJ 07016

Attn: Jeanne P. Brown, Vice President

Re: Advance Request No. **3-25-2009** under Master Disbursement Agreement dated as of June 6, 2007 (the "Disbursement Agreement") among Fontainebleau Las Vegas Holdings, LLC, Fontainebleau Las Vegas Capital Corp., Fontainebleau Las Vegas Retail, LLC, Fontainebleau Las Vegas, LLC, and Fontainebleau Las Vegas II, LLC (collectively, the "Project Entities"), the Funding Agents referred to therein, and Bank of America, N.A., as Disbursement Agent.

Requested Advance Date: **March 25, 2009**  
Resort Amount Requested: **\$137,925,649.55**  
Retail Amount Requested: **\$0**  
Period Covered: **February 1, 2009 through February 28, 2009**

Ladies and Gentlemen:

The Project Entities hereby submit this Advance Request (the "Advance Request") pursuant to the Disbursement Agreement. Capitalized terms used herein without definition shall have the meanings assigned in the Disbursement Agreement.

The Project Entities hereby request the making of the Advances reflected in the Funding Order Report and Advance Request Transfer Report. In connection with the Advances requested herein, and to induce the Disbursement Agent and each relevant Funding Agent to make such Advances, the Project Entities hereby represent, warrant and certify as follows:

I. Certifications.

A. Attachments: Each of the following attachments to this Advance Request is what it purports to be, is accurate in all material respects, is consistent with the requirements of the Disbursement Agreement, and reflects the information required by the Disbursement Agreement to be reflected therein,

in each case as of the Advance Date specified above.

Appendix	Title
1	Requested Cost Report
2	Shared Cost Allocation Report <sup>1</sup>
3	Current Available Sources Report
4	Funding Order Report
5	Advance Request Transfer Report
6	[Reserved]
7	Detailed Remaining Cost Report
8	Remaining Cost Report
9	Retail Remaining Cost Report
10	In Balance Report
11	Lien Release Summary <sup>2</sup>
12	Title Insurance Endorsement Chart <sup>3</sup>
13	Inventory of Unincorporated Materials
14	Architect Advance Certificate
15	General Contractor's Advance Certificate
16	List of Additional Contracts
17	List of Scope Changes

B. Requested Cost Report. The Requested Cost Report attached hereto is in the form required by the Master Disbursement Agreement, and summarizes costs reflected in the Budgets for which Advances are requested to be made on the relevant Advance Date. Each of the items which collectively constitute the Resort Request and the Retail Request set forth in the Requested Cost Report are included in the Budgets, and have been properly expended by the Project Entities in accordance with the Budgets or are anticipated to be expended prior to the Advance Date set forth in the Advance Request. With respect to amounts requested for construction expenses, the Requested Cost Report accurately lists, for each applicable line item, the total current payment requested by the Project Entities (net of retainage). Copies of invoices from the Contractors and Subcontractors for which payment is requested have been delivered to the Construction Consultant. All items described in the Requested Cost Report represent (a) work that has been satisfactorily performed in a good and workmanlike manner and in conformance with the Plans and Specifications, (b) materials that have been delivered to the Site and are incorporated into the Project or will be incorporated within the period contemplated by the Disbursement Agreement, or are Unincorporated Materials complying with the requirements of Disbursement Agreement, (c) the Project Entities' best estimate of Project Costs which will become due and payable on or prior to the Requested Advance Date.

C. Shared Cost Allocation Report.<sup>4</sup> The Shared Cost Allocation Report attached hereto is in

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<sup>1</sup> Include this Appendix only from and after the Initial Bank Advance Date.

<sup>2</sup> Include this Appendix only when requesting Advances from the Bank Proceeds Account.

<sup>3</sup> Include this Appendix only when requesting Advances from the Bank Proceeds Account.



the form required by the Master Disbursement Agreement.

D. Current Available Sources Report. The Current Available Sources Report attached hereto is in the form required by the Master Disbursement Agreement, and accurately reflects availability under each of the applicable Financing Agreements and the available balance of the various Accounts which is available to fund Project Costs.

E. Funding Order Report. The Funding Order Report attached hereto is in the form required by the Master Disbursement Agreement, and has been prepared in accordance with Section 2.10 of the Master Disbursement Agreement, and correctly applies the funding order set forth in such Section to the funds identified in the Current Available Sources Report.

F. Advance Request Transfer Report. The Advance Request Transfer Report is in the form required by the Disbursement Agreement and directs the funds allocated in the Funding Order Report to the various accounts and to reimburse drawings of the Letters of Credit under the Bank Credit Agreement in the manner required by the Disbursement Agreement.

G. Detailed Remaining Cost Report. The Detailed Remaining Cost Report is in the form required by the Master Disbursement Agreement, and reflects for each Line Item Category all changes thereto which are required by Section 6.2 of the Master Disbursement Agreement by reason of any Scope Change or Realized Savings.

H. Remaining Cost Report. The Remaining Cost Report attached hereto is in the form required by the Master Disbursement Agreement, and has been prepared in accordance with Section 4.17 of the Master Disbursement Agreement, and reflects all reasonably anticipated Project Costs required to achieve Final Completion. The Remaining Costs Report details the balance required to complete each line item.

I. Retail Remaining Cost Report. The Retail Remaining Cost Report attached hereto is in the form required by the Master Disbursement Agreement accurately details the remaining costs in the Retail Budget.

J. In Balance Report. The In Balance Report correctly computes the In Balance Test in accordance.

K. Lien Release Summary and Title Insurance Endorsement Chart. The lien release summary chart and appropriate evidence of lien releases required by Section 3.3.16 of the Disbursement Agreement, and title insurance endorsement commitments required by Section 3.3.17 of the Disbursement Agreement, have been received as of the Requested Advance Date for all work, materials and/or services performed and/or delivered in connection with the Project. In addition, all endorsements to the Title Policies required pursuant to the Disbursement Agreement have been received.<sup>5</sup>

L. Inventory of Unincorporated Materials. The inventory of Unincorporated Materials which is attached hereto is accurate in all material respects, and identifies all Unincorporated Materials

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<sup>4</sup> Include this Appendix only from and after the Initial Bank Advance Date.

<sup>5</sup> Include this certification only when requesting Advances from the Bank Proceeds Account.

and states the value thereof. All Unincorporated Materials for which full payment has previously been made or is being made with the proceeds of the Advance to be disbursed are, or will be upon full payment, owned by the Project Entities, and all lien rights or claims of the supplier have been or will be released simultaneously with such full payment and all amounts, if any, required to be paid to the supplier thereof with respect to the installation of such Unincorporated Materials (including any Retainage Amounts). The Project Entities believe that the Unincorporated Materials consist of components that conform to the Plans and Specifications and that will be ready for incorporation into the Project reasonably promptly following delivery thereof. All Unincorporated Materials are properly inventoried, securely stored, protected against theft and damage at the Site or at such other location which has been specifically identified by its address to the Construction Consultant and the Disbursement Agent (or if the Project Entities cannot provide the address of the current storage location, the Project Entities have provided the Construction Consultant with a list of the name and address of the applicable contracting party supplying or manufacturing such Unincorporated Materials). With respect to any Unincorporated Materials as to which deposit or other partial payments have been made or will be made out of the requested Advance (but which have not been and will not be fully paid after giving effect to the requested Advance), the Project Secured Parties have, or will have upon payment with the proceeds of the requested Advance, a perfected security interest in the Project Entities' rights to the Unincorporated Materials and the Contracts therefor, with the priority therein contemplated by the Security Documents. With respect to (i) Unincorporated Materials not stored at the Site from a single or Affiliated suppliers (of which the Project Entities are aware that such suppliers is an Affiliate) with a contract price (or expected aggregate amount to be paid in the case of "cost-plus" Contracts) in excess of \$5,000,000, and (ii) any Contracts for Unincorporated Materials with a contract price (or expected aggregate amount to be paid in the case of "cost plus" Contracts) in excess of \$5,000,000 (excluding items located outside of the United States or in transit from jurisdictions outside of the United States), the Project Entities have executed and delivered to the Disbursement Agent such additional security documents (including, without limitation, financing statements, security agreements, collateral access agreements, consents of manufacturers, vendors, warehousemen and bailees) reasonably requested by the Disbursement Agent necessary to grant the Secured Parties such security interest in the Project Entities' rights to such Unincorporated Materials or Contracts. All Unincorporated Materials are insured against casualty, loss and theft for an amount equal to their replacement costs in accordance with Exhibit D to the Master Disbursement Agreement. The value of Unincorporated Materials located at the Site but not expected to be incorporated into the Project within the ensuing calendar month is not more than \$25,000,000 (or any greater amount approved in accordance with the terms of the Master Disbursement Agreement). The amounts paid by the Project Entities in respect of Unincorporated Materials not at the Site is not more than \$50,000,000 (or any greater amount approved in accordance with the terms of the Master Disbursement Agreement). The amount of contract deposits paid by the Project Entities in respect of Unincorporated Materials is not more than \$50,000,000 (or any greater amount approved in accordance with the terms of the Master Disbursement Agreement).<sup>6</sup>

M. List of Additional Contracts. Attached to this Advance Request is a complete and accurate listings of all Contracts entered into by the Project Entities since the date of the last Advance Request, together with (i) copies of any Contract entered into by the Project Entities and any Contractor with a contract price (or in the case of the "cost plus" contracts, expected aggregate amounts to be paid) in excess of \$5,000,000, (ii) copies of each first tier Subcontract with a contract price (or in the case of the "cost plus" contracts, expected aggregate amounts to be paid) in excess of \$5,000,000, and (iii) a copy of any Payment and Performance Bond required pursuant to Section 5.12 of the Disbursement Agreement, in

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<sup>6</sup> Include this certification only when requesting Advances from the Bank Proceeds Account.

each case unless previously delivered.

N. List of Scope Changes. A list of all approved, pending and proposed Scope Changes (other than Minor Scope Changes) since the previous Advance Request, together with copies of all such Scope Changes (other than Minor Scope Changes) not previously delivered to the Disbursement Agent, is attached hereto.

O. General Representations.

1. Each Material Contract is in full force and effect except (i) for amendments to Material Contracts not prohibited by Section 6.1 of the Master Disbursement Agreement or by the Financing Agreements, (ii) to the extent the Project Entities have entered into a replacement Material Contract to the extent required or permitted by Section 7.1.6 of the Master Disbursement Agreement, and (iii) to the extent terminated in accordance with their respective terms.

2. Each Financing Agreement is in full force and effect, without amendment since the date of its execution and delivery, and in a form which was provided to the Bank Agent and the Trustee prior to the Closing Date, except for amendments to the Financing Agreements to the extent permitted under the Facility Agreements or to the extent terminated in accordance with their respective terms.

3. Each representation and warranty of each Project Entity set forth in Article 4 of the Master Disbursement Agreement or in any Material Contract is true and correct in all material respects as if made on the Requested Advance Date (except that any representation and warranty that relates expressly to an earlier date shall be deemed made only as of such earlier date), unless, prior to the Initial Bank Advance Date, the failure of any such representation and warranty referred to in this clause 3 to be true and correct could not reasonably be expected to have a Material Adverse Effect.

4. To the Project Entities' knowledge, each representation and warranty of each Major Project Participant (other than any Project Entity) set forth in any of the Material Contracts is true and correct in all material respects as if made on the Requested Advance Date (except that any representation and warranty that relates expressly to an earlier date shall be deemed made only as of such earlier date) unless the failure of any such representation and warranty referred to in this clause 4 to be true and correct does not reasonably be expected to have in a Material Adverse Effect, in each case, as certified by the Project Entities in the relevant Advance Request.

5. The In Balance Test is satisfied.

6. There is no order, judgment or decree of any court, arbitrator or governmental authority shall purport to enjoin or restrain the Bank Lenders or the Trustee from making the Advances to be made by them on the Requested Advance Date.

7. The making of the requested Advance shall not violate any law.

8. Since the Closing Date, there has not occurred any change in the economics or feasibility of constructing and/or operating the Project, or in the financial condition, business or property of the Project Entities, any of which could reasonably be expected to have a Material Adverse Effect.

9. Construction of the Project is proceeding materially in accordance with the

Project Schedule and the plans and specifications for the Project (including any Plans and Specifications then delivered) and no Major Project Participant or first tier Subcontractor under the Prime Construction Agreement or party to a Subcontract with a total contract amount or value in excess of \$25,000,000 has suspended performance or otherwise repudiated its obligation to perform any duty or obligation under its respective Material Contract or Subcontract (unless such suspended or repudiated Material Contract or Subcontract is permitted to be, and actually has been, replaced, or a replacement is determined not to be necessary, pursuant to Section 7.1.5 or Section 7.1.6).

10. [[Solely with respect to the initial Advance of funds from the Second Mortgage Proceeds Account, the entire amount of the Equity Proceeds Account has been, or shall concurrently be, applied to the payment of Project Costs.]]<sup>7</sup>

11. [[Solely with respect to the initial Advance of funds from the Second Mortgage Proceeds Account (other than any Advance made solely to pay interest on the Second Mortgage Notes), fixed price or guaranteed maximum price Contracts with Subcontractors in respect of 75% of the Total Hard Cost are in place]]<sup>8</sup>

12. [[Solely with respect to the first Advance which occurs following October 1, 2007, fixed price or guaranteed maximum price Contracts with Subcontractors in respect of 85% of the Total Hard Costs are in place. Each such Subcontract and Contract is consistent with the Budgets, the Project Schedule and the plans and specifications for the Project now in effect.]]<sup>9</sup>

13. [[Solely with respect to the Initial Bank Advance Date, (i) fixed price or guaranteed maximum price Contracts with Subcontractors in respect of 95% of the Total Hard Costs are in place, and (ii) fixed price contracts in respect of not less than 50% of the Costed FF&E are in place. Each such Subcontract and Contract is consistent with the Budgets, the Project Schedule and the plans and specifications for the Project now in effect.]]<sup>10</sup>

14. In the case of each Advance from the Bank Proceeds Account made concurrently with or following the Exhaustion of the Second Mortgage Proceeds Account, the Project Entities have delivered a copy of (i) each Contract or series of related Contracts with the same Person entered into between the Project Entities and any Contractor with a contract price (or expected aggregate amount to be paid in the case of "cost plus" contracts) in excess of \$25,000,000, (ii) each first tier Subcontract with a contract price (or expected aggregate amount to be paid in the case of "cost plus" contracts) in excess of \$25,000,000 (or any or series of related Contracts with the same person), and (iii) a copy of any Payment and Performance Bond required pursuant to Section 5.8 to the Disbursement Agent, the Construction Consultant and Bank Agent promptly after mutual execution and delivery thereof.<sup>11</sup>

15. In the case of each Advance from the Bank Proceeds Account made concurrently

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<sup>7</sup> Insert only where appropriate.

<sup>8</sup> Insert only where appropriate.

<sup>9</sup> Insert only where appropriate.

<sup>10</sup> Insert only where appropriate.

<sup>11</sup> Insert only where appropriate.

with or following the Exhaustion of the Second Mortgage Proceeds Account, the Project Entities have delivered to the Disbursement Agent duly executed acknowledgments of payments and releases of mechanics' and materialmen's liens substantially in the form of Exhibit I to the Master Disbursement Agreement (with any modifications required by Nevada law) from the Contractors required by the Master Disbursement Agreement for all work, services and materials, including equipment and fixtures of all kinds, done, performed or furnished for the construction of the Project from the last day covered by the immediately preceding Advance Request through the last day covered by this Advance Request except for such work, services and materials the payment for which does not exceed, in the aggregate \$50,000,000 and is being disputed in good faith, so long as (1) such proceedings shall not involve any substantial danger of the sale, forfeiture or loss of the Project or the Site, as the case may be, title thereto or any interest therein and shall not interfere in any material respect with the Project or the Site, and (2) adequate cash reserves have been provided therefor through an allocation in the Remaining Cost Report. To the extent of any Outstanding Releases, the Project Entities have provided to the Disbursement Agent from the Title Insurer bonds or endorsements to the title insurance policies insuring the lien free status of the work. The aggregate of all Outstanding Releases do not represent work with an aggregate value in excess of \$50,000,000.<sup>12</sup>

16. In the case of each Advance from the Bank Proceeds Account made concurrently with or following the Exhaustion of the Second Mortgage Proceeds Account, the Project Entities have, or will prior the Requested Advance Date deliver a commitment from the Title Insurer evidencing the Title Insurer's unconditional commitment to issue an endorsement to the Bank Agent's Title Policy in the form of a 122 CLTA Endorsement insuring the continuing priority of the Lien of the Bank Agent's Deed of Trust as security for the requested Advance and confirming and/or insuring that there are no intervening liens or encumbrances which may then or thereafter take priority over the Liens of such Deed of Trust other than Permitted Encumbrances and such intervening liens or encumbrances securing amounts the payment of which is being disputed in good faith by the Borrowers (in which case the Disbursement Agent has received confirmation from the Bank Agent that the Title Insurer has delivered to the Bank Agent any endorsement to its Title Policy required or desirable to assure the Bank Agent against loss to the priority of such lien or encumbrance).<sup>13</sup>

17. In the case of each Advance from the Bank Proceeds Account made concurrently with or following the Exhaustion of the Second Mortgage Proceeds Account, no action, suit, proceeding or investigation of any kind shall has been instituted or, to the Project Entities' knowledge, is pending or threatened, including actions or proceedings of or before any Governmental Authority, to which any Project Entity, the Project or, to the knowledge of the Project Entities, any Major Project Participant (other than any Project Entity), is a party or is subject, or by which any of them or any of their properties or the Project are bound that could reasonably be expected to have a Material Adverse Effect nor are the Project Entities aware of any reasonable basis for any such action, suit, proceeding or investigation and no injunction or other restraining order shall have been issued and no hearing to cause an injunction or other restraining order to be issued shall be pending or noticed with respect to any action, suit or proceeding if the same could reasonably be expected to have a Material Adverse Effect.<sup>14</sup>

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<sup>12</sup> Insert this paragraph only where Advances from the Bank Proceeds Account are requested.

<sup>13</sup> Insert this paragraph only where Advances from the Bank Proceeds Account are requested.

<sup>14</sup> Insert this paragraph only where Advances from the Bank Proceeds Account are requested.

18. To the best of the Project Entities' knowledge, the construction performed in respect of the Project as of the date hereof is substantially in accordance with the current Plans and Specifications for the Project.

19. As of the date hereof, the estimated Scheduled Opening Date is November 1, 2009. The Project Entities have no reason to believe that the Opening Date will not occur on or prior to such date, or that the Completion Date will not occur within 180 days thereafter.<sup>15</sup>

20. No Default or Event of Default has occurred and is continuing or reasonably could be expected to result from the requested Advance under the Disbursement Agreement.

21. The Project Entities have submitted to the Construction Consultant all Plans and Specifications in effect as of the date hereof. All Advances requested under this Advance Request are for the payment of Project Costs incurred for work are consistent with such Plans and Specifications and will permit the Project Entities to complete construction of the Project on or before the Completion Date required above.

22. Each representation and warranty (a) of the Project Entities set forth in Article IV of the Disbursement Agreement or in any of the other Financing Agreements or Material Contract is true and correct in all material respects as if made on and as of the Requested Advance Date with the same effect as if given on the date thereof (except that any representation and warranty that relates expressly to an earlier date shall be deemed made as of such earlier date), and (b) to the Project Entities' knowledge, of the General Contractor, the Completion Guarantor, the Architect and each other Major Project Participant (other than the Project Entities) set forth in any of the Material Contracts is true and correct in all material respects as if made on and as of the Requested Advance Date with the same effect as if given on the date thereof (except that any representation and warranty that relates expressly to an earlier date shall be deemed made as of such earlier date) unless the failure of any such representation and warranty referred to in this clause (b) to be true and correct could not reasonably be expected to have a Material Adverse Effect.

23. Without limitation on the foregoing, the conditions set forth in Sections 3.3 or 3.4, as applicable, of the Disbursement Agreement are satisfied as of the Requested Advance Date with the following exceptions:

[None].

The foregoing representations, warranties and certifications are or will be true and correct as of the Requested Advance Date and Disbursement Agent is entitled to rely on the foregoing in authorizing and making the Advances herein requested. By executing the Advance Confirmation Notice, the Project Entities will be deemed to confirm that the foregoing representations, warranties and certifications are correct as of the Requested Advance Date.

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<sup>15</sup> Modify this Section after Opening Date or Completion Date have occurred.

IN WITNESS WHEREOF, the Project Entities have executed this Advance Request as of the date hereof.

**FONTAINEBLEAU LAS VEGAS HOLDINGS, LLC,**  
a Nevada limited liability company

By: Fontainebleau Resort Properties I, LLC,  
its Managing Member

By: Fontainebleau Resort Holdings, LLC,  
its Managing Member

By: Fontainebleau Resorts, LLC, its Managing  
Member

By: \_\_\_\_\_  
Title: Chief Financial Officer/Authorized Signatory

**FONTAINEBLEAU LAS VEGAS CAPITAL CORP.**  
a Delaware corporation

By: \_\_\_\_\_  
Title: Chief Financial Officer/Authorized Signatory

**FONTAINEBLEAU LAS VEGAS RETAIL, LLC,**  
a Delaware limited liability company

By: Fontainebleau Las Vegas Retail Mezzanine, LLC,  
its Managing Member

By: Fontainebleau Las Vegas Retail Parent, LLC,  
its Managing Member

By: Fontainebleau Resort Holdings, LLC,  
its Managing Member

By: Fontainebleau Resorts, LLC, its  
Managing Member

By: \_\_\_\_\_  
Title: Chief Financial Officer/Authorized Signatory

**FONTAINEBLEAU LAS VEGAS, LLC,**  
a Nevada limited liability company

and

**FONTAINEBLEAU LAS VEGAS II, LLC,**  
a Florida limited liability company

By: Fontainebleau Las Vegas Holdings, LLC,  
Managing Member of each of the foregoing

By: Fontainebleau Resort Properties I, LLC,  
its Managing Member

By: Fontainebleau Resort Holdings, LLC,  
its Managing Member

By: Fontainebleau Resorts, LLC,  
its Managing Member

By: \_\_\_\_\_

Title: Chief Financial Officer/Authorized Signatory



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FONTAINEBLEAU RESORT AND CASINO  
LAS VEGAS, NV  
DETAILED REMAINING COST REPORT  
APPENDIX VII TO EXHIBIT C-1  
As of 2/28/09

DESCRIPTION	RESORT COSTS AMOUNT				COSTS INCURRED						NET AMOUNTS			
	CLOSING RESORT BUDGET	PRIOR RESORT BUDGET (D FROM PRIOR MONTH)	CURRENT PERIOD BUDGET MODIFICATIONS	RESORT BUDGET (B+C+D)	PREVIOUS COMPLETED TO DATE (G FROM PRIOR MONTH)	CURRENT PERIOD COMPLETED <sup>(1)</sup>	TOTAL COMPLETED TO DATE (E+F+G)	% COMPLETED (G/D)	BALANCE TO COMPLETE (D-G=I)	TOTAL RETAINAGE	TOTAL COMPLETED TO DATE (G-J+K)	PREVIOUS COMPLETED TO DATE (K FROM PRIOR MONTH)	CURRENT PERIOD COMPLETED TO DATE (K-L=M)	BALANCE TO COMPLETE (D-K=N)
<b>Construction Hard Costs</b>														
Tower	\$ 663,718,930	\$ 704,198,971	\$ 26,555,507	\$ 730,752,878	\$ 678,402,993	\$ 18,084,153	\$ 697,497,052	83.13%	\$ 123,255,826	\$ 38,945,791	\$ 567,651,262	\$ 537,352,522	\$ 30,198,740	\$ 163,201,617
Podium	\$ 608,116,666	\$ 726,562,355	\$ 3,010,440	\$ 729,572,795	\$ 418,740,825	\$ 32,404,895	\$ 451,225,600	61.85%	\$ 270,347,115	\$ 26,545,716	\$ 424,679,364	\$ 394,579,700	\$ 30,001,104	\$ 304,892,831
Convention	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Garage/Convention/Central Plant	\$ 378,895,719	\$ 441,533,321	\$ 29,932,023	\$ 471,465,344	\$ 360,000,401	\$ 22,281,769	\$ 391,142,251	82.96%	\$ 80,323,094	\$ 34,808,567	\$ 366,633,594	\$ 346,373,792	\$ 20,259,812	\$ 104,831,751
Central Plant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Site	\$ 54,269,686	\$ 17,276,127	\$ 1,103,611	\$ 18,378,738	\$ 12,033,149	\$ 203,037	\$ 12,236,966	66.58%	\$ 6,141,752	\$ 527,220	\$ 11,709,766	\$ 11,480,577	\$ 229,189	\$ 6,568,972
Bond cost	\$ 6,000,000	\$ 3,051,170	\$ -	\$ 3,051,170	\$ 2,389,640	\$ -	\$ 2,389,640	78.29%	\$ 662,530	\$ -	\$ 2,389,640	\$ 2,389,640	\$ -	\$ 662,530
<b>Construction Hard Costs Subtotal</b>	<b>\$ 1,703,000,000</b>	<b>\$ 1,892,820,944</b>	<b>\$ 60,599,881</b>	<b>\$ 1,953,220,925</b>	<b>\$ 1,381,445,854</b>	<b>\$ 83,044,755</b>	<b>\$ 1,464,490,609</b>	<b>74.98%</b>	<b>\$ 488,730,316</b>	<b>\$ 91,527,384</b>	<b>\$ 1,372,963,225</b>	<b>\$ 1,292,274,300</b>	<b>\$ 80,688,925</b>	<b>\$ 580,257,700</b>
<b>LEED Qualification Costs</b>														
LEED Qualification Costs	\$ 22,000,000	\$ 12,546,438	\$ -	\$ 12,546,438	\$ 6,267,588	\$ 225,137	\$ 6,492,724	51.75%	\$ 6,053,714	\$ 2,640	\$ 6,490,084	\$ 6,264,948	\$ 225,137	\$ 6,056,354
<b>LEED Qualification Costs Subtotal</b>	<b>\$ 22,000,000</b>	<b>\$ 12,546,438</b>	<b>\$ -</b>	<b>\$ 12,546,438</b>	<b>\$ 6,267,588</b>	<b>\$ 225,137</b>	<b>\$ 6,492,724</b>	<b>51.75%</b>	<b>\$ 6,053,714</b>	<b>\$ 2,640</b>	<b>\$ 6,490,084</b>	<b>\$ 6,264,948</b>	<b>\$ 225,137</b>	<b>\$ 6,056,354</b>
<b>LEED Sales Tax Benefit</b>														
LEED Sales Tax Benefit	\$ (58,000,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>LEED Sales Tax Benefit Subtotal</b>	<b>\$ (58,000,000)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.00%</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>General Conditions/Requirements/Holding</b>														
CM Staffing	\$ 24,282,242	\$ 30,529,071	\$ 26,409,190	\$ 56,938,261	\$ 30,529,071	\$ 2,409,191	\$ 32,938,262	57.85%	\$ 23,999,999	\$ -	\$ 32,938,262	\$ 30,529,071	\$ 2,409,191	\$ 23,999,999
Field Engineering	\$ 1,162,200	\$ 6,481,855	\$ 52,351	\$ 6,514,206	\$ 6,456,556	\$ 57,051	\$ 6,514,206	100.00%	\$ (0)	\$ -	\$ 6,514,206	\$ 6,456,556	\$ 57,551	\$ (0)
Hazmat Consulting	\$ 100,000	\$ 15,691	\$ -	\$ 15,691	\$ 15,692	\$ -	\$ 15,692	100.01%	\$ (1)	\$ -	\$ 15,692	\$ 15,692	\$ -	\$ (1)
COG (OT for inspectors misc certifications)	\$ 300,000	\$ 21,331	\$ 50	\$ 21,381	\$ 21,255	\$ 126	\$ 21,380	100.00%	\$ 0	\$ -	\$ 21,380	\$ 21,255	\$ 125	\$ 0
Safety	\$ 4,835,787	\$ 6,125,918	\$ 294,006	\$ 6,419,924	\$ 6,125,917	\$ 282,944	\$ 6,388,861	99.52%	\$ 31,063	\$ -	\$ 6,388,861	\$ 6,125,917	\$ 262,944	\$ 31,063
Field Offices and Equipment	\$ 6,057,640	\$ 3,790,389	\$ 58,000	\$ 3,848,389	\$ 3,788,387	\$ 60,012	\$ 3,848,399	100.00%	\$ (1)	\$ 40	\$ 3,848,359	\$ 3,788,347	\$ 60,012	\$ 39
Temporary Utilities	\$ 2,456,000	\$ 3,610,597	\$ 234,600	\$ 3,835,197	\$ 3,890,148	\$ 227,745	\$ 3,817,893	99.55%	\$ 17,264	\$ 128,085	\$ 3,689,807	\$ 3,462,782	\$ 227,025	\$ 145,349
Temporary Protection	\$ 4,526,475	\$ 7,414,099	\$ 363,259	\$ 7,777,358	\$ 7,414,100	\$ 208,578	\$ 7,592,778	98.78%	\$ 94,591	\$ 13,290	\$ 13,396,891	\$ 12,944,134	\$ 452,757	\$ 102,814
Material and Labor Staging	\$ 8,348,000	\$ 13,033,872	\$ 485,034	\$ 13,498,905	\$ 13,023,169	\$ 452,919	\$ 13,476,088	99.83%	\$ 22,817	\$ 79,197	\$ 1,740,928	\$ 1,855,995	\$ 84,933	\$ (54)
Clean-up (Continual and Final)	\$ 2,943,700	\$ 1,656,014	\$ 84,860	\$ 1,740,874	\$ 1,655,995	\$ 84,833	\$ 1,740,928	100.00%	\$ (54)	\$ -	\$ 1,740,928	\$ 1,655,995	\$ 84,933	\$ (54)
General Equipment and Tools	\$ 1,831,000	\$ 1,290,555	\$ 39,793	\$ 1,330,388	\$ 1,289,855	\$ 27,172	\$ 1,317,027	99.00%	\$ 13,361	\$ -	\$ 1,317,027	\$ 1,289,855	\$ 27,172	\$ 13,361
Project Documentation	\$ 1,825,200	\$ 20,202	\$ 897	\$ 21,099	\$ 20,181	\$ 835	\$ 21,016	99.60%	\$ 84	\$ -	\$ 21,016	\$ 20,181	\$ 835	\$ 84
Misc. Project Expenses	\$ 922,500	\$ 1,971,271	\$ 154,718	\$ 2,125,989	\$ 1,971,269	\$ 94,292	\$ 2,065,562	97.16%	\$ 60,427	\$ -	\$ 2,065,562	\$ 1,971,269	\$ 94,292	\$ 60,427
Testing and Inspection (ATC Associates)	\$ 2,000,000	\$ 0	\$ 0	\$ 0	\$ -	\$ -	\$ -	0.00%	\$ 0	\$ -	\$ -	\$ -	\$ -	\$ 0
Reimbursable blueprinting	\$ 1,500,000	\$ 1,630,580	\$ 107,242	\$ 1,737,830	\$ 1,630,507	\$ 107,242	\$ 1,737,829	100.00%	\$ 1	\$ -	\$ 1,737,829	\$ 1,630,507	\$ 107,242	\$ 1
Holding	\$ 26,232,410	\$ 411,958	\$ -	\$ 411,958	\$ 17,504	\$ -	\$ 17,504	4.27%	\$ 394,354	\$ -	\$ 17,604	\$ 17,604	\$ -	\$ 394,354
<b>Sub Total General Conditions/Requirements/Holding</b>	<b>\$ 87,634,074</b>	<b>\$ 77,983,410</b>	<b>\$ 28,254,019</b>	<b>\$ 105,237,430</b>	<b>\$ 77,549,886</b>	<b>\$ 4,053,638</b>	<b>\$ 81,603,524</b>	<b>76.81%</b>	<b>\$ 24,633,905</b>	<b>\$ 220,612</b>	<b>\$ 81,382,912</b>	<b>\$ 77,330,158</b>	<b>\$ 4,052,758</b>	<b>\$ 24,854,518</b>
<b>Total Hard Costs and General Conditions/Requirements/Holding</b>	<b>\$ 1,753,634,074</b>	<b>\$ 1,983,150,793</b>	<b>\$ 88,854,900</b>	<b>\$ 2,072,004,793</b>	<b>\$ 1,466,263,328</b>	<b>\$ 87,323,520</b>	<b>\$ 1,552,986,857</b>	<b>74.93%</b>	<b>\$ 519,417,936</b>	<b>\$ 91,750,636</b>	<b>\$ 1,466,821,221</b>	<b>\$ 1,375,869,404</b>	<b>\$ 84,961,173</b>	<b>\$ 611,168,572</b>
<b>Contingency</b>														
Unallocated Contingency	\$ 111,039,860	\$ 76,848,445	\$ (38,854,000)	\$ 37,994,445	\$ -	\$ -	\$ -	0.00%	\$ 37,994,445	\$ -	\$ -	\$ -	\$ -	\$ 37,994,445
Additional Cost Contingency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	#DIV/0!	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Contingency Subtotal</b>	<b>\$ 111,039,860</b>	<b>\$ 76,848,445</b>	<b>\$ (38,854,000)</b>	<b>\$ 37,994,445</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.00%</b>	<b>\$ 37,994,445</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 37,994,445</b>
<b>Insurance</b>														
Insurance package	\$ 40,000,000	\$ 40,000,000	\$ -	\$ 40,000,000	\$ 22,230,214	\$ 2,965,243	\$ 25,195,457	62.99%	\$ 14,804,543	\$ -	\$ 25,195,457	\$ 22,230,214	\$ 2,965,243	\$ 14,804,543
<b>Insurance Subtotal</b>	<b>\$ 40,000,000</b>	<b>\$ 40,000,000</b>	<b>\$ -</b>	<b>\$ 40,000,000</b>	<b>\$ 22,230,214</b>	<b>\$ 2,965,243</b>	<b>\$ 25,195,457</b>	<b>62.99%</b>	<b>\$ 14,804,543</b>	<b>\$ -</b>	<b>\$ 25,195,457</b>	<b>\$ 22,230,214</b>	<b>\$ 2,965,243</b>	<b>\$ 14,804,543</b>
<b>Total Construction Costs</b>	<b>\$ 1,904,673,934</b>	<b>\$ 2,099,999,238</b>	<b>\$ 50,000,000</b>	<b>\$ 2,149,999,238</b>	<b>\$ 1,487,493,543</b>	<b>\$ 90,288,772</b>	<b>\$ 1,577,882,315</b>	<b>73.39%</b>	<b>\$ 572,216,924</b>	<b>\$ 91,750,636</b>	<b>\$ 1,486,631,678</b>	<b>\$ 1,398,099,618</b>	<b>\$ 87,932,060</b>	<b>\$ 661,907,500</b>

FONTAINEBLEAU RESORT AND CASINO  
 LAS VEGAS, NV  
 DETAILED REMAINING COST REPORT  
 APPENDIX VII TO EXHIBIT C-1  
 As of 2/28/09

DESCRIPTION	RESORT COSTS AMOUNT			COSTS INCURRED				NET AMOUNTS			BALANCE TO COMPLETE (D-K=H)			
	CLOSING RESORT BUDGET (A)	PRIOR RESORT BUDGET (B)	CURRENT PERIOD BUDGET MODIFICATIONS (C)	RESORT BUDGET (B+C=D)	PREVIOUS TO COMPLETED DATE (E)	CURRENT PERIOD COMPLETED (F)	TOTAL COMPLETED DATE (E+F=G)	% COMPLETED (G/D)	BALANCE TO COMPLETE (D-G=I)	TOTAL RETAINAGE (J)		TOTAL COMPLETED DATE (K)	PREVIOUS TO COMPLETED DATE (L)	CURRENT PERIOD COMPLETED DATE (M)
<b>Rooms FF&amp;E</b>														
Condo Suite	\$ 15,350,572	\$ 15,350,572	\$ -	\$ 15,350,572	\$ -	\$ 10,013,689	65.19%	\$ 5,346,884	\$ -	\$ -	\$ 10,013,689	\$ 6,337,487	\$ 3,076,402	\$ 5,346,884
Condo Suite	\$ 7,494,232	\$ 7,494,232	\$ -	\$ 7,494,232	\$ -	\$ 5,439,027	72.87%	\$ 2,055,205	\$ -	\$ -	\$ 5,439,027	\$ 4,001,916	\$ 1,437,211	\$ 2,055,205
Center Suite	\$ 1,569,313	\$ 1,569,313	\$ 910,000	\$ 2,479,313	\$ -	\$ 1,952,830	98.89%	\$ 1,455	\$ -	\$ -	\$ 1,952,830	\$ 812,236	\$ 310,513	\$ 1,455
Junior Suite	\$ 1,527,402	\$ 1,527,402	\$ -	\$ 1,527,402	\$ -	\$ 1,052,000	68.97%	\$ 475,402	\$ -	\$ -	\$ 1,052,000	\$ 2,844,647	\$ 171,168	\$ 244,689
Three Bay Suite	\$ 141,952	\$ 141,952	\$ 150,000	\$ 291,952	\$ -	\$ 215,000	73.67%	\$ 76,952	\$ -	\$ -	\$ 215,000	\$ 114,000	\$ 114,000	\$ 76,952
Four Bay Suite	\$ 141,952	\$ 141,952	\$ 1,800,000	\$ 1,941,952	\$ -	\$ 1,819,984	93.72%	\$ 121,968	\$ -	\$ -	\$ 1,819,984	\$ 114,000	\$ 172,984	\$ 121,968
Six Bay Suite	\$ 468,673	\$ 468,673	\$ 1,300,000	\$ 1,768,673	\$ -	\$ 1,257,361	98.36%	\$ 11,312	\$ -	\$ -	\$ 1,257,361	\$ 8,953,534	\$ 1,752,361	\$ 11,312
Typical King	\$ 14,456,574	\$ 14,456,574	\$ -	\$ 14,456,574	\$ -	\$ 8,760,655	60.66%	\$ 5,695,919	\$ -	\$ -	\$ 8,760,655	\$ 8,953,534	\$ 1,671,861	\$ 5,695,919
Typical Queen	\$ 31,921,197	\$ 30,721,197	\$ (3,560,000)	\$ 27,161,197	\$ -	\$ 12,958,766	47.75%	\$ 14,191,431	\$ -	\$ -	\$ 12,958,766	\$ 11,398,636	\$ 1,571,072	\$ 14,191,431
<b>Rooms FF&amp;E Subtotal</b>	\$ 73,784,267	\$ 73,784,267	\$ -	\$ 73,784,267	\$ -	\$ 45,856,432	62.19%	\$ 27,927,835	\$ -	\$ -	\$ 45,856,432	\$ 34,904,624	\$ 10,919,829	\$ 27,927,835
<b>Hotel and F&amp;B Operating Equipment</b>														
Bell Desk	\$ 500,494	\$ 500,494	\$ -	\$ 500,494	\$ -	\$ -	0.00%	\$ 500,494	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500,494
Front Desk	\$ 737,295	\$ 737,295	\$ -	\$ 737,295	\$ -	\$ -	0.00%	\$ 737,295	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 737,295
Key Card	\$ 10,227,110	\$ 10,227,110	\$ -	\$ 10,227,110	\$ -	\$ 5,546	0.05%	\$ 10,221,564	\$ -	\$ -	\$ 5,546	\$ -	\$ -	\$ 10,221,564
Room Exchanges	\$ 3,658,531	\$ 3,658,531	\$ -	\$ 3,658,531	\$ -	\$ -	0.00%	\$ 3,658,531	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,658,531
Pool Operations	\$ 198,184	\$ 198,184	\$ -	\$ 198,184	\$ -	\$ -	0.00%	\$ 198,184	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 198,184
Condo Operations	\$ 2,618,607	\$ 2,618,607	\$ -	\$ 2,618,607	\$ -	\$ 6,794	0.26%	\$ 2,611,813	\$ -	\$ -	\$ 6,794	\$ -	\$ -	\$ 2,611,813
Hotel Sales	\$ 10,251,397	\$ 10,251,397	\$ -	\$ 10,251,397	\$ -	\$ 4,224,236	41.17%	\$ 6,027,161	\$ -	\$ -	\$ 4,224,236	\$ 740,325	\$ 3,483,912	\$ 6,027,161
Convention Center	\$ 546,115	\$ 546,115	\$ -	\$ 546,115	\$ -	\$ -	0.00%	\$ 546,115	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 546,115
Business Center	\$ 499,235	\$ 499,235	\$ -	\$ 499,235	\$ -	\$ -	0.00%	\$ 499,235	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 499,235
Spa	\$ 2,658,128	\$ 2,658,128	\$ -	\$ 2,658,128	\$ -	\$ -	0.00%	\$ 2,658,128	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,658,128
Food & Beverage	\$ 9,653,037	\$ 9,653,037	\$ -	\$ 9,653,037	\$ -	\$ 154,971	1.61%	\$ 9,498,066	\$ -	\$ -	\$ 154,971	\$ -	\$ -	\$ 9,498,066
Catering	\$ 6,256,824	\$ 6,256,824	\$ -	\$ 6,256,824	\$ -	\$ 4,376,200	70.04%	\$ 1,880,624	\$ -	\$ -	\$ 4,376,200	\$ 2,466,503	\$ 1,909,287	\$ 1,880,624
<b>Hotel and F&amp;B Operating Equipment Subtotal</b>	\$ 49,081,957	\$ 49,081,957	\$ -	\$ 49,081,957	\$ -	\$ 8,767,747	17.86%	\$ 40,314,210	\$ -	\$ -	\$ 8,767,747	\$ 3,214,021	\$ 5,553,726	\$ 40,314,210
<b>Kitchen Equipment</b>														
Food Service Equipment	\$ 22,299,240	\$ 22,299,240	\$ -	\$ 22,299,240	\$ -	\$ 541,714	2.43%	\$ 21,757,526	\$ -	\$ -	\$ 541,714	\$ 391,676	\$ 160,037	\$ 21,757,526
Kitchen Equipment Subtotal	\$ 22,299,240	\$ 22,299,240	\$ -	\$ 22,299,240	\$ -	\$ 541,714	2.43%	\$ 21,757,526	\$ -	\$ -	\$ 541,714	\$ 391,676	\$ 160,037	\$ 21,757,526
<b>Exterior Signage</b>														
Quotation by YESCO	\$ 36,532,720	\$ 36,532,720	\$ -	\$ 36,532,720	\$ -	\$ 12,297,061	46.39%	\$ 14,235,659	\$ -	\$ -	\$ 12,297,061	\$ 6,190,448	\$ 4,876,907	\$ 14,235,659
Exterior Signage Subtotal	\$ 36,532,720	\$ 36,532,720	\$ -	\$ 36,532,720	\$ -	\$ 12,297,061	46.39%	\$ 14,235,659	\$ -	\$ -	\$ 12,297,061	\$ 6,190,448	\$ 4,876,907	\$ 14,235,659
<b>Common Area</b>														
FOH	\$ 23,201,213	\$ 23,201,213	\$ -	\$ 23,201,213	\$ -	\$ 16,615,644	67.07%	\$ 6,585,569	\$ -	\$ -	\$ 16,615,644	\$ 13,762,175	\$ 1,893,469	\$ 6,585,569
BOH	\$ 5,384,599	\$ 5,384,599	\$ -	\$ 5,384,599	\$ -	\$ 5,345,650	99.28%	\$ 38,949	\$ -	\$ -	\$ 5,345,650	\$ 982,184	\$ 4,363,466	\$ 38,949
Common Area Subtotal	\$ 28,585,812	\$ 28,585,812	\$ -	\$ 28,585,812	\$ -	\$ 20,961,295	73.15%	\$ 7,794,417	\$ -	\$ -	\$ 20,961,295	\$ 14,744,300	\$ 6,216,935	\$ 7,794,417
<b>Common Area Subtotal</b>	\$ 28,585,812	\$ 28,585,812	\$ -	\$ 28,585,812	\$ -	\$ 20,961,295	73.15%	\$ 7,794,417	\$ -	\$ -	\$ 20,961,295	\$ 14,744,300	\$ 6,216,935	\$ 7,794,417
<b>Gaming FF&amp;E</b>														
Gaming FF&E	\$ 200,353,936	\$ 200,353,936	\$ -	\$ 200,353,936	\$ -	\$ 81,424,269	40.64%	\$ 118,929,667	\$ -	\$ -	\$ 81,424,269	\$ 59,435,129	\$ 27,759,431	\$ 118,929,667
Table Games	\$ 1,174,463	\$ 1,174,463	\$ -	\$ 1,174,463	\$ -	\$ 714,266	60.86%	\$ 460,197	\$ -	\$ -	\$ 714,266	\$ 771	\$ 714,266	\$ 460,197
Poker	\$ 26,322,138	\$ 26,322,138	\$ -	\$ 26,322,138	\$ -	\$ -	0.00%	\$ 26,322,138	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,322,138
Slot Operations	\$ 6,174,424	\$ 6,174,424	\$ -	\$ 6,174,424	\$ -	\$ 212,379	3.44%	\$ 5,962,045	\$ -	\$ -	\$ 212,379	\$ -	\$ -	\$ 5,962,045
R&S	\$ 1,843,950	\$ 1,843,950	\$ -	\$ 1,843,950	\$ -	\$ 150,000	8.14%	\$ 1,693,950	\$ -	\$ -	\$ 150,000	\$ -	\$ -	\$ 1,693,950
Cage Security	\$ 219,174	\$ 219,174	\$ -	\$ 219,174	\$ -	\$ -	0.00%	\$ 219,174	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 219,174
Security	\$ 40,871,099	\$ 40,871,099	\$ -	\$ 40,871,099	\$ -	\$ 1,077,415	2.64%	\$ 39,793,684	\$ -	\$ -	\$ 1,077,415	\$ 150,771	\$ 926,644	\$ 39,793,684
<b>Gaming FF&amp;E Subtotal</b>	\$ 200,353,936	\$ 200,353,936	\$ -	\$ 200,353,936	\$ -	\$ 81,424,269	40.64%	\$ 118,929,667	\$ -	\$ -	\$ 81,424,269	\$ 59,435,129	\$ 27,759,431	\$ 118,929,667
<b>Entertainment</b>														
Theater	\$ 12,293,731	\$ 12,293,731	\$ -	\$ 12,293,731	\$ -	\$ -	0.00%	\$ 12,293,731	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,293,731

FONTAINEBLEAU RESORT AND CASINO  
LAS VEGAS, NV  
DETAILED REMAINING COST REPORT  
APPENDIX VII TO EXHIBIT C-1  
As of 2/28/09

DESCRIPTION	RESORT COSTS AMOUNT				COSTS INCURRED				NET AMOUNTS					
	CLOSING RESORT BUDGET (A)	PRIOR RESORT BUDGET (D FROM PRIOR MONTH) (B)	CURRENT PERIOD BUDGET MODIFICATIONS (C)	RESORT BUDGET (B+C+D) (D)	PREVIOUS DATE COMPLETED (E)	CURRENT PERIOD COMPLETED (F)	TOTAL COMPLETED DATE (E+F+G) (G)	% COMPLETED (G/D) (H)	BALANCE TO COMPLETE (D-G) (I)	TOTAL RETAINAGE (J)	TOTAL COMPLETED DATE (K-J) (K)	PREVIOUS DATE COMPLETED (L FROM PRIOR MONTH) (L)	CURRENT PERIOD COMPLETED DATE (K-L) (M)	BALANCE TO COMPLETE (D-K) (N)
Entertainment Subtotal	\$ 12,283,731	\$ 12,283,731	\$ -	\$ 12,283,731	\$ -	\$ -	\$ -	0.00%	\$ 12,283,731	\$ -	\$ -	\$ -	\$ -	\$ 12,283,731
A&O and Facilities and IT	\$ 2,953,222	\$ 2,953,222	\$ -	\$ 2,953,222	\$ 861,066	\$ 200,625	\$ 1,065,431	35.90%	\$ 1,887,791	\$ -	\$ 1,065,431	\$ 861,066	\$ 200,625	\$ 1,887,791
Management, HR, Finance	\$ 688,516	\$ 688,516	\$ -	\$ 688,516	\$ -	\$ -	\$ -	0.00%	\$ 688,516	\$ -	\$ -	\$ -	\$ -	\$ 688,516
Marketing & Casino Marketing	\$ 11,594,658	\$ 11,594,658	\$ -	\$ 11,594,658	\$ 235,957	\$ 235,957	\$ 235,957	2.03%	\$ 11,358,701	\$ -	\$ 235,957	\$ 235,957	\$ -	\$ 11,358,701
Engineering	\$ 1,171,277	\$ 1,171,277	\$ -	\$ 1,171,277	\$ 404,240	\$ 616,640	\$ 1,244,080	103.22%	\$ -	\$ 121,408	\$ 1,244,080	\$ 363,916	\$ 729,576	\$ 1,244,080
Internal Maintenance	\$ 194,508	\$ 194,508	\$ -	\$ 194,508	\$ -	\$ -	\$ -	0.00%	\$ 194,508	\$ -	\$ -	\$ -	\$ -	\$ 194,508
Transportation	\$ 194,973	\$ 194,973	\$ -	\$ 194,973	\$ -	\$ -	\$ -	0.00%	\$ 194,973	\$ -	\$ -	\$ -	\$ -	\$ 194,973
Retail	\$ 742,813	\$ 742,813	\$ -	\$ 742,813	\$ 439,515	\$ -	\$ 439,515	59.18%	\$ 303,298	\$ -	\$ 439,515	\$ 439,515	\$ -	\$ 303,189
L.L.	\$ 47,709,040	\$ 47,709,040	\$ -	\$ 47,709,040	\$ 10,952,870	\$ 3,301,765	\$ 13,954,644	29.25%	\$ 33,754,396	\$ -	\$ 13,954,644	\$ 10,952,870	\$ 3,301,765	\$ 33,754,396
I.T.	\$ 6,663,689	\$ 6,663,689	\$ -	\$ 6,663,689	\$ -	\$ 1,031,462	\$ 1,031,462	15.33%	\$ 5,632,227	\$ -	\$ 1,031,462	\$ -	\$ 1,031,462	\$ 5,632,227
A&O and Facilities and IT Subtotal	\$ 71,930,996	\$ 71,930,996	\$ -	\$ 71,930,996	\$ 12,959,486	\$ 5,377,489	\$ 17,911,489	24.91%	\$ 54,007,487	\$ 121,488	\$ 17,911,489	\$ 12,959,486	\$ 5,377,489	\$ 54,129,495
Other F&E	\$ 123,025,628	\$ 125,025,428	\$ -	\$ 123,025,428	\$ 12,748,387	\$ 6,334,137	\$ 18,989,454	15.13%	\$ 105,035,973	\$ 121,488	\$ 18,989,454	\$ 12,748,387	\$ 6,334,137	\$ 106,206,510
Pre-Opening and Working Capital	\$ 4,000,000	\$ 4,000,000	\$ -	\$ 4,000,000	\$ -	\$ -	\$ -	0.00%	\$ 4,000,000	\$ -	\$ -	\$ -	\$ -	\$ 4,000,000
Bankroll	\$ 3,150,000	\$ 3,150,000	\$ -	\$ 3,150,000	\$ -	\$ -	\$ -	0.00%	\$ 3,150,000	\$ -	\$ -	\$ -	\$ -	\$ 3,150,000
Uniforms	\$ 5,927,125	\$ 5,927,125	\$ -	\$ 5,927,125	\$ 93,228	\$ 331,000	\$ 424,228	7.16%	\$ 5,502,897	\$ -	\$ 424,228	\$ 93,228	\$ 331,000	\$ 5,502,897
Taxes	\$ 1,000,000	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -	\$ -	\$ -	0.00%	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000
Payroll	\$ 47,460,554	\$ 35,205,954	\$ (3,300,000)	\$ 30,205,954	\$ 15,481,329	\$ 1,427,272	\$ 16,908,600	55.98%	\$ 13,297,354	\$ -	\$ 16,908,600	\$ 15,481,329	\$ 1,427,272	\$ 13,297,354
Marketing	\$ 26,000,000	\$ 19,357,500	\$ (2,950,000)	\$ 15,882,500	\$ 10,616,235	\$ 2,785,027	\$ 13,371,352	84.19%	\$ 2,510,208	\$ -	\$ 13,371,352	\$ 10,616,235	\$ 2,785,027	\$ 2,510,208
Office and Related	\$ 1,414,000	\$ 3,522,000	\$ 20,000	\$ 3,544,000	\$ 3,493,264	\$ 3,544,187	\$ 3,544,187	99.76%	\$ 7,813	\$ -	\$ 3,544,187	\$ 3,493,264	\$ 3,544,187	
Recruitment	\$ 1,641,000	\$ 1,641,000	\$ -	\$ 1,641,000	\$ 795,273	\$ 13,010	\$ 809,183	49.31%	\$ 831,817	\$ -	\$ 809,183	\$ 795,273	\$ 13,010	\$ 831,817
Other	\$ 3,247,000	\$ 7,898,000	\$ 2,600,000	\$ 10,498,000	\$ 7,857,281	\$ 2,390,031	\$ 10,448,112	99.52%	\$ 49,888	\$ -	\$ 10,448,112	\$ 7,857,281	\$ 2,390,031	\$ 49,888
Pre-Opening and Working Capital Subtotal	\$ 93,847,578	\$ 80,911,579	\$ (5,065,000)	\$ 75,846,579	\$ 36,338,609	\$ 7,157,683	\$ 45,496,303	59.98%	\$ 30,350,276	\$ -	\$ 45,496,303	\$ 36,338,609	\$ 7,157,683	\$ 30,350,276
Fees / Permits / Taxes / Other	\$ 14,516,923	\$ 14,516,923	\$ -	\$ 14,516,923	\$ 13,059,584	\$ 19,693	\$ 13,059,247	89.97%	\$ 1,456,576	\$ -	\$ 13,059,247	\$ 13,059,584	\$ 19,693	\$ 1,456,576
Building/Commut	\$ 7,778,400	\$ 7,778,400	\$ -	\$ 7,778,400	\$ 7,734,609	\$ 7,734,609	\$ 7,734,609	99.42%	\$ 44,792	\$ -	\$ 7,734,609	\$ 7,734,609	\$ 7,734,609	\$ 44,792
Hotel Rooms	\$ 1,500,000	\$ 1,500,000	\$ -	\$ 1,500,000	\$ 1,500,000	\$ -	\$ 1,500,000	100.00%	\$ -	\$ -	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000
Water Assessment/Fees	\$ 11,181,700	\$ 11,181,700	\$ -	\$ 11,181,700	\$ 7,864,950	\$ 7,864,950	\$ 7,864,950	67.83%	\$ 3,316,750	\$ -	\$ 7,864,950	\$ 7,864,950	\$ 7,864,950	\$ 3,316,750
Regional connection charges	\$ 13,500	\$ 236,000	\$ -	\$ 249,500	\$ 88,753	\$ -	\$ 88,753	30.88%	\$ 160,747	\$ -	\$ 88,753	\$ -	\$ -	\$ 160,747
Health Department / Other Misc. Fees	\$ 1,500,000	\$ 1,500,000	\$ -	\$ 1,500,000	\$ -	\$ -	\$ -	0.00%	\$ 1,500,000	\$ -	\$ -	\$ -	\$ -	\$ 1,500,000
Overtime for Fire Testing	\$ 4,812,951	\$ 4,812,951	\$ -	\$ 4,812,951	\$ 3,526,112	\$ -	\$ 3,526,112	73.44%	\$ 1,286,840	\$ -	\$ 3,526,112	\$ 3,526,112	\$ -	\$ 1,286,840
Transportation Fee	\$ 606,000	\$ 97,220,600	\$ 3,100,000	\$ 90,320,600	\$ 87,172,886	\$ 3,118,758	\$ 80,291,644	99.96%	\$ 33,466	\$ -	\$ 80,291,644	\$ 87,172,886	\$ 3,118,758	\$ 33,466
Design costs	\$ 6,048,350	\$ 10,946,550	\$ 1,900,000	\$ 12,646,550	\$ 10,859,746	\$ 1,772,384	\$ 12,632,130	99.63%	\$ 46,420	\$ -	\$ 12,632,130	\$ 10,859,746	\$ 1,772,384	\$ 46,420
Consultant costs	\$ 75,000	\$ 75,000	\$ -	\$ 75,000	\$ -	\$ -	\$ -	0.00%	\$ 75,000	\$ -	\$ -	\$ -	\$ -	\$ 75,000
Furniture	\$ 13,915,487	\$ 5,915,487	\$ -	\$ 5,915,487	\$ 3,899,255	\$ 11,118	\$ 3,910,413	65.10%	\$ 2,005,074	\$ -	\$ 3,910,413	\$ 3,899,255	\$ 11,118	\$ 2,005,074
Property taxes	\$ 5,241,516	\$ 5,241,516	\$ -	\$ 5,241,516	\$ 5,075,552	\$ -	\$ 5,075,552	96.84%	\$ 165,964	\$ -	\$ 5,075,552	\$ 5,075,552	\$ -	\$ 165,964
Legal fees/other/allowance	\$ 4,501,000	\$ 4,501,000	\$ -	\$ 4,501,000	\$ 4,500,548	\$ -	\$ 4,500,548	99.99%	\$ 452	\$ -	\$ 4,500,548	\$ 4,500,548	\$ -	\$ 452
Development Agreement	\$ 750,000	\$ 750,000	\$ -	\$ 750,000	\$ -	\$ -	\$ -	0.00%	\$ 750,000	\$ -	\$ -	\$ -	\$ -	\$ 750,000
Turnkey Place Ramp	\$ 750,000	\$ 750,000	\$ -	\$ 750,000	\$ -	\$ -	\$ -	0.00%	\$ 750,000	\$ -	\$ -	\$ -	\$ -	\$ 750,000
Misc. Up Cost	\$ 131,814,977	\$ 155,737,977	\$ 5,065,000	\$ 160,889,977	\$ 145,680,701	\$ 5,106,718	\$ 150,787,479	93.75%	\$ 10,902,598	\$ -	\$ 150,787,479	\$ 145,680,701	\$ 5,106,718	\$ 10,902,598
Fees / Permits / Taxes / Other Subtotal	\$ 131,814,977	\$ 155,737,977	\$ 5,065,000	\$ 160,889,977	\$ 145,680,701	\$ 5,106,718	\$ 150,787,479	93.75%	\$ 10,902,598	\$ -	\$ 150,787,479	\$ 145,680,701	\$ 5,106,718	\$ 10,902,598

FONTAINEBLEAU RESORT AND CASINO  
 LAS VEGAS, NV  
 DETAILED REMAINING COST REPORT  
 APPENDIX VII TO EXHIBIT C-1  
 As of 2/28/09

DESCRIPTION	RESORT COSTS AMOUNT			COSTS INCURRED				NET AMOUNTS						
	CLOSING RESORT BUDGET (A)	PRIOR RESORT BUDGET (D FROM PRIOR MONTH) (B)	CURRENT PERIOD BUDGET MODIFICATIONS (C)	RESORT BUDGET (B+C+D)	PREVIOUS TO COMPLETE DATE (E FROM PRIOR MONTH) (E)	CURRENT PERIOD COMPLETED TO DATE (F+F+G)	TOTAL COMPLETED TO DATE (G+H+I)	% COMPLETED (H/I)	BALANCE TO COMPLETE (I-G-H)	TOTAL RETAINAGE (J)	TOTAL COMPLETED TO DATE (K) (K+L+M)	PREVIOUS TO COMPLETE DATE (L FROM PRIOR MONTH) (L)	CURRENT PERIOD COMPLETED TO DATE (M+L+K)	BALANCE TO COMPLETE (N-K-M)
Debt Service Accrued Through Scheduled Opening														
Debt Service	\$ 362,756,033	\$ 352,379,033	\$ 21,747,000	\$ 354,126,033	\$ 230,704,036	\$ 3,293,924,338	\$ 234,443,980	66.20%	\$ 119,682,072	\$ -	\$ 234,443,980	\$ 230,704,036	\$ 3,738,924	\$ 119,682,072
Debt Service Accrued Through Scheduled Opening Subtotal	\$ 362,756,033	\$ 352,379,033	\$ 21,747,000	\$ 354,126,033	\$ 230,704,036	\$ 3,293,924,338	\$ 234,443,980	66.20%	\$ 119,682,072	\$ -	\$ 234,443,980	\$ 230,704,036	\$ 3,738,924	\$ 119,682,072
Condominium-Hotel Selling Expenses														
Condominium-Hotel Selling Expenses	\$ 43,776,523	\$ 26,000,000	\$ (5,000,000)	\$ 20,000,000	\$ 17,191,815	\$ 88,747	\$ 17,858,563	89.23%	\$ 2,141,437	\$ -	\$ 17,858,563	\$ 17,191,815	\$ 66,747	\$ 2,141,437
Condominium-Hotel Selling Expenses Subtotal	\$ 43,776,523	\$ 26,000,000	\$ (5,000,000)	\$ 20,000,000	\$ 17,191,815	\$ 88,747	\$ 17,858,563	89.23%	\$ 2,141,437	\$ -	\$ 17,858,563	\$ 17,191,815	\$ 66,747	\$ 2,141,437
Fees and Expenses														
Fees and Expenses	\$ 60,740,794	\$ 60,740,794	\$ -	\$ 60,740,794	\$ 59,545,871	\$ -	\$ 59,545,871	98.03%	\$ 1,194,923	\$ -	\$ 59,545,871	\$ 59,545,871	\$ -	\$ 1,194,923
Fees and Expenses Subtotal	\$ 60,740,794	\$ 60,740,794	\$ -	\$ 60,740,794	\$ 59,545,871	\$ -	\$ 59,545,871	98.03%	\$ 1,194,923	\$ -	\$ 59,545,871	\$ 59,545,871	\$ -	\$ 1,194,923
TOTAL COSTS	\$ 698,355,005	\$ 654,309,482	\$ 15,747,000	\$ 671,551,482	\$ 492,021,083	\$ 16,071,082	\$ 508,132,176	75.67%	\$ 163,419,306	\$ -	\$ 508,132,176	\$ 492,021,083	\$ 16,071,082	\$ 163,419,306
	\$ 2,828,048,381	\$ 3,080,243,141	\$ 88,747,000	\$ 3,146,896,142	\$ 2,052,473,880	\$ 148,995,304	\$ 2,193,329,183	68.70%	\$ 951,660,978	\$ 93,101,131	\$ 2,100,227,333	\$ 1,962,304,683	\$ 137,923,650	\$ 1,446,762,000

(1) To be filled out without offsetting Retainage.

IN BALANCE TEST ADJUSTMENTS		74.7%
Post-Closing Hard Costs Paid to Date %		74.7%
Contingency Adjustment		
Required Minimum Contingency	\$	26,119,212
Less: Unallocated Contingency Balance (Actual)	\$	(37,954,445)
Contingency Adjustment Subtotal	\$	(11,835,233)
Other Adjustments		
Required Minimum Cash Support	\$	-
Required Minimum Liquidity Account	\$	12,661,765
Required Minimum Excess Revolver Support Amount	\$	3,936,448
Repayment of Existing Debt	\$	-
Adjustment for Additional Cash Support	\$	-
TOTAL	\$	1,653,447,789

IN BALANCE TEST AVAILABLE CUSHION		STARTING CUSHION	CURRENT CUSHION
Required Minimum Cash Support	\$	50,000,000	\$ -
Other Unallocated in Balance Cushion	\$	-	\$ 9,875,232
Contingency Adjustment Subtotal	\$	-	\$ 37,338,235
Required Minimum Liquidity Account	\$	-	\$ 11,496,118
Required Minimum Excess Revolver Support Amount	\$	-	\$ -
Adjustment for Additional Cash Support	\$	-	\$ -
Total Other Unallocated in Balance Cushion	\$	-	\$ 58,708,586
TOTAL CUSHION	\$	50,000,000	\$ 58,708,586

FONTAINEBLEAU RESORT AND CASINO  
 LAS VEGAS, NV  
 REMAINING COST REPORT  
 TO EXHIBIT C-1  
 February 28, 2009

DESCRIPTION	RESORT COSTS AMOUNT				COSTS INCURRED				NET AMOUNTS					
	CLOSING RESORT BUDGET (A)	PRIOR REPORT (D FROM PRIOR MONTH) (B)	CURRENT PERIOD MODIFICATIONS (C)	D	PREVIOUS COMPLETED (E) (D FROM PRIOR MONTH)	CURRENT PERIOD COMPLETED (F)	TOTAL COMPLETED DATE (E+F+G)	% COMPLETED (G/D)	BALANCE TO COMPLETE (D-G)	RETAINAGE (J)	TOTAL COMPLETED DATE (G+H)	PREVIOUS COMPLETED (I FROM PRIOR MONTH)	CURRENT PERIOD COMPLETED DATE (I+J)	BALANCE TO COMPLETE (D-H)
Townlark West Contribution	\$ 1,750,000.00	\$ 1,825,160.73	\$ 66,841.000	\$ 2,072,641.793	\$ -	\$ 87,232,629.11	\$ 1,642,208.887	74.53%	\$ 619,417.338	\$ -	\$ 619,417.338	\$ -	\$ 84,866.817	\$ 611,060.672
Unallocated Contingency	\$ 111,000.00	\$ 79,846.446	\$ (30,854.000)	\$ 37,994.446	\$ -	\$ -	\$ -	0.00%	\$ 37,994.446	\$ -	\$ 37,994.446	\$ -	\$ -	\$ 37,994.446
Additional Cost Contingency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	RDWR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance	\$ 40,000.00	\$ 40,000.00	\$ -	\$ 40,000.00	\$ -	\$ 2,595,427.70	\$ 25,196,457	62.99%	\$ 14,804,543	\$ -	\$ 14,804,543	\$ -	\$ 2,830,243	\$ 14,804,543
	\$ 1,551,000.00	\$ 2,022,007.238	\$ 60,000.000	\$ 2,102,007.238	\$ 1,484,263.214	\$ 92,828,771.81	\$ 1,677,282,316	73.92%	\$ 672,219,224	\$ -	\$ 672,219,224	\$ 1,238,293,614	\$ 87,232,025	\$ 452,957,650
Total Contribution Costs	\$ 72,784,287	\$ 72,784,287	\$ -	\$ 72,784,287	\$ 34,964,624	\$ 10,851,638.53	\$ 46,816,262	64.34%	\$ 27,967,816	\$ -	\$ 27,967,816	\$ 24,894,674	\$ 10,851,639	\$ 21,897,815
Rooms FF&E	\$ 40,081,937	\$ 40,081,937	\$ -	\$ 40,081,937	\$ 3,214,021	\$ 5,653,758.24	\$ 8,867,747	17.85%	\$ 40,214,210	\$ -	\$ 40,214,210	\$ 3,214,021	\$ 5,653,758	\$ 40,214,210
Hotel and F&B Operating Equipment	\$ 22,209,240	\$ 22,209,240	\$ -	\$ 22,209,240	\$ 381,978	\$ 180,001.28	\$ 641,714	2.83%	\$ 21,827,526	\$ -	\$ 21,827,526	\$ 381,978	\$ 180,002	\$ 21,827,528
Kitchen Equipment	\$ 2,692,720	\$ 2,692,720	\$ -	\$ 2,692,720	\$ 4,918,278	\$ 5,418,765.54	\$ 12,287,051	46.20%	\$ 14,338,669	\$ 1,229,706	\$ 15,568,375	\$ 6,190,446	\$ 4,871,597	\$ 16,460,385
Entour Signs	\$ 28,665,872	\$ 28,665,872	\$ -	\$ 28,665,872	\$ 14,744,360	\$ 6,518,835.66	\$ 20,881,298	73.12%	\$ 7,724,617	\$ -	\$ 7,724,617	\$ 14,744,360	\$ 6,218,836	\$ 7,794,517
Common Area FF&E	\$ 200,352,608	\$ 200,352,608	\$ -	\$ 200,352,608	\$ 60,123,267	\$ 28,201,132.28	\$ 88,324,239	44.15%	\$ 111,929,277	\$ 1,227,766	\$ 113,157,043	\$ 60,123,267	\$ 27,769,431	\$ 113,160,233
Casino FF&E	\$ 40,871,009	\$ 40,871,009	\$ -	\$ 40,871,009	\$ 160,771	\$ 928,844.10	\$ 1,077,415	2.61%	\$ 39,793,894	\$ -	\$ 39,793,894	\$ 160,771	\$ 928,844	\$ 39,793,894
Gaming FF&E	\$ 71,920,698	\$ 71,920,698	\$ -	\$ 71,920,698	\$ -	\$ -	\$ -	0.00%	\$ 71,920,698	\$ -	\$ 71,920,698	\$ -	\$ -	\$ 71,920,698
Entertainment	\$ 12,263,721	\$ 12,263,721	\$ -	\$ 12,263,721	\$ -	\$ -	\$ -	0.00%	\$ 12,263,721	\$ -	\$ 12,263,721	\$ -	\$ -	\$ 12,263,721
A&S and Facilities and IT	\$ 132,072,658	\$ 132,072,658	\$ -	\$ 132,072,658	\$ 12,266,488	\$ 5,217,492.19	\$ 17,483,980	24.81%	\$ 6,407,671	\$ -	\$ 6,407,671	\$ 12,266,488	\$ 5,217,492	\$ 11,689,095
	\$ 81,847,879	\$ 81,847,879	\$ 6,046,900	\$ 87,894,779	\$ 38,238,608	\$ 7,187,882.18	\$ 45,426,490	63.89%	\$ 30,252,276	\$ -	\$ 30,252,276	\$ 38,238,608	\$ 7,187,882	\$ 30,350,276
Pre-Opening / Working Capital	\$ 131,814,077	\$ 165,732,077	\$ 6,046,900	\$ 167,861,077	\$ 145,850,781	\$ 8,108,717.72	\$ 160,739,479	93.26%	\$ 10,650,598	\$ -	\$ 10,650,598	\$ 145,850,781	\$ 8,108,718	\$ 10,000,000
Fees / Permits / Taxes / Other	\$ 382,766,033	\$ 332,378,033	\$ 21,747,000	\$ 364,175,033	\$ 230,764,098	\$ 3,739,824.28	\$ 234,443,960	65.25%	\$ 119,832,072	\$ -	\$ 119,832,072	\$ 230,764,098	\$ 3,739,824	\$ 119,662,072
Debt Service Accrued Through Scheduled Opening Date	\$ 49,776,823	\$ 25,000,000	\$ 6,000,000	\$ 20,000,000	\$ 17,791,815	\$ 88,747.19	\$ 17,880,630	82.29%	\$ 2,141,437	\$ -	\$ 2,141,437	\$ 17,791,815	\$ 88,747	\$ 2,141,437
Contingent-Hotel Selling Expenses	\$ 60,740,784	\$ 60,740,784	\$ -	\$ 60,740,784	\$ 69,446,871	\$ -	\$ 69,446,871	99.53%	\$ 1,194,223	\$ -	\$ 1,194,223	\$ 69,446,871	\$ -	\$ 1,194,223
Fees and Expenses	\$ 889,352,005	\$ 851,824,482	\$ 67,477,000	\$ 916,711,482	\$ 492,041,093	\$ 16,071,002.48	\$ 608,332,118	76.07%	\$ 181,419,266	\$ -	\$ 181,419,266	\$ 492,041,093	\$ 16,071,002	\$ 163,439,333
Costs Accrued Through Opening Date	\$ 2,220,648,361	\$ 2,092,263,141	\$ 66,747,000	\$ 2,165,658,141	\$ 2,052,423,880	\$ 140,025,203.87	\$ 2,193,226,183	69.70%	\$ 652,899,278	\$ -	\$ 652,899,278	\$ 2,052,423,880	\$ 137,262,882	\$ 1,442,162,893
TOTAL COSTS														

IN BALANCE TEST ADJUSTMENTS	
Contingency Adjustment	74.7%
Reserve for Contingency	\$ -
Less: Unallocated Contingency (Accrued)	\$ 70,116,310
Contingency Adjustment Subtotal	\$ (70,116,310)
Reserve for Contingency	\$ 18,875,327
Required Minimum Excess Reserve	\$ 3,000,000
Required Minimum Excess Reserve Subtotal	\$ 3,000,000
Payment of Existing Debt	\$ -
TOTAL	\$ 1,052,442,789

**Dep. Ex. 864**

---

**From:** Yu, Henry [henry.yu@bankofamerica.com]  
**Sent:** Monday, April 13, 2009 4:08 PM  
**To:** Barone, Robert; bscott@sheppardmullin.com; Bonvicino, Paul R.  
**Cc:** AMartin@sheppardmullin.com; Bolio, Brandon; Corum, Brian; Sieke, Eric -Legal  
**Subject:** RE: Fontainebleau - Attorney Client Privileged Communication

Hi Bob and Paul;

We just had a call with Jim, Whitney and Sonny. They are now saying there is an addition \$170 mm in additional construction costs, potentially \$20 mm in additional interest if opening is delayed until Feb, which, netted against the contingency, results in a \$140 mm out of balance for April. That assumes Z Capital's commitment is still available and the full amount of retail shared cost (which their notice throws into question) is available.

We have asked them to fill you in. Can one of you talk to them before the lender call tomorrow? We can make the lender call 4:30. Thanks.

Best regards,  
Henry

-----Original Message-----

**From:** Barone, Robert [mailto:robert.barone@ivi-intl.com]  
**Sent:** Monday, April 13, 2009 5:18 PM  
**To:** Yu, Henry; bscott@sheppardmullin.com; Bonvicino, Paul R.  
**Cc:** AMartin@sheppardmullin.com  
**Subject:** RE: Fontainebleau - Attorney Client Privileged Communication

I was afraid of that. I'm still not sure what we would discuss at 4 pm, as nothing new has occurred since our last call.

Regards,

Bob

Robert W. Barone, R.A., LEED AP  
Inspection & Valuation International, Inc.  
106 Corporate Park Drive, Suite 417  
White Plains, NY 10604  
914.694.1900 x 5113 (tel)  
914.694.4007 (fax)  
914.368.4613 (direct fax)  
[robert.barone@ivi-intl.com](mailto:robert.barone@ivi-intl.com)  
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**Subject:** RE: Fontainebleau - Attorney Client Privileged Communication

Hi Bob;

Let's go with 4 pm EST.





By the way, Bill was told on the phone that the out of balance could be as high as \$115 million and the Opening date could be Feb 2010 or later.

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Henry

It would be late, maybe 4 or 4:30 pm EST. Wednesday would be better, if it could wait, as I am free all day.

Regards,

Bob

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Hi Bob;

Sorry. We may not have provided you with the attached that arrived this morning. Is there a time you may be available tomorrow afternoon?  
Thanks.

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From: Barone, Robert [mailto:robert.barone@ivi-intl.com]  
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Cc: Yu, Henry; 'AMartin@sheppardmullin.com'  
Subject: Re: Fontainebleau

I am unavailable at that time.

Didn't we already talk to them? Nothing new has occurred yet.

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Robert W. Barone, R.A.  
914.694.1900 x 5113 (tel)  
914.313.5113 (direct)  
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914.368.4613 (direct fax)

-----  
Sent from my BlackBerry Wireless Handheld

---

From: Bill Scott  
To: Barone, Robert; Bonvicino, Paul R.  
Cc: Yu, Henry ; Alan Martin  
Sent: Mon Apr 13 17:43:15 2009  
Subject: Fontainebleau

Can either of you do a call at 1:00 (East) tomorrow to update the private side lenders?

---

[<http://www.sheppardmullin.com/images/smrhlogo-mini.jpg>]

333 South Hope Street  
48th Floor  
Los Angeles, CA 90071-1448  
213.620.1780 office  
fax  
[www.sheppardmullin.com](http://www.sheppardmullin.com)<<http://www.sheppardmullin.com/>>

William M. Scott IV  
213.617.4276 direct | 213.443.2717 direct fax  
818.515.3679 cell  
[bscott@sheppardmullin.com](mailto:bscott@sheppardmullin.com) |  
Bio<<http://www.sheppardmullin.com/attorneys-101.html>>

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**Dep. Ex. 865**

---

**From:** Barone, Robert  
**Sent:** Monday, April 13, 2009 4:50 PM  
**To:** Bonvicino, Paul R.  
**Subject:** Re: Accepted: BBarone/PBonvicino - FB Las Vegas

It seems they have chosen to come clean.

What is your schedule tomorrow?

Robert W. Barone, R.A.  
914.694.1900 x 5113 (tel)  
914.313.5113 (direct)  
914.694.4007 (fax)  
914.368.4613 (direct fax)

-----  
Sent from my BlackBerry Wireless Handheld

----- Original Message -----

**From:** Bonvicino, Paul R.  
**To:** Barone, Robert  
**Sent:** Mon Apr 13 19:48:19 2009  
**Subject:** Accepted: BBarone/PBonvicino - FB Las Vegas

You are correct, what are we going to talk about?

Is Deven still in the country?



**Dep. Ex. 866**

**From:** Bonvicino, Paul R.  
**Sent:** Monday, April 13, 2009 4:51 PM  
**To:** Barone, Robert  
**Subject:** Fw: Fontainebleau - Attorney Client Privileged Communication

Pretty close to my 150 mil!!!

-----  
Sent from my BlackBerry Wireless Handheld

----- Original Message -----

**From:** Yu, Henry <henry.yu@bankofamerica.com>  
**To:** Barone, Robert; bscott@sheppardmullin.com <bscott@sheppardmullin.com>; Bonvicino, Paul R.  
**Cc:** AMartin@sheppardmullin.com <AMartin@sheppardmullin.com>; Bolio, Brandon <brandon.bolio@bankofamerica.com>; Corum, Brian <brian.corum@bankofamerica.com>; Sieke, Eric -Legal <eric.t.sieke@bankofamerica.com>  
**Sent:** Mon Apr 13 19:08:11 2009  
**Subject:** RE: Fontainebleau - Attorney Client Privileged Communication

Hi Bob and Paul;

We just had a call with Jim, Whitney and Sonny. They are now saying there is an addition \$170 mm in additional construction costs, potentially \$20 mm in additional interest if opening is delayed until Feb, which, netted against the contingency, results in a \$140 mm out of balance for April. That assumes Z Capital's commitment is still available and the full amount of retail shared cost (which their notice throws into question) is available.

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Cc: AMartin@sheppardmullin.com  
Subject: RE: Fontainebleau - Attorney Client Privileged Communication

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Subject: RE: Fontainebleau

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Sent from my BlackBerry Wireless Handheld

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From: Bill Scott  
To: Barone, Robert; Bonvicino, Paul R.  
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Sent: Mon Apr 13 17:43:15 2009  
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[<http://www.sheppardmullin.com/images/smrhlogo-mini.jpg>]

333 South Hope Street  
48th Floor  
Los Angeles, CA 90071-1448  
213.620.1780 office  
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[www.sheppardmullin.com](http://www.sheppardmullin.com)<<http://www.sheppardmullin.com/>>

William M. Scott IV  
213.617.4276 direct | 213.443.2717 direct fax  
818.515.3679 cell  
[bscott@sheppardmullin.com](mailto:bscott@sheppardmullin.com) |  
Bio<<http://www.sheppardmullin.com/attorneys-101.html>>

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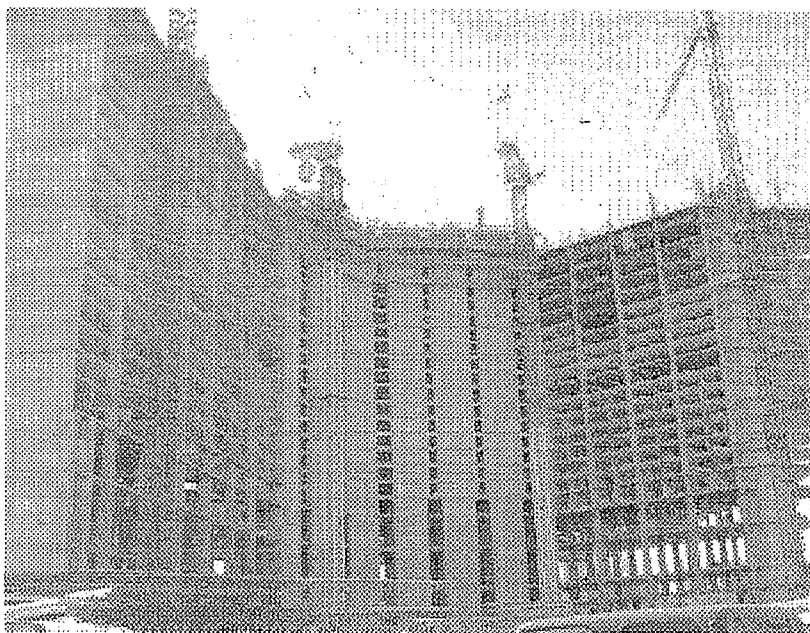
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**Dep. Ex. 868**

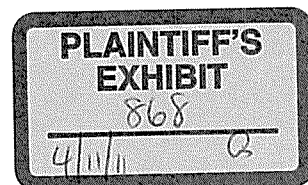
# Project Status Report

Report No. 14  
Fontainebleau Las Vegas  
Las Vegas, Nevada



Prepared for  
Bank of America  
Dallas, Texas  
&  
Lehman Brothers Holdings, Inc  
New York, New York

June 25, 2008  
IVI Project No. V61210964





**CONSTRUCTION CONSULTING &  
PROJECT MANAGEMENT**

**INSPECTION & VALUATION  
INTERNATIONAL, INC.**

55 West Red Oak Lane  
White Plains, New York 10604  
(914) 694-1900 (tel)  
(914) 694-4007 (fax)  
www.ivi-intl.com

June 25, 2008

CDROM Overnight Mail

Mr. Brandon Bolio  
Bank of America, N.A.  
Gaming & Leisure Industry  
901 Main Street, 64<sup>th</sup> Floor  
Dallas, Texas 75202  
(214) 209-3795 (tel)  
(214) 209-0085 (fax)  
brandon.bolio@bankofamerica.com

Mr. Josh Freedman  
Lehman Brothers Holdings, Inc.  
399 Park Avenue  
New York, New York 10022  
(212) 526-7000 (tel)  
(212) 713-1278 (fax)  
josh.freedman@lehman.com

Re: Fontainebleau Las Vegas  
Las Vegas, Nevada  
IVI Project No. V61210964

Dear Mr. Bolio and Freedman:

Attached is our Project Status Report No. 14 for the Developer's Draw Request No. 14 and the General Contractor's Requisition No. 14.

If you have any questions, call me at (914)313-5067.

Sincerely,

**INSPECTION & VALUATION INTERNATIONAL, INC.**

Paul R. Bonvicino, Jr.  
Senior Project Manager

Reviewed by:

Robert W. Barone  
Senior Vice President

PRB/rc

CC: jeanne.p.brown@bankofamerica.com; mrafeedie@trimontrea.com; ronaldo.naval@bankofamerica.com  
maurice.e.washington@bankofamerica.com

I:\003 project files\003.3 project management oversight (pmo)\2006\w61210964-fontainebleau las vegas\15 psrs & photos\psr 14\project status report fb 14 (1).doc

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8. Salient Outline Specifications
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## SUMMARY

### Anticipated Construction Cost vs. Direct Cost Budget

During the PC, the Developer's direct cost budget was increased by \$190,265,022 to account for a significant amount of recently identified additional construction costs, resulting in a revised direct cost budget of \$2,099,999,234. Based on our review of the information to date, the construction costs are currently within the Developer's revised direct cost budget of \$2,099,999,234. However, it should be noted that the budget is expected to increase further to include additional repair and delay related costs related to the precast tee collapse, which is appropriate. During this PC, the Prime Contract Control Budget was adjusted to \$1,851,286,664 and the direct cost contingency was increased to 190.66% of its original value, or \$211,712,570. This is adequate for the project; however, further reductions are detailed in the anticipated cost report which reflects drawing completion and coordination.

### Construction Status

The project began in January 2007 with the Grand Opening anticipated in October/November 2009. Currently, the overall construction progress is tracking in-line with the latest construction schedule, which indicates an October 1, 2009 overall completion.

The overall impact of the collapse to the Garage/Convention Center construction schedule is expected to be six (6) to (8) eight weeks. This delay could impact the TCO for construction parking in the garage scheduled for issuance on or before August 1, 2008. A concern has been expressed that issuance of the TCO may be delayed by a few weeks. However, at this time, it is not expected to impact the overall completion when certain tasks are expedited.

### Quality of Work/Conformance with Construction Documents

The work observed appears to be in general conformance to the drawings and specifications we have reviewed, and during our site visit, we did not observe any significant areas of unsatisfactory workmanship. It should be noted that the Contractor has been maintaining a clean, relatively debris free site.

A fourth material incident occurred on-site Tuesday morning June 3, 2008 with no injuries. The hydraulic crane cable snapped causing two (2) beams to fall and damaging two (2) in-place concrete garage tees.

Three (3) previous material incidents occurred on-site August 2, 6, 2007 and February 11, 2008. We understand that OSHA has acknowledged no fault or negligence on the part of TWC or FB for the August 2 and 6 incidents and will issue their formal report in 12 to 18 months (August 2008 to January 2009) on all three (3) incidents.

Three (3) additional incidents with minor injuries have occurred on-site, Monday December 10, 2007, Thursday January 3, 2008 and Saturday January 12, 2008. The incidents are currently under investigation by OSHA.

### **Outstanding Documentation**

- Formal OSHA report for the construction workers fall and the failure of the precast tees;
- Pending claims schedule for failed Tees;
- Advance funding schedule from the vendor for the structural collapse;
- Close-out documentation for Orphan Tanks 3 and 4;
- Acceptance of the Inspection Report Logs from the “designers of record”;
- Copies of the non-conformance Inspection Report Logs; and
- Confirmation report on LEED approval.

The outstanding items were discussed during our previous site meetings.

### **Issues for Reconciliation**

The pertinent issues for reconciliation are the missing documentation noted above.



**1. SITE VISIT DATA**

<b>Site Visit Date:</b>	June 3, 2008
<b>Previous Visit Date:</b>	May 1 & 2, 2008
<b>Additional Site Visit:</b>	June 9, 2008 – Change Order Review Meeting
<b>Next Site Visit Date:</b>	July 1 & 2, 2008
<b>Weather:</b>	Sunny, 85°F
<b>BofA Representative:</b>	None
<b>LBH Representative:</b>	None
<b>IVI's Representative:</b>	Paul Bonvicino
<b>Developer's Representatives:</b>	Kathy Hernandez, R C White, Brooke Kasztelan, Michelle Stickney-Rasmusson
<b>Architect's Representative:</b>	Scott Walls
<b>General Contractor's Representatives:</b>	Glen Russo, Bob Oehri, Amy Campbell, Cheryl Ross, Don Byrd, Kili Ogilvie, Stephanie Cisneros, Karen Bruner, Amy Aguilar, Maria Alido, Hank Armstrong
<b>Developer's Advance Request No &amp; Dated:</b>	18, June 20, 2008 (Exhibit "B")
<b>Date Summary Received by IVI:</b>	June 20, 2008
<b>General Contractor's Requisition No. &amp; Date:</b>	18, May 31, 2008 (Exhibit "C")
<b>Date Requisition Received by IVI:</b>	June 9, 2008
<b>Period Covered (PC):</b>	May 1 to May 31, 2008



**2. REVIEW OF PAYMENT REQUISITION**

**2.1. Value of Work Completed to Date – Core and Shell**

In accordance with the Form of Construction Consultant’s Advance Certificate dated June 18, 2008 (Exhibit “D”), IVI has approved the following advance. The Developer’s June 20, 2008 letter and Invoice Summary dated June 25, 2008 replacing the typical Developer’s Advance Request Certificate this PC and included as Exhibit “B” along with the Remaining Cost Report, Requested Cost Report, Current Available Sources Report, Funding Order Report, Advance Request Transfer Report, Detailed Remaining Cost Report, Retail Remaining Cost Report and the In Balance Report. In addition to the aforementioned, the Attachment A to Budget/Schedule Amendment Certificate dated May 31, 2008; Budget/Schedule Amendment, MDA Exhibit M-4; Budget/Schedule Amendment, MDA Exhibit V-2; Budget/Schedule Amendment Certificate dated May 31, 2008; and detailed spreadsheets for each included as Exhibit “B-1” were submitted. Also included as Exhibit “B-1” is IVI’s approval letter of the Budget/Schedule Amendment Certificate dated June 24, 2008. The General Contractor’s Advance Certificate and Architect Advance Certificate are included as Exhibit “C”.

a. Developer's Direct Cost Budget	\$	1,904,673,934	
b. Adjustments (approved COs, revisions, etc.)	+	195,325,301	(1)
c. Adjusted Direct Cost Budget	<u>\$</u>	<u>2,099,999,235</u>	
d. Value of Work Completed to Date	\$	699,163,707	
e. Stored Materials		34,775,540	
f. Deposits	+	18,288,749	
g. <b>Subtotal Completed Value + Stored Materials</b>	<u>\$</u>	<u>752,227,996</u>	
h. Less Retainage	-	45,547,940	
i. Total Completed Value Less Retainage	<u>\$</u>	<u>706,680,056</u>	
j. Less Previous IVI Recommended Disbursements	-	624,910,582	
k. <b>Recommended Disbursement for the PC</b>	<u>\$</u>	<u>81,769,474</u>	
l. Cost to Complete Direct Cost Budget (c - i)	\$	1,393,319,179	
m. IVI's Estimated Cost to Complete	\$	1,393,319,179	
n. <b>Gross Percentage Complete (g/c)</b>		<b>35.8%</b>	
o. <b>Net Percentage Complete (k/c)</b>		<b>33.7%</b>	
Budget Amendment No. 1	\$	5,060,279	
Budget Amendment No. 2	\$	<u>190,265,022</u>	
(1) Total Amendment change	\$	195,325,301	

**2.2. Value of Work Completed to Date – FF&E**

a. Developer's FF&E Budget	\$ 169,853,898	
b. Adjustments (approved COs, revisions, etc.)	+ 0	
c. Adjusted FF&E Budget	<u>\$ 169,853,898</u>	(1)
d. Value of Work Completed to Date	\$ 1,961,209	(2)
e. Stored Materials	0	
f. Deposits	+ 17,660,464	
g. Subtotal Completed Value + Stored Materials	<u>\$ 19,621,673</u>	
h. Less Retainage	-	0
i. Total Completed Value Less Retainage	\$ 19,621,673	
j. Less Previous IVI Recommended Disbursements	-	17,660,464
k. Recommended Disbursement for the PC	<u>\$ 1,961,209</u>	
l. Cost to Complete Direct Cost Budget (c - i)	\$ 150,232,225	
m. IVI's Estimated Cost to Complete	\$ 150,232,225	
n. Gross Percentage Complete (g/c)		11.6%
o. Net Percentage Complete (k/c)		11.6%

(1) Gaming FF&E	\$ 40,871,099
Rooms FF&E	73,784,267
Exterior Signage	26,532,720
Common Areas	+ 28,665,812
Developer's Direct Cost Budget	<u>\$ 169,853,898</u>

(2) The total value of work completed to date is as follows:

Gaming FF&E	\$ 0
Rooms FF&E	10,640,355
Exterior Signage	0
Common Areas	+ 8,981,318
Total	<u>\$ 19,621,673</u>

**2.3. Funding for Stored Materials and Deposits**

During this period, funds were requested for the off-site storage of copper and raw/fabricated structural steel. The Developer has provided IVI with the following (Exhibit "E"):

- An Inventory of Unincorporated Materials spreadsheet, which details a total of \$34,775,540.49 in currently stored materials and includes additional inventory this PC of \$6,779,644.33;
- Supporting documentation for stored materials, including evidence of property insurance, bill of sale and Transfer of Title; and
- Deposit Summary spreadsheet detailing a total of \$18,288,748.75 in deposits which includes deposits of \$3,161,865.59 this PC.
- Inspection report verifying Stored Materials prepared by Professional Associates Construction Services dated May 13, 2008.

Stored materials to date are identified in the following tables:

Description or item (Tower 200)	Storage Location	Cumulative Off-Site Stored Value	Cumulative On-Site Stored Value	Key	Authorize Funding
Reinforcing Steel	4910 Donovan Way, NLV, NV	\$4,679,578		1, 2, 3, 5, 6	9
Lintel Beams	4910 Donovan Way, NLV, NV	\$242,570		1, 2, 3, 5, 6	9
Copper Tubing-Plumbing	2020 Mendenhall, NLV, NV	\$1,479,852		1	9
Structural Steel	4910 Donovan Way, NLV, NV	\$50,941		1, 2, 3, 5, 6	9
MC Cable	3950 W Diablo Dr., LV, NV	\$323,165		1, 2, 3, 4	9
Branch Cable	3455 W Reno, Sun Valley	\$207,731		1, 2, 3	9
Deck Sleeves	4375 s. Valley View, LV, NV	\$4,349		1, 2, 3	9
Vanities	16791 Burke La, Huntington Beach	\$531,333		1, 2, 3	9
Brackets	16791 Burke La, Huntington Beach	\$250,000		1, 2, 3	9
T1 Elevator Lobbies	16791 Burke La, Huntington Beach	\$42,900		1, 2, 3	9
Stone Shelves	16791 Burke La, Huntington Beach	\$6,393		1, 2, 3	9
Fire Alarm MC Cable	4375 s. Valley View, LV, NV	\$258,330		1, 2, 3	9
Elec Switchgear	5570 S Valley View, LV, NV	\$829,892		1, 2, 3	9
Lighting Fixtures	4375 s. Valley View, LV, NV	\$383,773		1, 2, 3	9
Misc. Elec. Materials	4375 s. Valley View, LV, NV	\$487,068		1, 2, 3, 4	9
Elevator Lobbies	16791 Burke La, Huntington Beach	\$719,400		1, 2, 3	9
Lighting Fixtures	13169 Slover Ave., Fontana, CA	\$1,760,488		1, 2, 3	9
Low Voltage Cabling	27051 Burbank Ave, Foothill Ranch	\$37,757		1, 2, 3	9
Low Voltage Cabling	3950 Ponderosa #3	\$106,420		1, 2, 3	9
Trim	4030 Industries, NLA, NV	\$122,502		1, 2, 3	9
Welded Frames	4030 Industries, NLA, NV	\$134,221		1, 2, 3	9
Crown Molding	4030 Industries, NLA, NV	\$242,583		1, 2, 3	9
Tile Material	2020 Mendenhall, NLV, NV	\$267,475		1, 2, 3	9
Elevator Materials	4855 West Harmon, LV, NV	\$4,843,063		1, 2, 3	9
Tile	Portobello	\$418,433		1, 2, 3	9
Feeder Cable	4375 s. Valley View, LV, NV	\$83,044		1, 2, 3	9
Electrical Materials	4375 s. Valley View, LV, NV	\$124,036		1, 2, 3	9
Pocket Fascia Bds	Architectural Materials	\$369,603		1, 2, 3	9
KD Frames	4030 Industries, NLA, NV	\$98,333		1, 2, 3	9
Calacatta Oro	2020 Mendenhall, NLV, NV	\$120,693		1, 2, 3	9
Biege Marble	2020 Mendenhall, NLV, NV	\$24,081		1, 2, 3	9
	<b>Closing Inventory Total</b>	<b>\$19,250,006</b>			

Description or item (Tower 200)	Storage Location	Cumulative Deposits	Key	Authorize Funding
Trim	Gallagher-Kaiser	\$300,000	1	9
Guest Closet Units	Architectural Materials	\$5,094,603	1	9
Stone	Ital Stone	\$50,432	1	9
Polished Stone	Architectural Systems	\$69,001	1	9
Curtain Wall	Zetian Systems	\$112,258	1	9
Structural Silicone	Zetian Systems	\$750,545	1	9
Custom Color	Zetian Systems	\$250,000	1	9
Aluminum Extrusions	Zetian Systems	\$809,100	1	9
Aluminum Extrusions	Zetian Systems	\$899,000	1	9
Aluminum Extrusions	Zetian Systems	\$1,798,000	1	9
Glass	Zetian Systems	\$1,268,000	1	9
Glass	Zetian Systems	\$317,000	1	9
Glass	Zetian Systems	\$634,000	1	9
Structural Silicone	Zetian Systems	\$337,745	1	9
Structural Silicone	Zetian Systems	\$187,638	1	9
Sinks	Desert Plumbing & Heating	\$174,426	1	9
Stone/Marble Vanity Tops	SMES SNC	\$328,014	1	9
Marble	Ital Stone	\$526,958	1	9
Glass	Ital Stone	\$252,000	1	9
Michaelangelo Slab	Ital Stone	\$2,400	1	9
ITA 093005	Ital Stone	\$85,050	1	9
Limestone	Ital Stone	\$115,213	1	9
Granite	Ital Stone	\$181,897	1	9
Temp Controls	Bombard Electric	\$83,762	1	9
Wood Doors	Gallagher-Kaiser	\$2,000,000	1	9
	<b>Closing Inventory Total</b>	<b>\$16,627,042</b>		

Description or Item (Parking/Convention 300)	Storage Location	Cumulative Off-Site Stored Value	Cumulative On-Site Stored Value	Cumulative Deposits	Key	Authorize Funding
Structural Steel Raw Material	1730 W. Reno, OK City, OK 73106	\$147,231			1, 2, 3, 4	9
Wire	3755 W Hacienda Ave	\$35,775			1, 2, 3, 4	9
Structural Steel Fabricated	1730 W. Reno, OK City, OK 73106	\$867,590			1, 2, 3, 4	9
Freight (excluding Arcelor)	1730 W. Reno, OK City, OK 73106	\$3,149			1, 2, 3, 4	9
Bolts & Misc. Components	1730 W. Reno, OK City, OK 73106	\$10,318			1, 2, 3, 4	9
Arcelor Freight	1730 W. Reno, OK City, OK 73106	\$2,824			1, 2, 3, 4	9
Copper-Hydraulics	2020 Mendenhall NLV, NV	\$108,196			1, 2, 3, 4	9
Flanges, Fittings & Pip	6120 N. Hollywood Blvd, LV, NV	\$346,710			1, 2, 3, 4	9
Gears/Sw itches	3455 W. Reno Ave, LV, NV	\$1,136,987			1, 2, 3, 4	9
Air Handlers	Quality Warehouse	\$302,500			1, 2, 3, 4	9
Air Handlers	2020 Mendenhall NLV, NV	\$230,500			1, 2, 3, 4	9
Gears/Sw itches	2020 Mendenhall NLV, NV	\$687,338			1, 2, 3, 4	9
Gears/Sw itches	Quality Warehouse	\$16,407			1, 2, 3, 4	9
Elevator Equipment	4855 W. Harmon, LV, NV	\$807,871			1, 2, 3, 4	9
Framing/Drywall Materials	3775 E Sahara, LV, NV	\$711,428			1, 2, 3, 4	9
Copper Tubing-Plumbing	2020 Mendenhall NLV, NV	\$137,558			1, 2, 3, 4	9
Generator Breakers	Cummins Rocky Mtn	\$2,327,037			1	9
Cooling Tower Equip.	Universal Piping			\$858,358	1	9
	<b>Closing Inventory Total</b>	<b>\$7,969,420</b>		<b>\$858,358</b>		

Description or Item (Overtime Inspection Account 400)	Storage Location	Cumulative Off-Site Stored Value	Cumulative On-Site Stored Value	Cumulative Deposits	Key	Authorize Funding
Inspections	Clark County Development Services			\$4,625	1	9
	<b>Closing Inventory Total</b>	<b>\$0</b>		<b>\$4,625</b>		

Description or Item (Podium 500)	Storage Location	Cumulative Off-Site Stored Value	Cumulative On-Site Stored Value	Cumulative Deposits	Key	Authorize Funding
Structural Steel Raw Material	1730 W. Reno, OK City, Ok	\$822,255			1, 2, 3, 4	9
Freight (excluding Arcelor)	1730 W. Reno, OK City, Ok	\$10,460			1, 2, 3, 4	9
Arcelor freight	1730 W. Reno, OK City, Ok	\$16,962			1, 2, 3, 4	9
AFCO Steel	1423 E 6th, Little Rock, AR	\$851,582			1, 2, 3, 4	9
Bolts & Misc. Components	1730 W. Reno, OK City, Ok	\$448,945			1, 2, 3, 4	9
Copper-Hydrronics	2020 Mendenhall, NLV, NV	\$8,820			1, 2, 3, 4	9
Copper Tubing-Plumbing	2020 Mendenhall, NLV, NV	\$283,176			1, 2, 3, 4	9
Wire	3755 W. Hacienda Ave, LV, NV	\$28,725			1, 2, 3, 4	9
Pool Deck/Spa	710 Sunnyvale Dr. Wilmington, NC	\$1,836,804			1, 2, 3, 4	9
Switch boards	2020 Mendenhall, NLV, NV	\$57,704			1, 2, 3, 4	9
Elevators	4855 W Harmon, LV, NV	\$1,746,638			1, 2, 3, 4	9
Structural Steel Fabricated	1730 W. Reno, OK City, Ok	\$559,021			1, 2, 3, 4	9
Substation	2020 Mendenhall, NLV, NV	\$41,000			1, 2, 3, 4	9
Electrical Material	Sun Valley	\$845,023		\$0	1, 2, 3	9
Channel Glass - Mock-up	Giroux Glass			\$305,000	1	9
Day Spa Stainless	Water Fx Custom Pools			\$593,722	1	9
	Closing Inventory Total	\$7,556,116		\$798,722		

Component	Cumulative Off-Site Stored Value	Cumulative On-Site Stored Value	Cumulative Deposits	Key	Authorize Funding
Tower (200)	\$19,250,005		\$16,627,042	1, 2, 3, 4	9
Garage/Convention (300)	\$7,969,420		\$858,358	1, 2, 3, 4	9
Inspections (400)	\$0		\$4,625	1, 2, 3, 4	9
Podium (500)	\$7,556,116		\$798,722	1, 2, 3, 4	9
Closing Inventory Total	\$34,775,540		\$18,288,747		

**Key to Back-up Documents Received**

- (1) Inventory Schedule.
- (2) Bill of Sale evidencing Developer's ownership of the stored materials.
- (3) Evidence of insurance on the stored material naming BofA as an additional insured.
- (4) Designer/Third Party Inspector acceptance.
- (5) IVI stored material visit.
- (6) Viewed on-site.
- (7) Material previously received.
- (8) Photographs taken by the GC/Subcontractor.
- (9) Previously funded by BofA.

The Contractor previously provided a tentative procedural flow chart for products sourced internationally. This chart identifies a third party inspector who will work with the international supplier and manufacturer to insure on time shipping and delivery of the products.

**2.4. Requisition Retainage**

Generally the retainage is currently held at 10% of the trade work up to 50% of the contract amount, which is in compliance with the loan agreement.

**2.5. Certifications**

IVI has received the Developer's Project Entities' Advance Certificate for the current draw request, which is included as part of Exhibit "B". The Advance Request now includes the General Contractor's Advance Certificate and the Project Architect's Advance Certificate (Exhibit "C").

**2.6. Waivers of Lien**

IVI has received current and generally appropriate waivers of lien from the GC, and subcontractors. A copy of the GC's and subcontractors waiver is included as (Exhibit "F"). IVI has not received a copy of the Lien Release Summary from the Developer, which will be provided only when requesting Advances from the Bank Proceeds Account. IVI recommends that this begin sooner than that.

**3. DIRECT COST BUDGET STATUS**

**3.1. Prime Contract and Change Orders**

IVI has received fully executed copies of the General Contractor's agreement, which identifies the Control Budget including Developer Change Orders as shown below for each component. Bolded line items are new Change Orders received this PC.

Prime Contract Control Budget		\$	1,793,634,074
Site CO#1-Landscaping reclassification	-\$44,074,777		
Site CO#2 OCIP reclassification	\$937,936		
Site CO#3 LEED's credit	-\$200,790		
Site CO#4 Compliance with Nevada Power	\$3,743,761		
Site CO#5 Electrical conduit relocation	\$110,282		
Site CO#6 Dewatering system relocation	\$370,000		
Tower CO#1-Deduct Colasanti backcharge	-\$400,000		
Tower CO#2 LEED's credit	-\$23,034,939		
LEED Contract	-\$37,000,000		
LEED CO#1 Credit reallocation	\$59,000,000		
LEED CO#2 Garage mechanical modifications	-\$2,014,885		
LEED CO#3 Podium mechanical modifications	-\$2,370,635		
Garage CO#1-Furnish/install Misc Steel	\$9,946,607		
Garage CO#2-Added Hydraulic Elevator	\$321,302		
Garage CO#3-Deduct Stair #12	-\$349,326		
Garage CO#4-Deduct Overhead	-\$472,314		
Garage CO#5 LEED's Credit	-\$13,386,296		
Garage CO#6 Added Emergency Ramp/County requirement	\$660,768		
Garage CO#7 Garage collapse costs	\$5,060,279		
Garage CO#8 Upgraded pressure on Condensers	\$518,485		
Garage CO#9 Provide 6 Boiler Economizers	\$1,496,401		
General Conditions CO#1-Overhead Podium and Garage	\$1,082,844		
General Conditions CO#2-Colasanti charge	\$400,000		
General Conditions CO#3 Overhead on CO's	\$221,477		
General Conditions CO#4 Overhead on CO's	\$279,678		
General Conditions CO#5 Additional site costs	\$24,014		
<b>General Conditions CO#6-Overhead on Podium CO's</b>	<b>\$2,658,287</b>		
Podium CO#1-Chilled Water Trough to Tower	\$1,053,138		
Podium CO#2-Structural Changes	\$9,243,660		
Podium CO#3-Added Ventilation Ducts	\$2,524,345		
Podium CO#4-Deducted General Conditions	-\$610,531		
Podium CO#5-Landscaping reclassification	\$44,074,777		
Podium CO#6 Site OCIP reclassification	-\$937,936		
Podium CO#7 LEED's Credit	-\$22,377,975		
Podium CO#8 Additional 161 foundation piles	\$1,032,477		
Podium CO#9 Increase concrete duct, added additional re-bar	\$2,736,298		
Podium CO#10-Foundation Revisions	\$1,849,806		
Podium CO#11-Upgrade of Monitoring Systems	\$2,370,635		
<b>Podium CO#12-Structural revisions</b>	<b>\$11,597,697</b>		
<b>Podium CO#13-Structural column revisions</b>	<b>\$41,568,038</b>		
<b>Subtotal Change Orders</b>		<b>\$</b>	<b>57,652,590</b>
<b>Adjusted Prime Contract Control Budget</b>		<b>\$</b>	<b>1,851,286,664</b>



IVI has reviewed the Developer change orders in detail with the Developer and has determined the change orders are not scope changes. IVI has prepared a schedule that provides a detailed description for each owner change order (Exhibit "G"). It should be noted that the Adjusted Prime Contract Control Budget increased from \$1,795,462,642 to \$1,851,286,664.

IVI has received a list of pending owner changes ("POC") for the major components which have been incorporated into the Anticipated Cost Report (Exhibit "I"). The summary of POCs incorporates the anticipated costs to completion for each component of the project. It should be noted that back-up has been provided for the total Anticipated Expenditures of \$217,191,288.34.

**3.2. Subcontract Buy-out Status & Bonds**

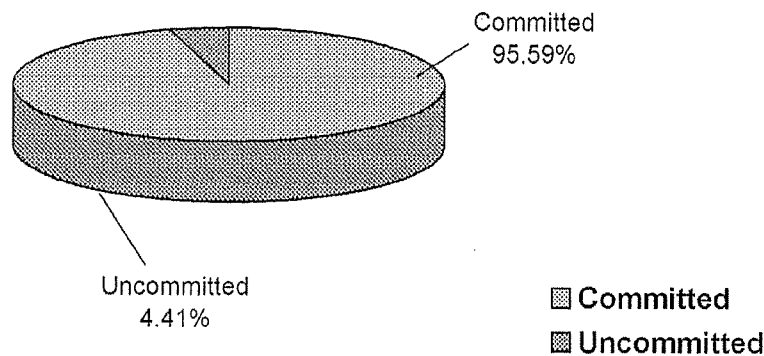
The Disbursement Agreement requires that the Contractor award fixed price or GMP agreements for each subcontractor in accordance with the following timeline:

Date	% of Direct Costs
April 30, 2007	60%
June 30, 2007	75%
October 25, 2007	85%
2008 *	95%

\*First advance after exhaustion of the second mortgage proceeds account. IVI has received 88 executed subcontracts and Owner change orders representing 95.59% of the direct cost budget of \$1,738,371,810 as shown in IVI's Contracts Received Schedule and TWC's Executed Contracts and POs (Exhibit "H").

Considering that we are 14-months into the construction schedule, the buy-out status of 95+% is on schedule with the Disbursement Agreement.

**GC Scope Buyout**



### 3.3. Anticipated Costs

IVI has received a copy of the GC's anticipated cost report ("ACR") dated March 27, 2008 (Exhibit "I") which will increase the final Control Budget. During this PC, IVI reviewed the supporting documentation for the increase to the Control Budget (Budget Amendment No. 2) and attended an additional site visit meeting on June 9, 2008 to review and discuss the supporting documentation with the Developer and the GC.

The anticipated cost report confirms additional OCOs; however, with no additional reduction of the contingency. The Developer will increase the Owner Equity Funds by \$190,265,021. The GC's ACR identifies \$217,191,288 in potential extra cost exposure due to; anticipated scope modification, completion of the design documents, modifications required to satisfy the neighbor's concerns about the garage façade, reduced LEED credit benefit, budget busts and concealed field conditions related to underground utilities. At this time, the construction costs are anticipated to increase but not exceed the Developer's revised direct cost budget of \$1,909,734,213 plus \$190,265,021 in equity with the new direct cost budget totaling \$2,099,999,234. The executed Developer change orders during the previous PC adjust the Prime Contract Control Budget by an additional \$5,593,567. The amended Developer's Prime Contract Control Budget is \$1,851,286,664 as detailed in section 3.1 of this report. Additional Budget Variances are anticipated; however, the List of Scope Changes (Exhibit "J") does not list any.

The Developer previously provided the following as a summary update concerning the status of the LEED qualification costs and the sales tax benefit:

- Executed LEED Deferral Certificate Log;
- LEED Credit checklist; and
- LEED Scorecard & Action Plan.

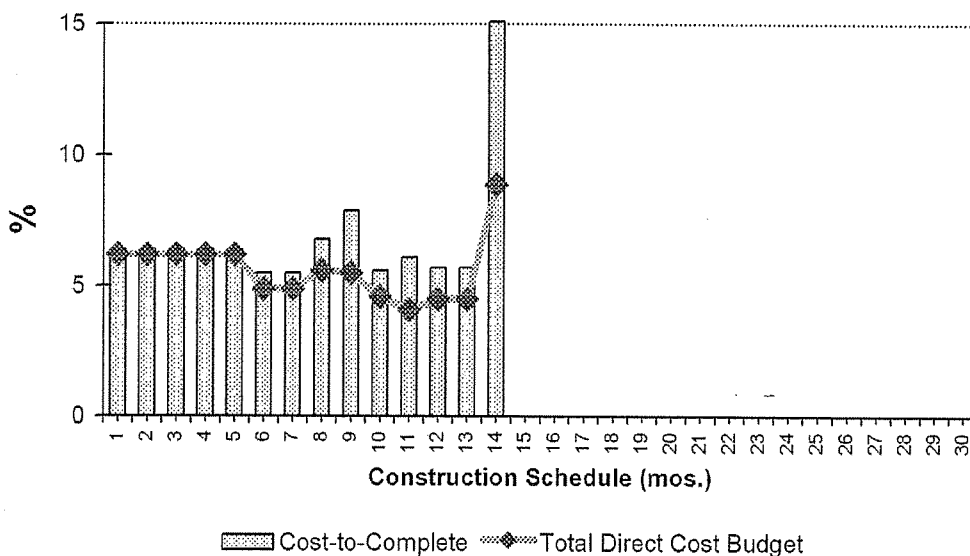
The aforementioned outlined: potential credit, requirements for compliance, action plan, assigned responsibility and estimated premium costs.

The Developer should provide a supplemental summary contingency plan for potential litigation and alternate funding. At this time, the Developer has not received formal approval of their LEED Application.

The Developer is also anticipating a monetary settlement advance from the vendor(s) to draw from to defray the additional cost to be incurred concerning the failure of the double tees in the parking structure.

3.4. Contingency Status

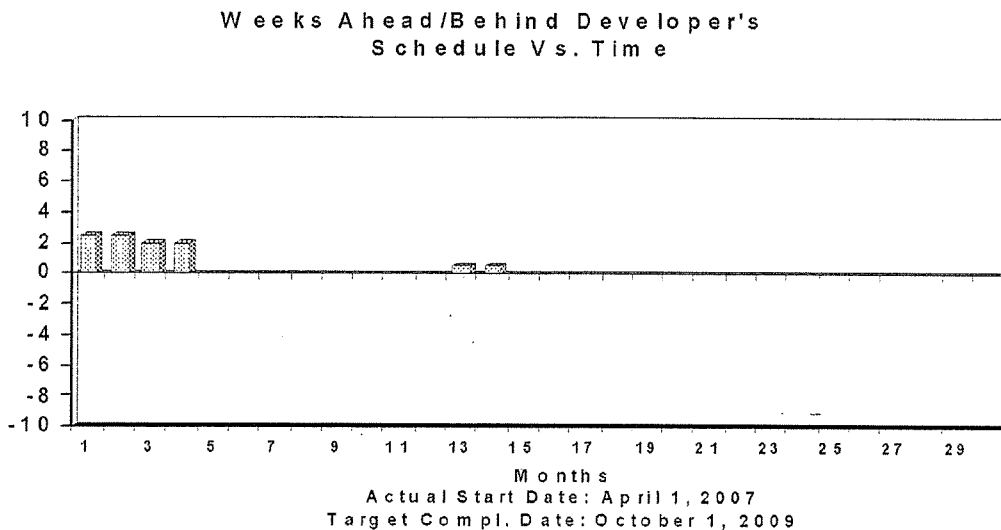
Contingency vs. Direct Cost Budget



An \$111,039,860 contingency was available solely for direct costs, which originally represented 6.2% of the direct cost budget (less the contingency value). During this PC, the Developer executed \$55,824,002 in change orders to the Contractor's Control Budget, which reduced the contingency from \$77,271,571 to \$21,447,569. However, the Developer has funded additional equity, increasing the contingency to \$211,712,570. This is adequate for the project based on the Developer's additional equity funding and detailed ACR.

4. SCHEDULE STATUS

4.1. Construction Schedule



IVI has received a copy of the undated Major Construction Summary and Milestones, which outlines the overall 30-month construction schedule on a summary level, which is an adequate overview presentation of the schedule on a summary level. IVI has also received the Monthly Update Schedule, dated December 6, 2007 updated by phase; Tower, Podium and Garage/Convention Center and by discipline.

The schedule start date of April 1, 2007 is based on the Developer issued Notice to Proceed of April 1, 2007 through completion of the entire project, October 1, 2009. The schedule represents a phased fast-track program, since construction operations commenced prior to completion of all construction documents. Key construction dates are currently indicated as follows based on the May 30, 2008 schedule report (Exhibit "K").

Also included as part of Exhibit "K", is a letter issued by the contractor dated June 18, 2008 concluding that full schedule recovery is not necessary since the garage was originally scheduled for completion 6-months prior to completion of the project, and that critical-path remains unaffected. After reviewing the critical path, IVI concurs that there is no negative impact to the schedule and project.

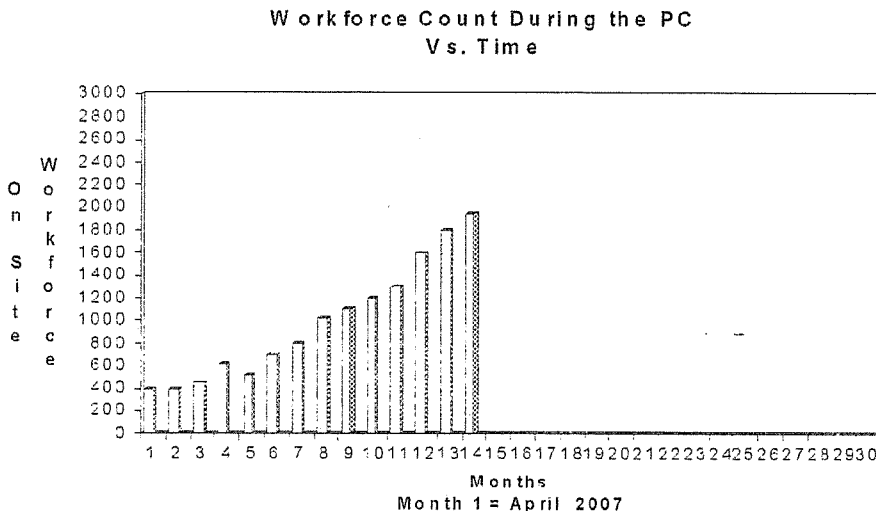
Task	Targeted Date	Actual A/Targeted Date
Start Tower Sitework and Piles	December 13, 2006	January 2, 2007 (A)
Start Garage Sitework and Piles	January 12, 2007	January 2, 2007 (A)
Start Podium Sitework and Piles	January 15, 2007	April 16, 2007 (A)
Complete Tower Sitework and Piles		September 12, 2007 (A)
Start Podium Structural Steel Erection	July 23, 2007	September 24, 2007 (A)
Tower Start Drywall T1 – T61	January 3, 2008	January 3, 2008 (A)
Perm Power to the Tower for Service Elevator	June 2, 2008	May 1, 2008 (A)
Garage Construction Parking available	July 31, 2008	July 31, 2008
Podium Begin Interior Build Out	May 21, 2008	April 18, 2008 (A)
Tower Passenger Elevators through T20	October 1, 2008	October 8, 2008
Tower Complete Structural Concrete	January 6, 2009	January 6, 2009
Start Convention Center Start-up/Testing & Commissioning	October 23, 2008	January 9, 2009
Start Podium Start-up/Testing & Commissioning	February 18, 2009	August 2009
Start Tower Start-up/Testing & Commissioning	April 21, 2009	June 9, 2009
Start Garage Start-up/Testing & Commissioning		March 31, 2009
Ballroom/Convention Center Complete	May 20, 2009	March, 2009
Garage Complete		March 31, 2009
Podium Complete	September 21, 2009	August 28, 2009
Tower Complete	September 21, 2009	September 30, 2009
Soft Opening	September 22, 2009	October 2009
Grand Opening	October 12, 2009	October 1, 2009

Based upon our visit, work is tracking in-line with the latest schedule.

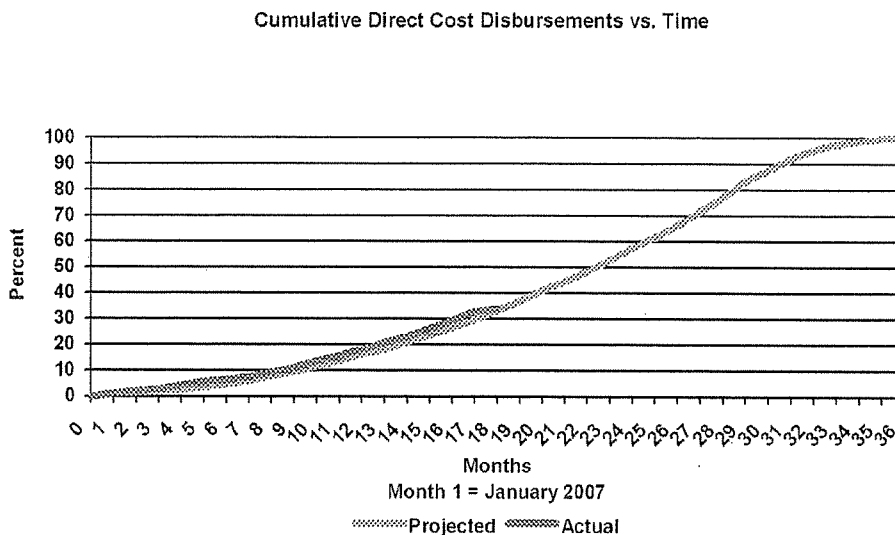
The collapse of the double tees may impact the Garage/Convention Center construction schedule by six (6) to eight (8) weeks. The contractor is targeting August 2008 to acquire a TCO for contractor parking on the first 3-floors of the parking garage; however, a concern has been expressed that issuance of the TCO may be delayed by a few weeks.

4.2. Workforce

During the PC, the workforce averaged approximately 1,950 trade people on site. This current workforce is adequate to ensure progress consistent with the construction schedule.



4.3. Disbursement Schedule

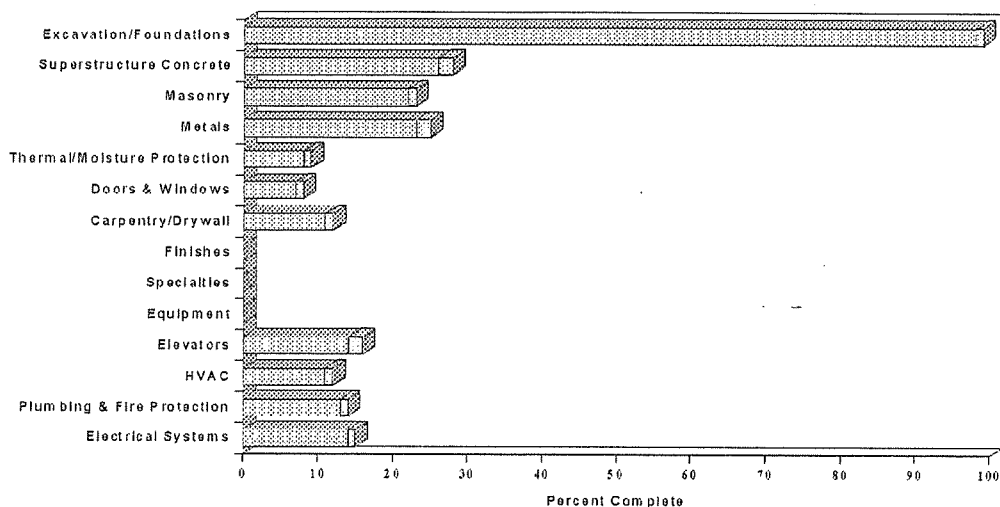


IVI originally received a copy of the Developer’s Project Cash Flow based on the 30-month construction schedule; however, this was based upon an April 2007 start. Subsequently, we plotted the projected S-curve for the 36 month construction period, which took a January 2007 start and two (2) month close-out period into account. The project’s cumulative net direct cost disbursements are now 33.7% of the direct cost budget, slightly ahead of the projected.

**5. CONSTRUCTION STATUS**

**5.1. Key Indicators**

**Construction Progress of Key Systems**



**5.2. System Status**

**Temporary Facilities**

The Developer has established a full staffed project office off-site on the adjacent, former 'Wet-n-Wild' site. The Contractor's office consists of a series of approximately six (6) adjoining trailers; however, there are currently approximately 50 to 60 "job-trailers" on site.

The Contractor has entered into an agreement with Sahara Hotel and Casino to utilize and occupy at any one time no more than 300 spaces located on the top floors of the garages. The terms of the agreement permit 10 hours per day parking six days per week, commencing on Mondays at 4:00 a.m. and ending Saturday at 3:00 p.m.

**Site Work**

The basic roadways and infrastructure adjacent to the site exist and will be modified per the established scope of work. The site has been cleared and de-watered. Off-site water and sanitary connection have begun in Riveria Boulevard and is approximately 45% complete. The electrical feeds; Swenson and Highland are 90% and 70% complete respectively from the Nevada Power and Light.

During mass excavation of the site, the subcontractor uncovered Orphan Tanks 3 and 4, reporting the discovery to NDEP. The closure of the USTs will be remediated the same way Orphan Tanks 1 and 2 were handled. Specifically; the tanks and their contents were removed and disposed of by the instructions of NDEP. Currently, the excavated soils are being disposed of at the proper facilities per County and State requirements, scheduled for completion in June 2009. The dewatering wells are being tested on a regular basis to ensure that contaminants have not reached the water tables. All costs for excavation and removal of the tanks are being paid through Fontainebleau's Pollution Control Insurance Policy (AIG). No costs for the associated work have been added to the Construction Budget.

**A. TOWER (200)**

**Excavation and Foundations**

Site clearing and earthwork is 100% complete.

**Concrete Superstructure**

The core foundation is 100% complete. Construction of the Tower floors is on track with the completion of a floor every 5 ½ days. Tower levels T33 through T38 have been completed.

**Masonry**

The project has not reached this stage of the construction schedule.

**Roofing and Waterproofing**

The project has not reached this stage of the construction schedule.

**Doors and Windows**

A mock-up of the curtain wall system was constructed in Los Angeles, reviewed and approved by the Architect, Developer and Contractor. All of the curtain wall material has been ordered and the curtain wall anchors have been installed on Levels T1 through T18, with installation of the panels on the south elevation Level T1 through T12 and T1 through T16 on the north elevation.

**Carpentry and Drywall**

Wall framing is 100% complete from Level T1 through T15 and two side dry wall from Level T1 through T 4. Wall framing is in process from Level T16 through T22 and partition layout is complete on Level T23 through T30.



### **Finishes**

The ceiling finish is complete on Level T1 through T30 and in progress on Level T31 through T35.

The stone tub decks are complete on Level T1 through T9.

### **Specialties**

The elevator system has been delivered to the site and is preceding on schedule for Passenger Cars P1 through P8 and Service Cars S1 through S8 with 2 0% of the installation completed today.

### **Fire Protection**

Tower Level T1 through T23 is on schedule for the risers and overhead work. The fire standpipe is up to Level T25 with branch lines to Level T25.

### **Plumbing**

Risers and overhead work are in progress up to the T30 level.

### **HVAC**

Tower Level T1 through T30 is on schedule for the risers and overhead work with the fan coil units installed on Level T1 through T9.

### **Electrical**

Level T1 and T5 electrical in-wall rough-in is 95% complete. Tower Level T6 through T16 is "on schedule" for the risers and overhead work.

## **B. GARAGE/CONVENTION (300)**

A failure occurred in one of the double tees placed on level P-6 in August 2007 which started a chain reaction, resulting in the collapse of seven (7) double tees. The seven (7) double tees damaged the Casino Deck Level where the debris settled. This has been repaired; however, delays have resulted.

### **Excavation and Foundations**

Mass excavation, drilled piers, piles, micro piles and the secant wall are 100% complete. The secant wall permit was closed out November 2007.

### **Concrete Superstructure**

The foundation is underway with 70% of the walls complete and 100% of the perimeter walls complete. Installation of the double Tees on the lower levels has been completed to the 12th bay starting at Riveria Boulevard and heading north. 94% of the double tees have been fabricated with 65% erected. Slab placement in increments of 20,000 SF continues three to five times per week with approximately 48% in place.

### **Masonry**

The contractor has completed 35% of the masonry work within the Nevada Power Yard area. The exterior finish on the east elevation has been approved by the County and a mock-up has been completed.

### **Structural Steel**

All of the structural steel has been purchased, with 93% of fabrication complete and 68% erected. The structural steel shell is complete to the roof level of the garage for the first 13 bays and in process for the next seven bays starting at Riveria Boulevard, heading north.

### **Miscellaneous Metals**

The project has not reached this stage of the construction schedule.

### **Roofing and Waterproofing**

The project has not reached this stage of the construction schedule.

### **Doors and Windows**

The project has not reached this stage of the construction schedule.

### **Carpentry and Drywall**

Framing and drywall is in progress on the Dock Level with 15% completed.

### **Finishes**

The project has not reached this stage of the construction schedule.

### **Specialties**

Shop drawings for the elevators have been approved, and shafts for the hydraulic elevators have been set. Materials for the South Freight Elevators have been delivered and are stored on-site.

### **Fire Protection**

The stand pipe has been set at the south end of the garage with approximately 32% of the rough-in complete. Approximately 20% of the applied fire proofing is complete.

### **Plumbing**

Materials have been purchased and are being stored in the Developer's warehouse. Approximately 45% of the underground dewatering is complete and rough-in to the Central Plant is 100% complete. Water closet carriers are in production for the public restrooms and rough-in for the Convention/Ballroom levels is 30% complete.

### **HVAC**

Engineering is in progress and hangers below the casino level are being placed. The eight chiller units are currently installed and three boilers have been set. Mechanical chase to the roof is in process with 90% complete.

### **Electrical**

The underground electrical duct bank is 98% complete and the conduit from Rivera to the Nevada Power yard is in-place. Primary switch gear has been set and temporary power has been provided.

## **C. PODIUM (500)**

### **Excavation and Foundations**

Mass excavation has been underway and is 99% complete with a small area remaining north and northwest of the Tower. 100% of the drilled piles/caissons are complete with 90% of the pile caps complete.

### **Concrete Superstructure**

Grade beams and wall foundations are 72% complete, basement walls are 67% complete and core/shear walls are 100% complete. Slab on grade under the tower is approximately 12% complete.

### **Masonry**

Walls in the Valet Level have begun.

### **Structural Steel**

Approximately 55% of the structural steel and metal decking is on site with 45% installed. The structural steel frame in Sequence 1 is

constructed to Level 04, Casino Mechanical Floor; 100% of the steel frame is complete in this area. Installation of the steel stairs is in progress in Sequence 1. The structural steel framing is in progress for Sequence 3B and 5B and Sequence 2A and 2B are complete.

#### **Miscellaneous Metals**

Engineering and fabrication for the steel stairs is proceeding.

#### **Roofing and Waterproofing**

The project has not reached this stage of the construction schedule.

#### **Doors and Windows**

Door framing in the Back of House area is in process.

#### **Carpentry and Drywall**

Installation of the metal studs and drywall is in progress with 7% complete.

#### **Finishes**

The project has not reached this stage of the construction schedule.

#### **Specialties**

The escalators have been delivered to the site and rail installation for Elevators HS1 and HS2 is in process.

#### **Fire Protection**

Installation has begun at the casino levels below the Tower. Spray fire proofing is 23% complete in the south podium.

#### **Plumbing**

Installation has begun at the casino levels below the Tower and sleeving/canning is proceeding with approximately 20% complete.

#### **HVAC**

Installation has begun at the casino levels below the Tower and sleeving/canning is proceeding with approximately 11% complete.

#### **Electrical**

Installation has begun at the casino levels below the Tower for temporary power, main power and low voltage, and sleeving/canning is proceeding with approximately 13% complete.



**D. FF&E**

**Tower (200)**

Deposits have been placed for long lead item and items critical to maintaining the construction schedule. These items include: bathroom vanities and guest closet units, as detailed in Section 2.3 of this report.

**Garage/Convention (300)**

No deposits have been placed as of this date.

**Podium (500)**

No deposits have been placed as of this date.

**5.3. Quality of Work and Conformance with Construction Documents**

The work observed appears to be in general conformance to the drawings and specifications we have reviewed, and during our site visit, we did not observe any significant areas of unsatisfactory workmanship. The previously deficient precast concrete tees have now been replaced. In addition, work has been performed in accordance with generally accepted construction industry standards.

At the time of our site visit, the street side elevations of the project have been fenced in securely and appropriate safety measures appear to have been taken. IVI noted that generally, all workers were wearing hard hats.

A fourth material incident occurred on-site Tuesday morning June 3, 2008 at approximately 11:45AM PST. The hydraulic crane cable snapped as two (2) beams were in the process of setting in the garage area. The beams were rigged in a "Christmas tree" configuration at the time of the incident. There were no injuries; however, two (2) pre-cast concrete tees were damaged requiring replacement which was completed the week of June 9, 2008 (Exhibit "L").

Three previous (3) material incidents have occurred on-site:

Material Incidents		
#	Date	Comments
1	Thursday August 2, 2007	Three (3) construction workers were involved in a construction site fall; falling from an approximate height of 30-feet. One (1) worker died and two (2) sustained minor injuries. Complete details are not available at the present time; however, once the detailed information becomes available IVI will incorporate into the next PSR. OSHA was immediately called, inspected the area of the accident, and allowed construction to proceed. The OSHA report will also become part of a forthcoming PSR.
2	Monday August 6, 2007	A precast concrete tee collapse took place within the proposed Garage/Convention Center area in the southeast quadrant of the site. Specifically; one (1) precast concrete tee failed under its own weight. It is believed that the failure was due to an insufficient length of re-bar at the bottom chord of the precast tee. This is considered an anomaly; the Developer and Contractor in conjunction with their team of professionals have prepared a two volume Double Tee Incident Correspondence & Photos report confirming that this was an isolated incident. The cause of the failure was determined to be due to the misplacement of the reinforcing in the North West corner of the Double Tee at level P-6. During the investigation, discrepancies were observed concerning the tendons on all of the tees. It has been determined that all of the 9' tees and 12' tees longer than 60' must be removed, recast and replaced. The aforementioned will affect approximately 300 tees. The on-site tees have been replaced at this time.
3	Monday February 11, 2008	A construction worker was struck by a chilled water pipe as it slid through the nylon chokers from the 19 <sup>th</sup> Floor to the 18 <sup>th</sup> Floor. The injuries sustained are a left hand which was nearly severed and a compound fracture to the right leg in two places. (Note that the hand was successfully reattached later in the day).

Concerning incidents 1 and 2 OSHA verbally acknowledged on their closing conference call, Wednesday September 5, 2007 that no fault or any negligence in TWC or FB. There will be no monetary fines or citation for the two (2) accidents, a formal OSHA investigation report is due between August 2008 and January 2009.

**5.4. Testing Reports**

IVI did not receive copies of previous monthly non-conformance Inspection Report Logs as requested. IVI will request from the “designers of record” acceptance of the logs.

**6. DOCUMENTATION UPDATE**

**6.1 Drawings and Specifications**

IVI has received the Major Milestone Summary, which includes Value Engineering (“VE”) updated April 12, 2007 prepared by BWA, which outline the design status. Concerning the theatre, a decision on the venue must be made on or before Thursday June 12, 2008.

The project is tracking the schedule with milestone updates incorporated in the outline below:

Component	Task	Date
Site	Land Use Permits Available	October 4, 2006
Site	Grading Drainage Permit Study Approved	October 13, 2006
Garage/Convention Center	Issue for Permit 100% Foundation Construction Documents	October 31, 2006
Tower	Issue for Permit 100% Foundation Construction Documents	November 6, 2006
Tower	Issue for Permit 50% Construction Documents	November 21, 2006
Garage/Convention Center	Issue for Permit 50% Construction Documents	December 1, 2006
Tower	Issue for Permit 100% Structural Construction Documents (up to level 35) Mechanical Level	December 12, 2006
Garage/Convention Center	Issue for Permit 100% Structural Construction Documents	December 18, 2006
Tower	Issue for Permit 80% Construction Documents	February 1, 2007
Podium	Issue for Permit 100% Foundation Construction Documents (South Tower)	February 1, 2007
Podium	Issue for Permit 50% Construction Documents	February 1, 2007
Tower	Issue for Permit 100% Structural Construction Documents (Level 36 to Top)	February 7, 2007
Garage/Convention Center	Issue for Permit 80% Construction Documents	February 14, 2007
Podium	Issue for Permit 100% Structural Construction Documents (South of Tower)	March 2, 2007
Tower	Issue for Permit 100% Construction Documents	March 12, 2007
Garage/Convention Center	Issue for Permit 100% Construction Documents	March 21, 2007
Garage/Convention Center	Issue AMPE 100% CD's for permit	April 4, 2007
Podium	Issue Structural CD's (South Tower) for permit	April 20, 2007
Podium	Issue 80% Progress CD's	May 30, 2007
Podium	Issue for Permit 80% Construction Documents	June 1, 2007
Podium	Issue AMPE 100% CD's (South Tower) for permit	July 16, 2007
Podium	Issue Theatre Footprint modification	July 15, 2007
Garage/Convention Center	CCBD approved proceeding as collapse	August 31, 2007
Podium	Issue for Permit 100% Foundation/Structural Construction Documents (North of Tower)	September 19, 2007
Garage/Convention Center	Permit issued for AMPE	October, 2007
Podium	Issue ASMPE 100% CD's (North Tower) for permit	October, 2007

Garage/Convention Center	Revised Ballroom/Convention Center CD's issued	October 1, 2007
Podium	Issued VE North Podium Foundation and Structural Plans	February 1, 2008
Garage/Convention Center	100% AMEP issued	February 4, 2008
Garage/Convention Center	Ballroom interior design CD's issued	February 29, 2008

It is important to note that upon completion and receipt of completed documents, IVI will perform a full review of the documents.

**6.2. Permits**

Permits are in place for the current work underway. The permits received during this PC (Exhibit "M") are bolded below:

<b>Component</b>	<b>Description</b>	<b>Permit No.</b>	<b>Date Issued</b>
Site	Dust Permit	33202	November 20, 2006
Site	Temporary Discharge Permit	Tnev2007368	December 4, 2006
Site	Demolition	06-41516 DE2	December 4, 2006
Site	Temporary Power Permit	06-53143 EPD	December 13, 2006
Site	Land Use Permit	06-41514	December 14, 2006
Site	Grading Permit	06-41514 GD6	January 12, 2007
Site	Secant Wall Permit	06-46993 BU1	January 16, 2007
Tower	Phased Foundation	06-48249 BU3	February 20, 2007
Garage	Emergency Ramp	06-52272 BU1	February 22, 2007
Wet n Wild	Dust Permit	N/A	February 22, 2007
Wet n Wild	Demolition ( <i>Wet-n-Wild</i> )	07-12042 DE2	March 1, 2007
Tower	Structural	06-48249	March 6, 2007
Garage	Foundation-Parking	06-47392 BU1	March 14, 2007
Tower	Structural (Levels 1 through 34)	07-05172	May 3, 2007
Garage	Structural Permit	07-7220-BU4	May 4, 2007
Podium	Foundation Permit	07-11015	May 10, 2007
Tower	Structural	06-48249	May 14, 2007
Garage	Sub-Slab Drainage	06-47392 BU3	May 17, 2007
Garage	Structural	07-25864	June 12, 2007
Garage	Foundation Electrical	06-47392 EDP	June 25, 2007
Podium	Foundation Electrical	07-11015 EDP	July 6, 2007
Tower	AMEP	07-14840	July 31, 2007
Garage	Submittal Letter	07-33797	August 8, 2007
Podium	Structural	07-21582	August 9, 2007
Tower	Structural L35 – Roof	07-141186	August 12, 2007



Tower	Foundation	06-48249-001	August 16, 2007
Tower	Structural Permit	06-48249-02	August 16, 2007
Podium	Foundation F3	07-11015-001	August 27, 2007
Garage	Temporary Power	07-34342 EPD	September 5, 2007
Podium	Master Egress	06-48195-001	September 6, 2007
Tower	Structural Revision L1 – L34	07-5172-01	September 6, 2007
Garage	Materials & Methods	06-39826	September 15, 2007
Podium	Master Egress	06-48195-002	September 15, 2007
Tower	Electrical	07-14840-EPD	October 3, 2007
Garage	Structural	07-7220-01	October 18, 2007
Garage	Foundation	06-47392-01	October 19, 2007
Tower	Piping Supports @ Valet	06-48249-03	October 24, 2007
Podium	Underground	07-11015PLFT	October 29, 2007
Tower	Plumbing	07-14840-PLFT	November 1, 2007
Garage	Architectural Permit	07-17708 BU5	November 8, 2007
Garage	Micro Piles	07-32876	November 13, 2007
Garage	PLFT	07-17708-PLFT	November 14, 2007
Tower	Mechanical	07-14840	November 20, 2007
Garage	Closure Secant Wall Permit	06-46993 BU1	November 26, 2007
Podium	Foundation DPH	07-11015-03	November 29, 2007
Tower	Master Egress Permit	06-33024	December 15, 2007
Garage	Stairs 4, 5, & 6	07-7220-02	January 4, 2008
Garage	Double-Tee	07-7720-03	January 4, 2008
Podium	Foundation Phased	07-38187 BU3	January 14, 2008
Podium	North Podium Foundation and Structural Permit	07-40154 BU4	January 18, 2008
Garage	Structural	07-7220-04	January 18, 2008
Garage	Foundation	06-47392-02	February 7, 2008
Podium	AMEP	07-42658BU	February 13, 2008
Podium	South Podium	07-33462 BU5	February 20, 2008
Tower	Revisions	07-33024	February 20, 2008
Podium	North Podium AMPE	07-42658	February 25, 2008
Tower	Structural Smoke Control	07-14840	March 4, 2008
Garage	AEMP Revisions	07-17708-01	March 4, 2008
Podium	MEPD	07-33462EPD	March 5, 2008
Site	Fire Protection Report	06-33024	March 6, 2008
Garage	Fire Protection Report	06-39826	March 6, 2008

Podium	Fire Protection Report	06-48195	March 6, 2008
Podium	Fire Protection Report	07-33462	March 6, 2008
Tower	Curtain Wall and Embeds	07-5172-04	March 7, 2008
Tower	Structural Revisions	07-14186-04	March 7, 2008
Tower	Rebar Revisions	07-5172-03	March 9, 2008
Podium	Plumbing	07-33462PLFT	March 11, 2008
Podium	Stairs 101, 115 & 117	07-21582-14	March 12, 2008
Podium	Stairs 116	07-21582-15	March 12, 2008
Podium	Porte Coche Revisions	07-38187-01	March 13, 2008
Podium	Porte Coche Revisions	07-40154-01	March 17, 2008
Podium	Stair Revisions	07-21582-16	March 20, 2008
Podium	Framing Revisions	07-21582-17	March 20, 2008
Tower	Arch Revisions	07-14840-07	March 25, 2008
<b>Tower</b>	<b>Engineering</b>	<b>06-33024-02</b>	<b>April 6, 2008</b>
Site	Pedestrian Overhead Canopy	08-06455 BU1	April 8, 2008
Tower	Architectural Revision	07-14840-05	April 8, 2008
Garage	Structural Revision	07-7220-05	April 15, 2008
<b>Tower</b>	<b>Sprinkler System</b>	<b>N/A</b>	<b>April 15, 2008</b>
<b>Garage</b>	<b>Foundation Revision</b>	<b>06-47392-03</b>	<b>April 25, 2008</b>
Podium	Stair Revision	07-21582-20	April 28, 2008
Tower	Engineering	06-33024-03	May 6, 2008
Podium	Stair Revision	07-21582-31	May 7, 2008
Tower	Arch Revisions	07-14840-09	May 8, 2008
Podium	Arch Revision	07-33462-01	May 12, 2008

The Open Garage Concept was verbally approved by Clark County Building Department ("CCBD") for the east garage elevation. Final revisions and coordination are in process.

**6.3. As-Built Survey**

Not expected at this time.

**6.4. Designer-of-Record Field Observation Reports**

IVI has requested, but has not received a report for this PC.

**6.5. Certificate of Occupancy**

Upon completion of construction, the Developer will request the necessary inspections in order to receive a Temporary Certificate of Occupancy for the project followed by a Certificate of Occupancy.

**6.6. Construction Meeting Minutes**

The contractor has continued to provide Project Meeting Minutes prepared by BWA.

**6.7. Shop Drawing and RFI Logs**

IVI has requested, but had not received any during the PC.

**6.8. Tenant/End-User Status and Approvals**

IVI has not received copies of any executed lease agreements for the available retail spaces. Listed below are the proposed tenants and allotted space:

Tenant Name	Lease Date	SFG
Total SFG		

**6.9. Closeout Documents**

Not expected at this time.

7. SALIENT FACTS SCHEDULE

<b>Project Location:</b>	Las Vegas Boulevard, Las Vegas, Nevada
<b>Project Type:</b>	Fontainebleau Resorts Hotel Casino
<b>Project Size:</b>	8,749,063 SFG
<b>Construction Delivery Method:</b>	Cost of work plus fee Cost-of-the-Work Plus a Fee
<b>Developer:</b>	Fontainebleau Las Vegas, LLC. 2827 Paradise Road Las Vegas, Nevada 89109 Deven Kumar, VP of Development Finance (702) 495-8055 (tel) (702) 495-8403 (fax) dkumar@fbresorts.com
<b>BofA Contact:</b>	Bank of America 901 Main Street, 64 <sup>th</sup> Floor Dallas, Texas 75202 Brandon Bolio (214) 209-3795 (tel) (214) 209-0085 (fax) brandon.bolio@bankofamerica.com
<b>LBH Contact:</b>	Lehman Brothers Holdings, Inc 399 Park Avenue New York, New York 10022 Josh Freedman (212) 526-7000 (tel) (212) 713-1278 (fax) josh.freedman@lehman.com
<b>General Contractor:</b>	Turnberry West Construction, Inc 6725 Via Austi Parkway, Suite 380 Las Vegas, Nevada 89119 Roger McElfresh, President (702) 495-8005 (tel) (702) 495-7110 (fax) RMcelfresh@turnberryltd.com
<b>Architect:</b>	Bergman, Walls & Associates. 2965 S. Jones Boulevard Suite C Las Vegas, Nevada 89146 (702) 940-0000 (tel) (702) 940-0001 (fax) swalls@bwaltd.com

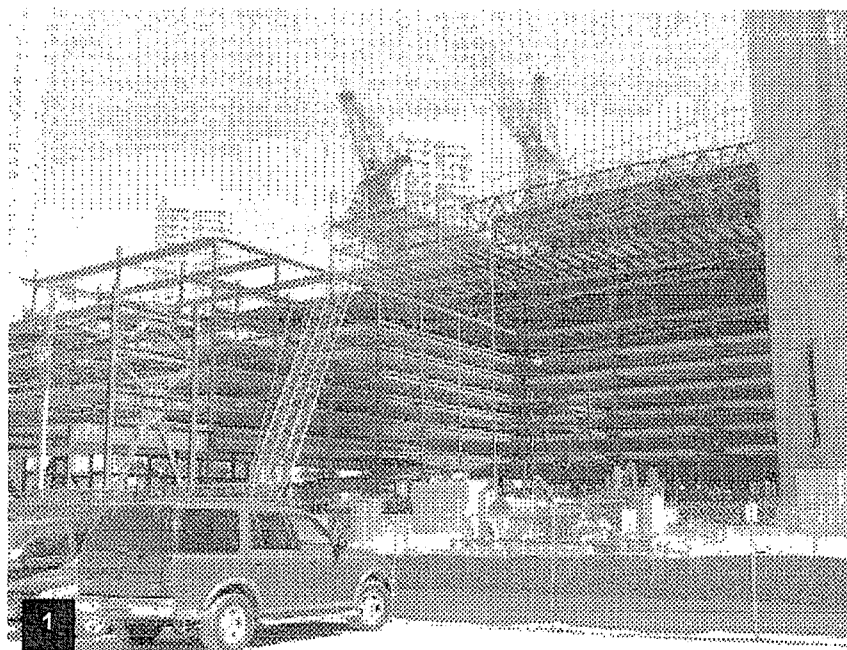
8. DISBURSEMENT AGREEMENT TERMS

<b>Agreements:</b>	Executed subcontractor agreement requirements: 60% execution by April 30, 2007; 75% execution by June 30, 2007; 85% execution by October 25, 2007 and 95% after exhaustion of the second mortgage proceeds account.
<b>Contingency:</b>	\$111,039,860; usage to be approved by BofA.
<b>Retainage:</b>	10% retainage will be held per trade contractor until 50% completion, and then the Project Entities may terminate the requirement of further retainage to the extent that the cumulative retainage is equal to 5% of the contract value (as adjusted by change orders, if any).
<b>Bonding:</b>	Payment and Performance Bonds are required from major subcontractors with a value over \$25,000,000, unless specifically waived.
<b>Reallocations:</b>	To be approved by BofA.
<b>Stored Materials:</b>	Funding for stored materials is permitted with an on-site limit of \$25,000,000, an off-site limit of \$50,000,000, increased to \$75,000,000 at the October 2, 2007 draw request meeting for PSR 6 which may further be waived at the discretion of the disbursement agent and a deposit limit of \$50,000,000. Funding for retail stored materials is permitted with an on-site limit of \$4,000,000, an off-site limit of \$4,000,000 and a deposit limit of \$4,000,000. Evidence of insurance, an invoice, a bill-of-sale, and consultant or 3 <sup>rd</sup> party verification is required for funding.

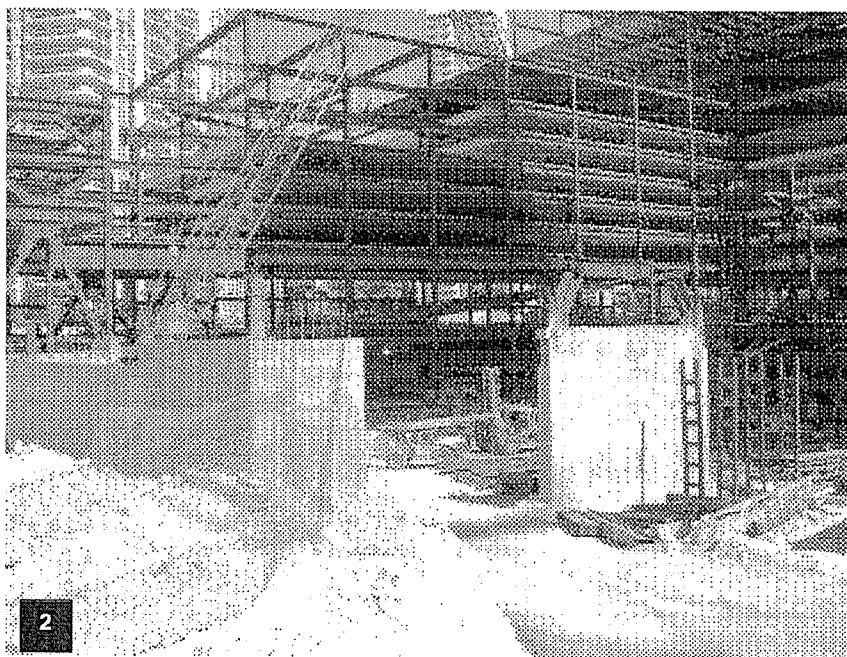
Project Status Report Exhibits  
Fontainebleau Las Vegas  
IVI Project No. V61210964

# EXHIBIT "A"

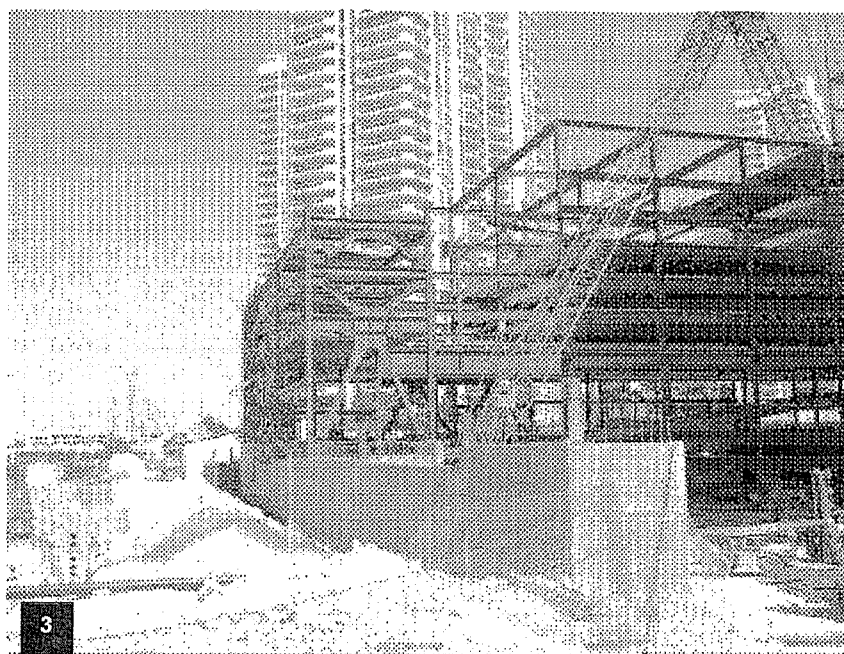




View looking southeast at the Garage/Convention Center to the roof level for the first thirteen (13) bays north of Riviera Boulevard.



Looking east at the eastern section of the Garage/Convention Center; steel 100% erected north/south.

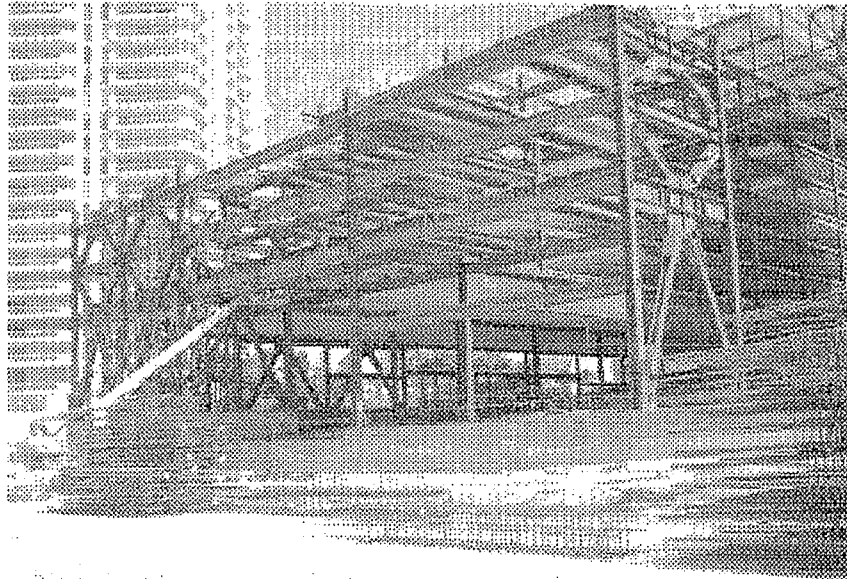


View looking east of the Level 1 through Level 3 of the parking garage along the north elevation.



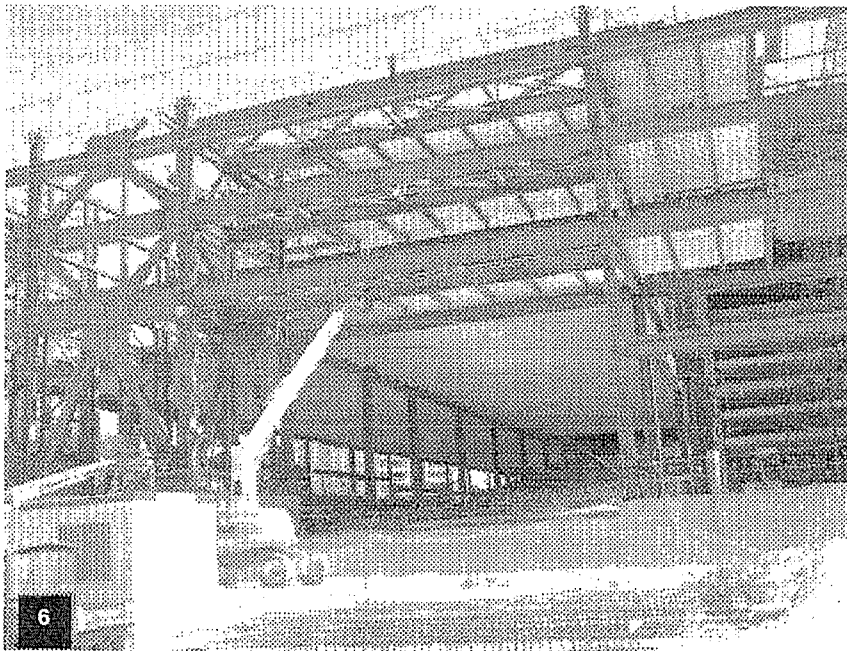
View of the tower's north elevation with the curtain wall system installed from Level T1 through T16.





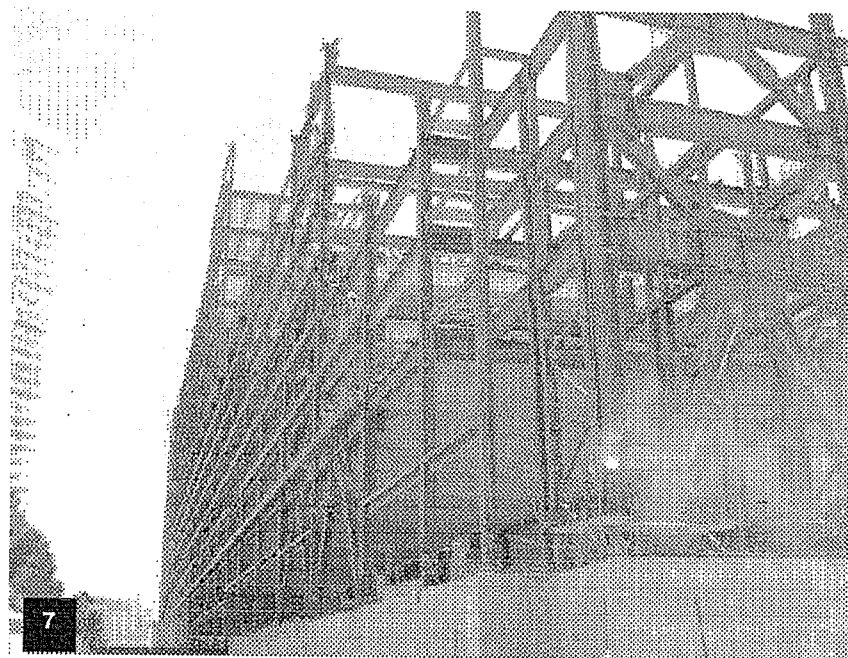
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View looking southeast of the first three (3) steel framed bays along the eastern property line.

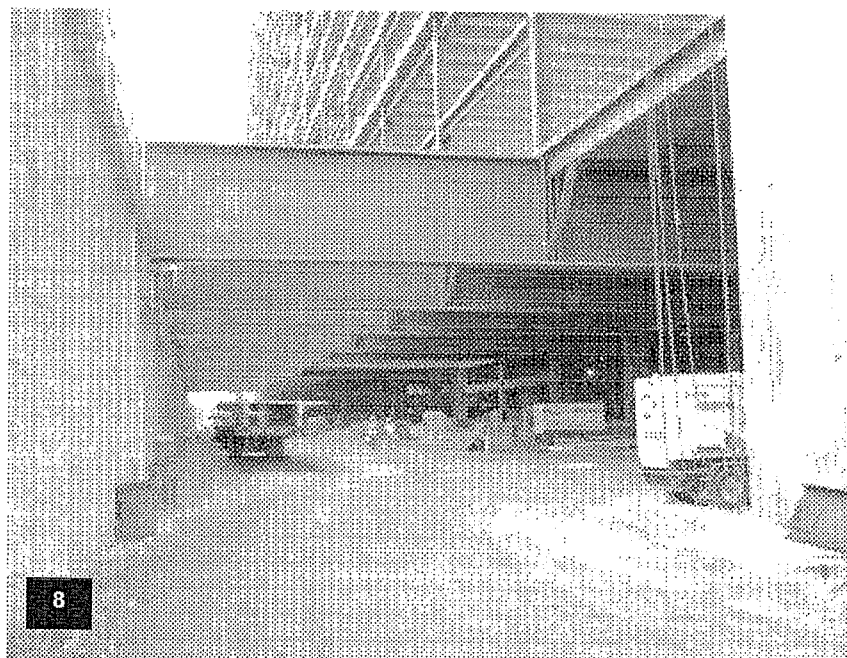


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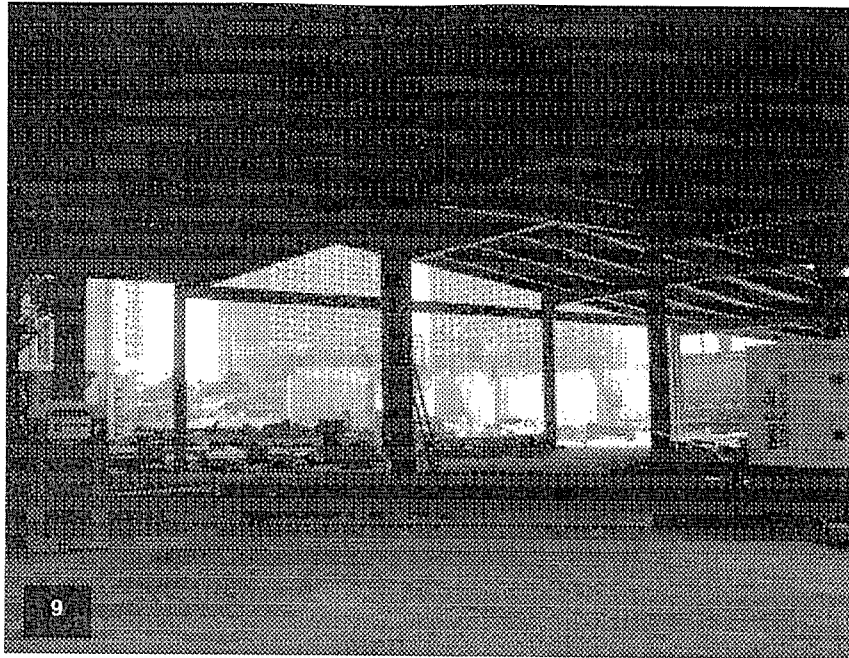
View looking south at the vehicular access ramp from the proposed Porte Cochere.



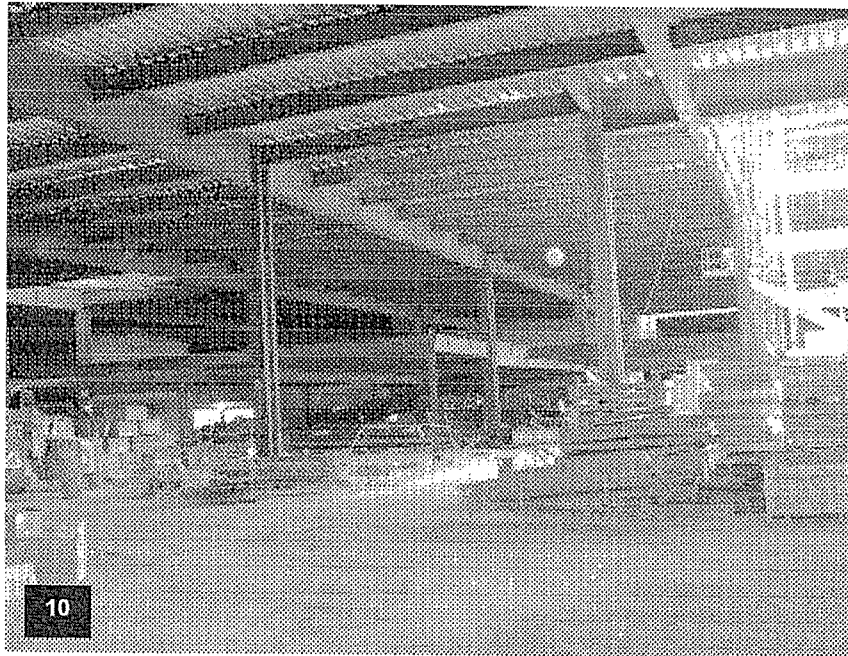
View looking south at the east elevation of the parking garage, with steel framing completed for Level 1 through Level 3 running north/south.



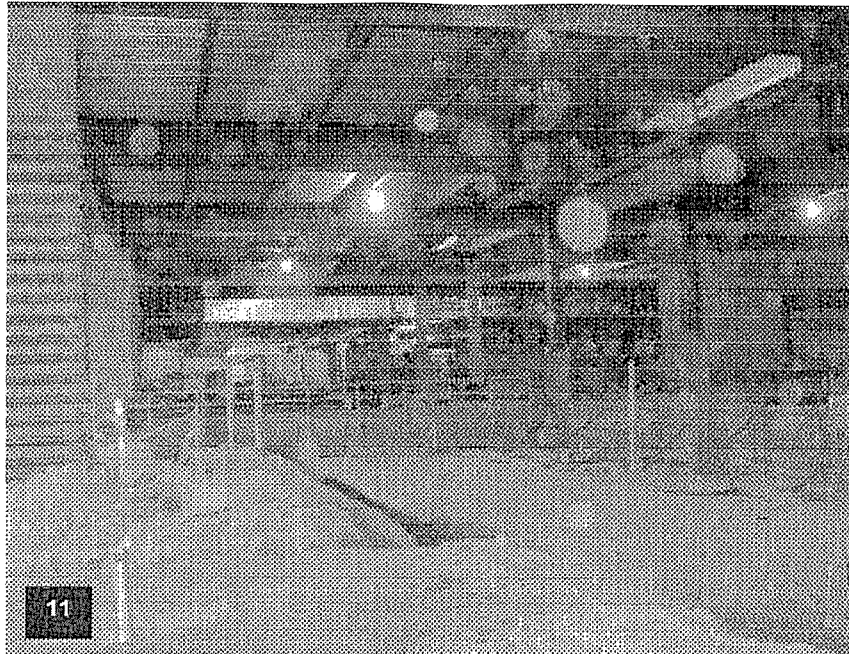
View looking south at the ingress/egress ramps from the loading zone located on the Loading Level.



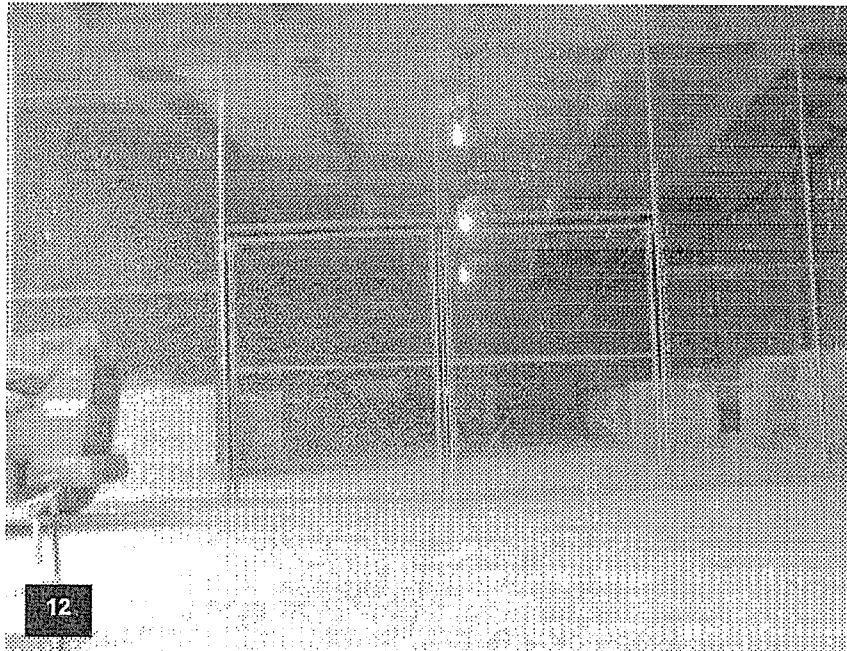
View looking northwest at the Loading/Valet Level.



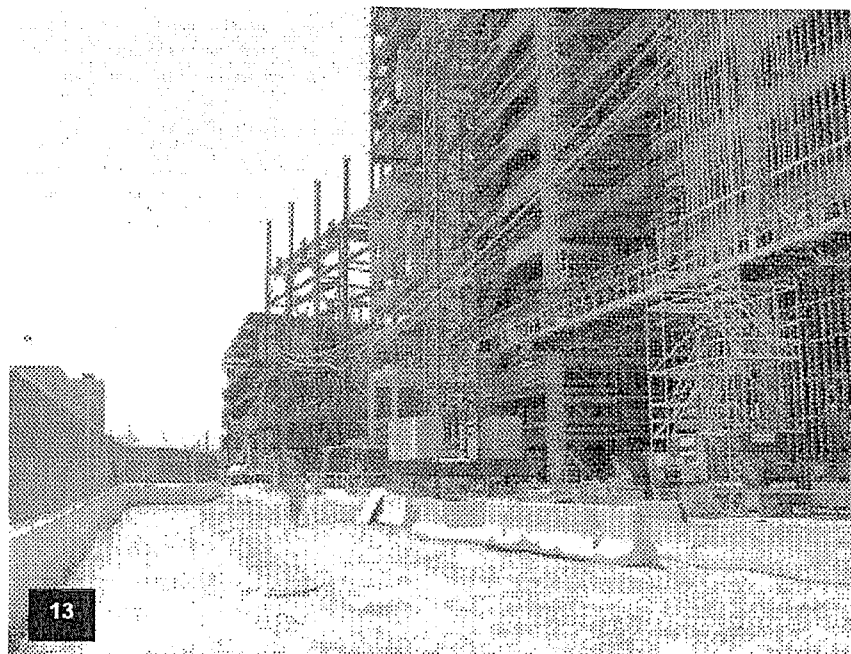
View looking north at Parking Level 1 & 2.



View of the eight chiller units and three boilers set in the Loading Dock Level of the garage.



View of the substantially completed Nevada Power Yard located in the Loading Dock Level of the garage.



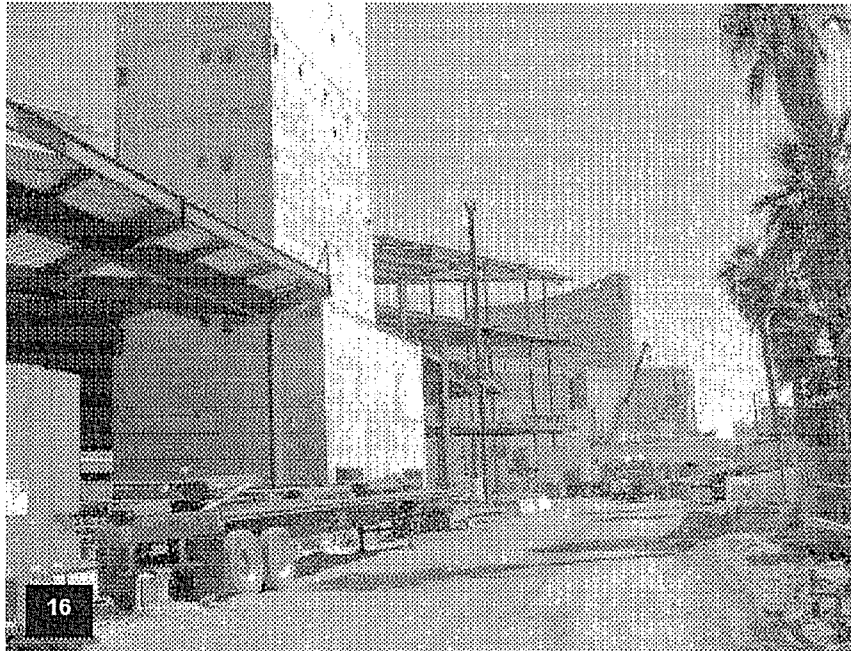
View looking west at the "Street-scape" on Riviera Boulevard of the Podium and Parking Garage.



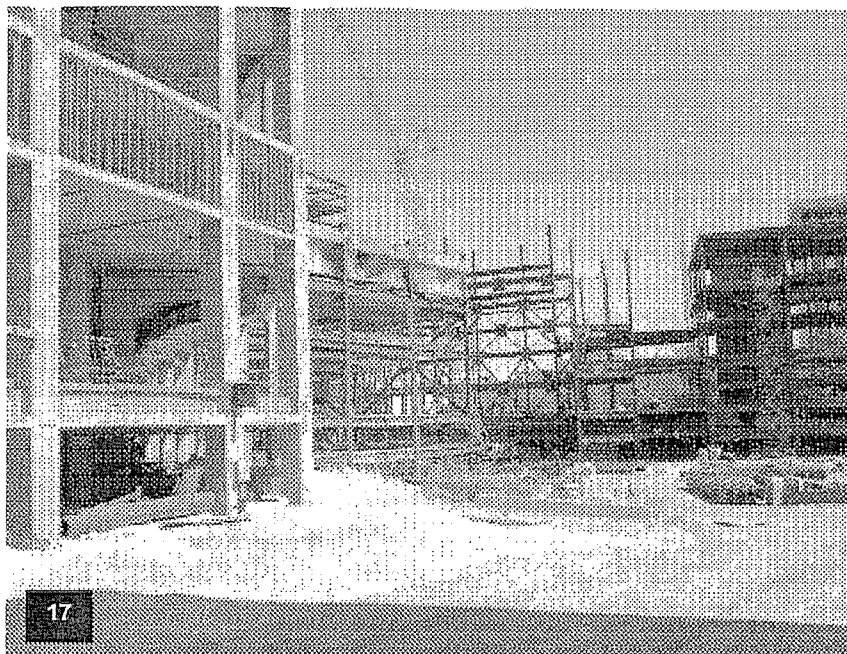
View of the south elevation of the Garage/Convention Center with 50% of the EIFS framing installed.



View of the south elevation of the Tower with the curtain wall system installed to Level T12

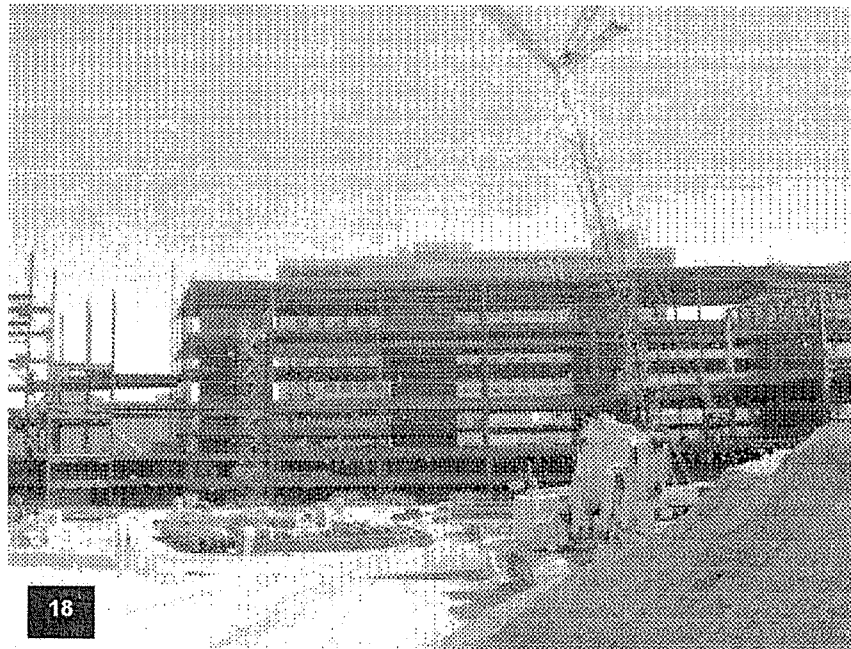


View looking south at the steel framing and metal decking for Podium; Sequence 2B in the background completed and 5B in the foreground in process.



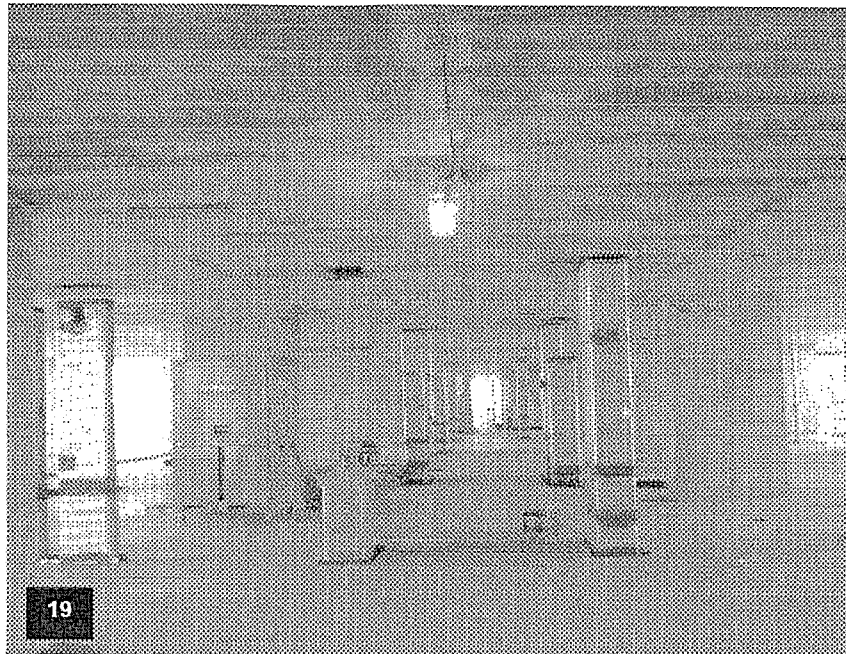
17

View looking east at the Garage/Convention Center; steel frame completed to the roof line for the first thirteen (13) bays heading north from Riviera Boulevard.



18

View looking south at the completed steel framing and metal decking for Podium Sequence 2B.



Tower Level T-30 with HVAC riser installation in process.

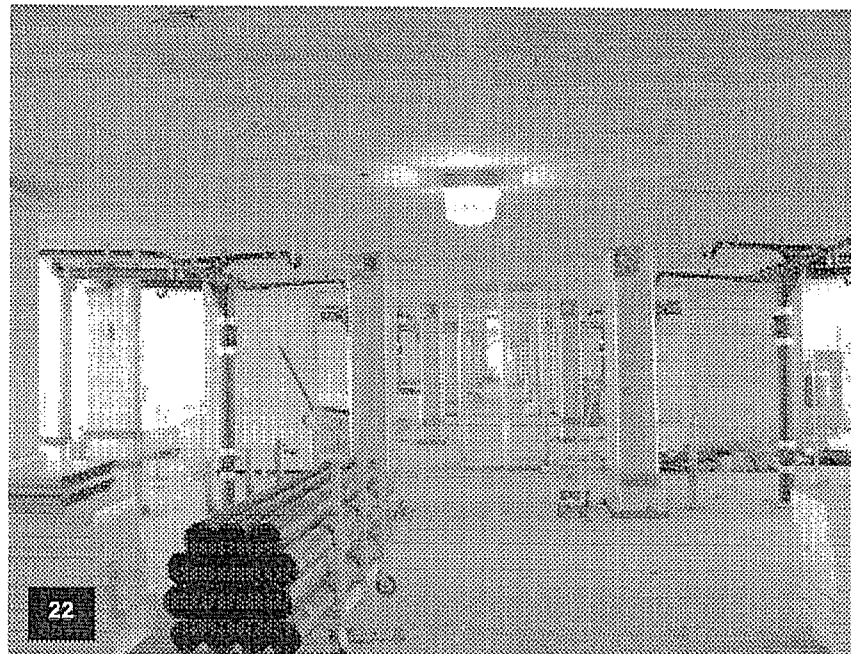


Tower Level T-29 with HVAC and plumbing riser installation in process.

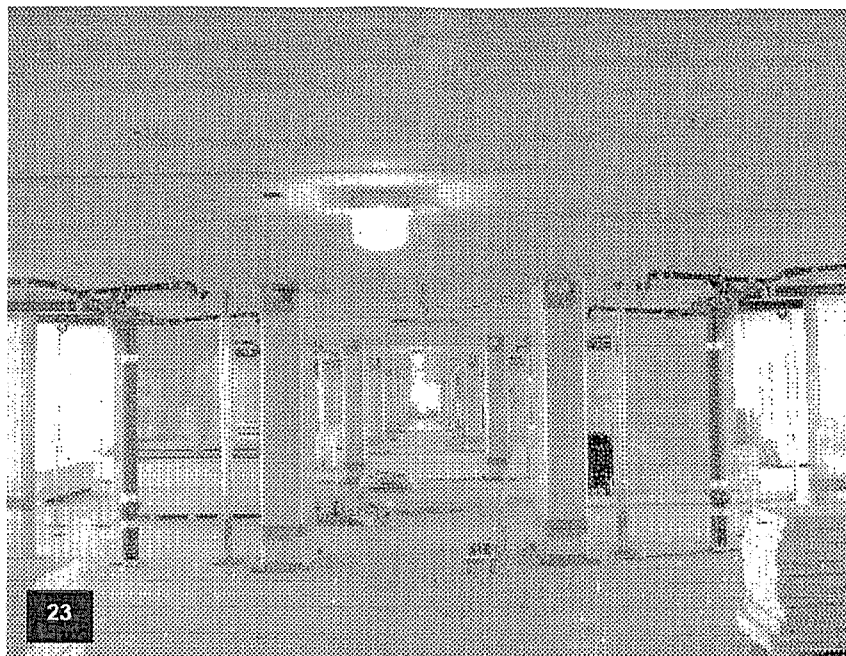




Tower Level T-28 with HVAC and plumbing riser installation in place.



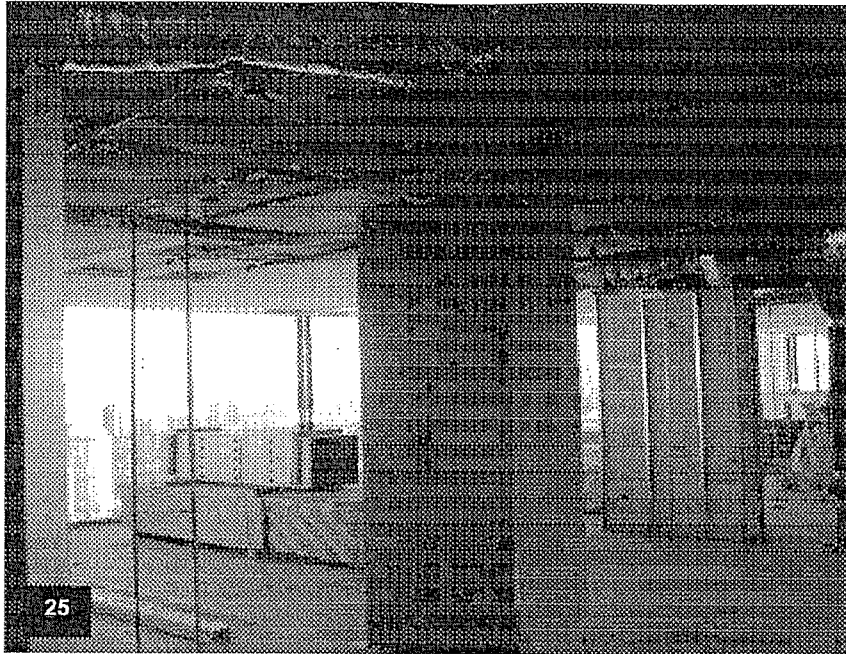
Tower Level T-27 with HVAC and plumbing riser/branch line installation in place.



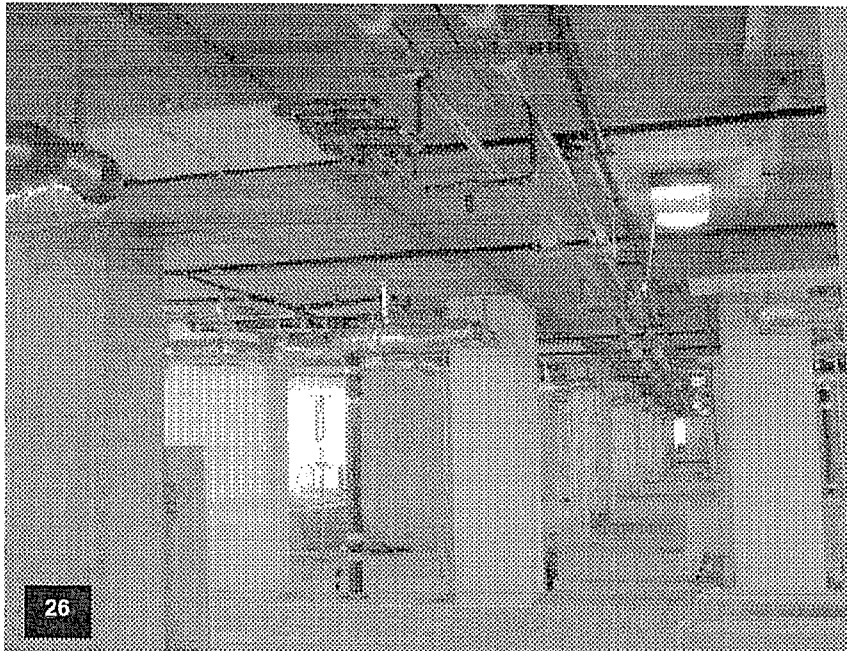
Tower Level T-26 with HVAC and plumbing riser/branch line installation in place.



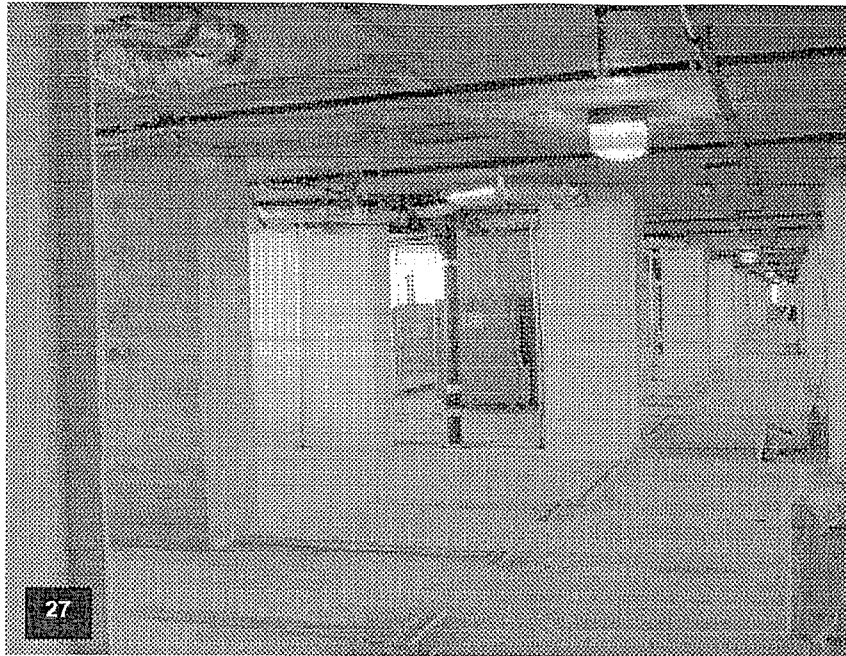
Tower Level T-25 with top track installed, HVAC chase framed and HVAC and plumbing riser/branch line installation in place.



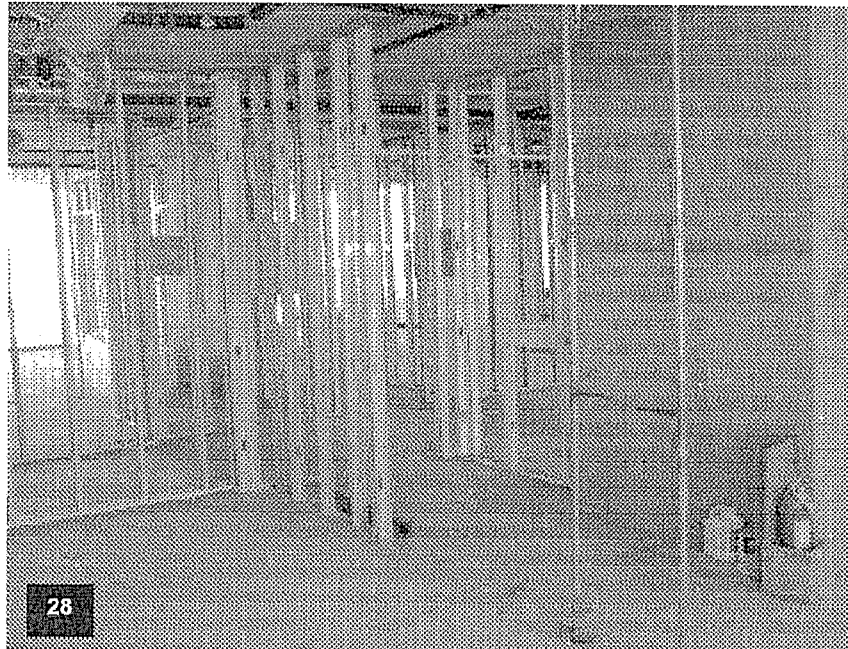
Tower Level T-24 with top track installed, HVAC chase framed and HVAC and plumbing riser/branch lines installation in place.



Tower Level T-23 with; top track installed, HVAC chase framed and drywalled, HVAC and plumbing riser/branch lines installation in place, and fire standpipe and branch line installed.



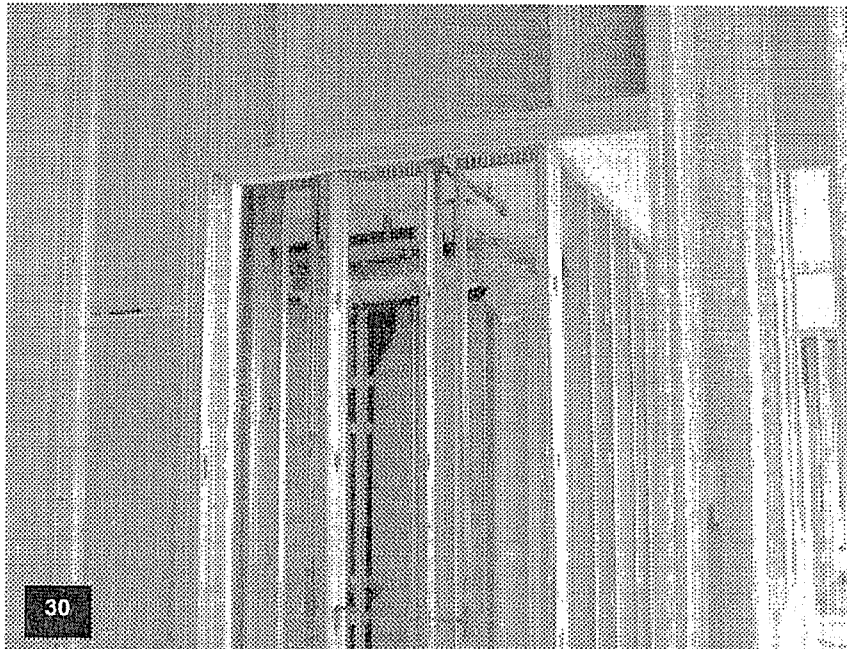
Tower Level T-22 with top and bottom tracks installed, HVAC chase framed and drywalled, HVAC and plumbing riser/branch lines installation in place, and fire standpipe and branch line installed.



Tower Level T-21 with wall framing in process, HVAC chase framed and drywalled, HVAC and plumbing riser/branch lines installation in place, and fire standpipe and branch line installed.



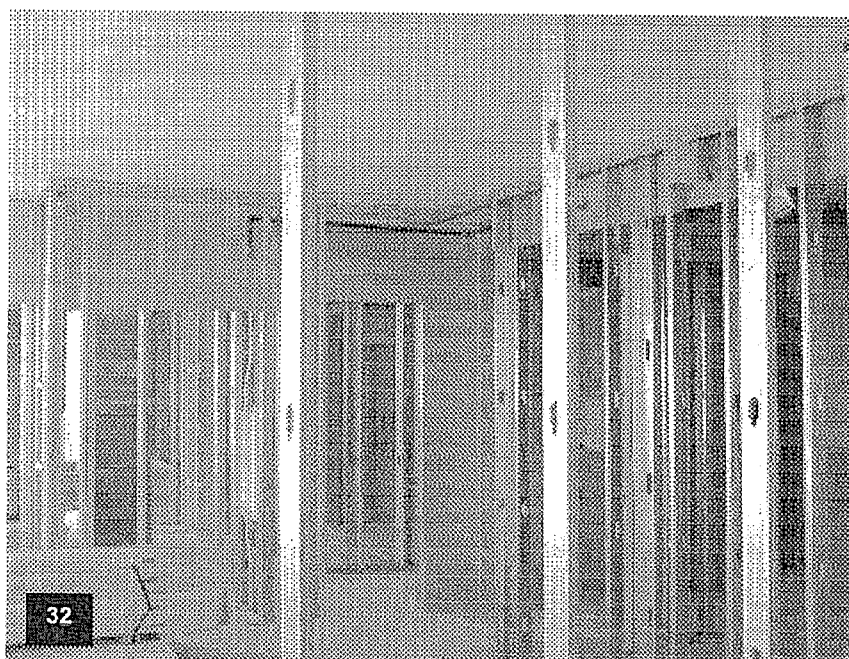
Tower Level T-20 with wall framing in process, ceiling finish completed, HVAC chase framed and drywalled, HVAC and plumbing riser/branch lines installation in place, and fire standpipe and branch line installed.



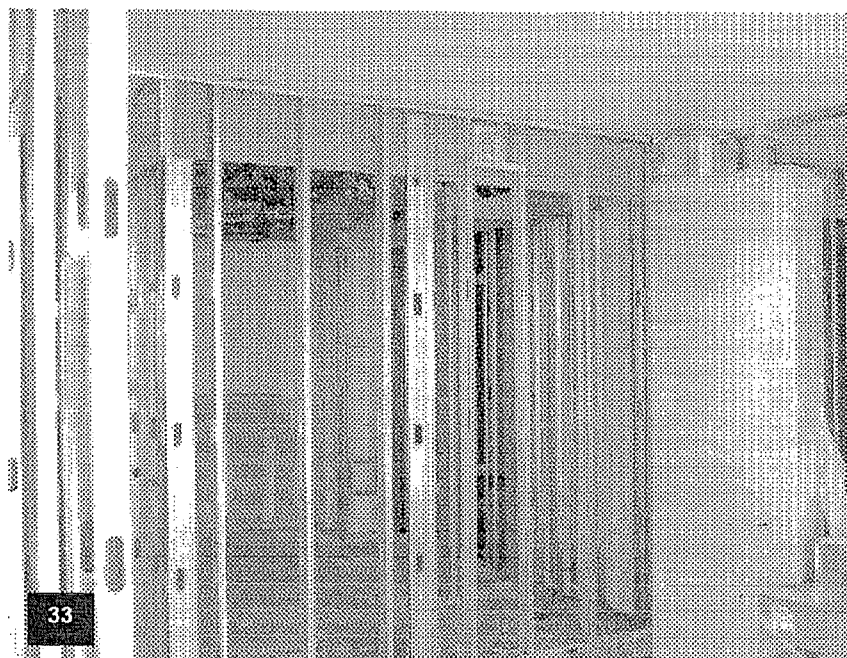
Tower Level T-19 with wall framing and drywall in process, door openings framed, ceiling finish completed and plumbing stubs installed.



Tower Level T-18 with wall framing and drywall in process, door openings framed and ceiling finish completed.



Tower Level T-17 with wall framing and drywall in process, door openings framed and ceiling finish completed.



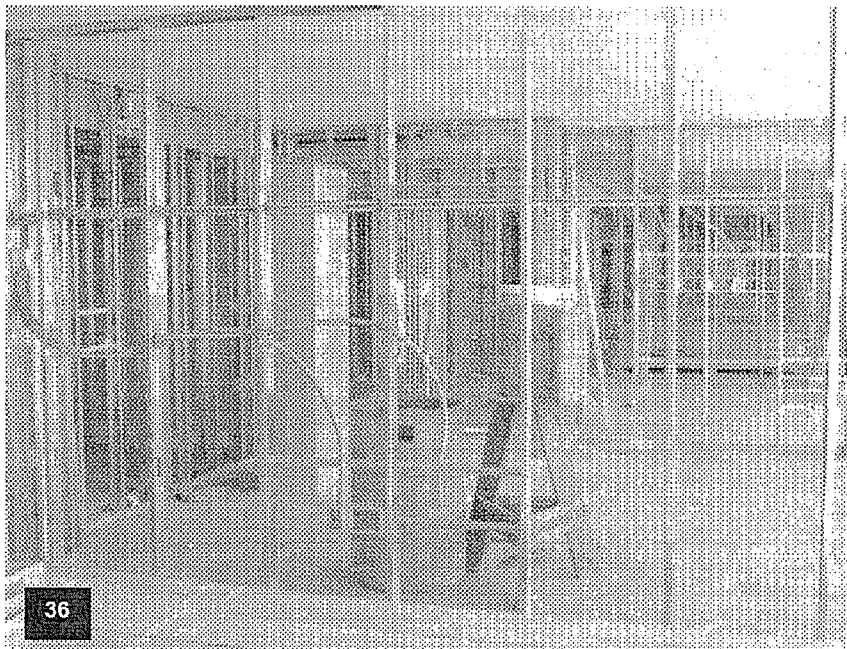
Tower Level T-16 with wall framing and drywall in process, door openings framed and ceiling finish completed.



Tower Level T-15 with wall framing complete, insulation and drywall in process, ceiling finish completed, fire protection & MEP risers/branch lines installed.



Tower Level T-14 with wall framing complete, insulation and drywall in process, ceiling finish completed, fire protection & MEP risers/branch lines installed and electrical panels in-place.

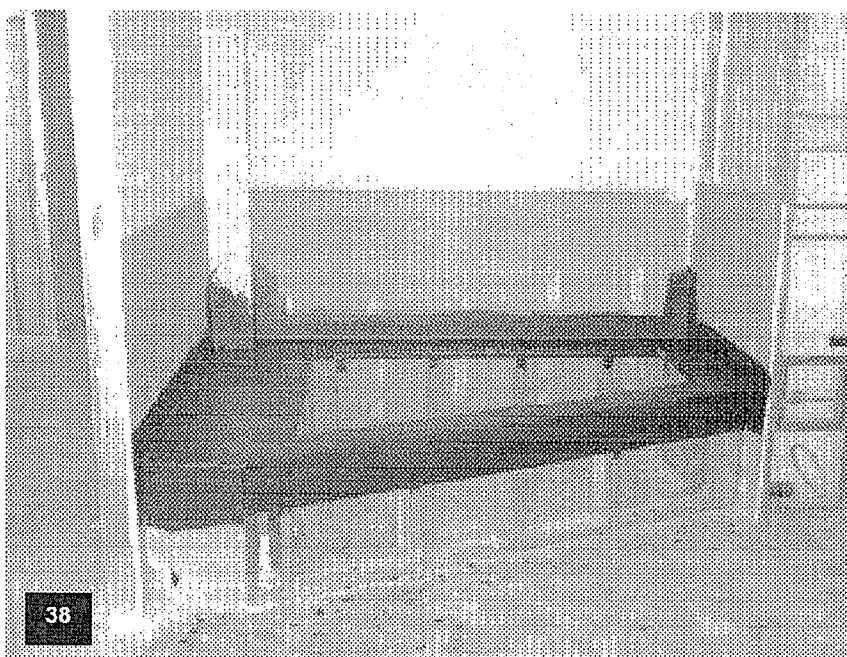


Tower level T-13 with wall framing complete, insulation and drywall in process, ceiling finish completed, and electrical conduit runs to outlets and switches in process.

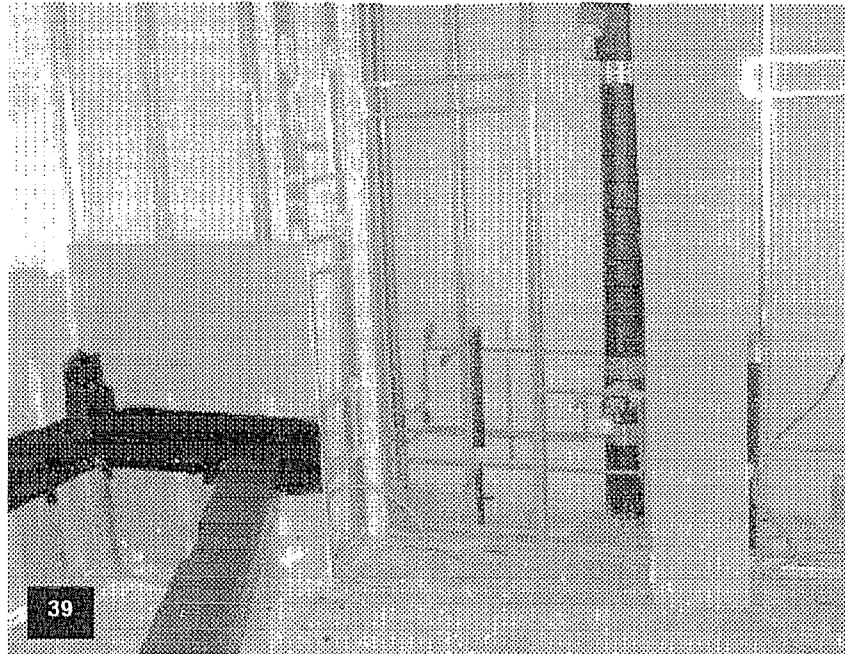




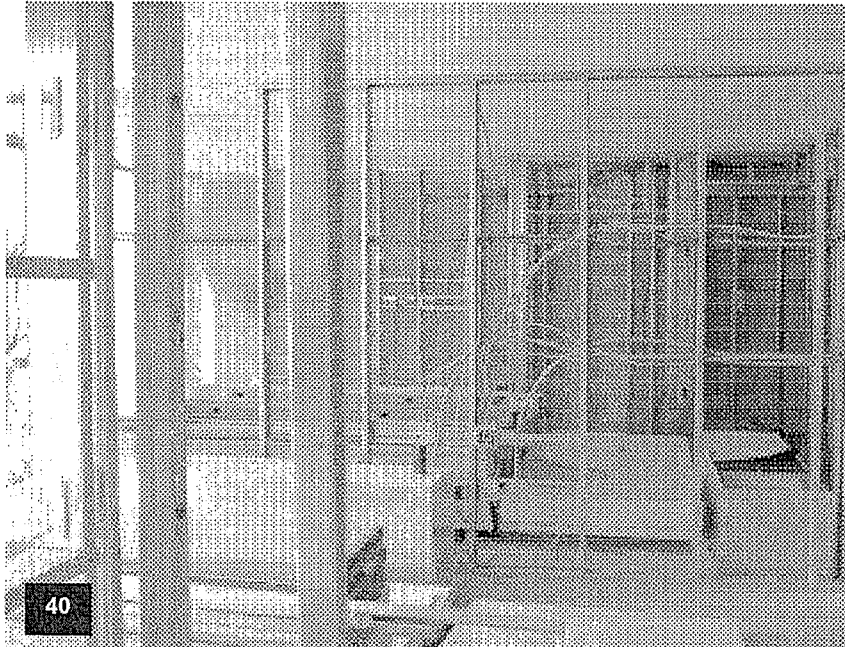
Tower level T-12 with wall framing complete, insulation and water proof dry wall in process, ceiling finish completed, plumbing risers and stub-outs in-place.



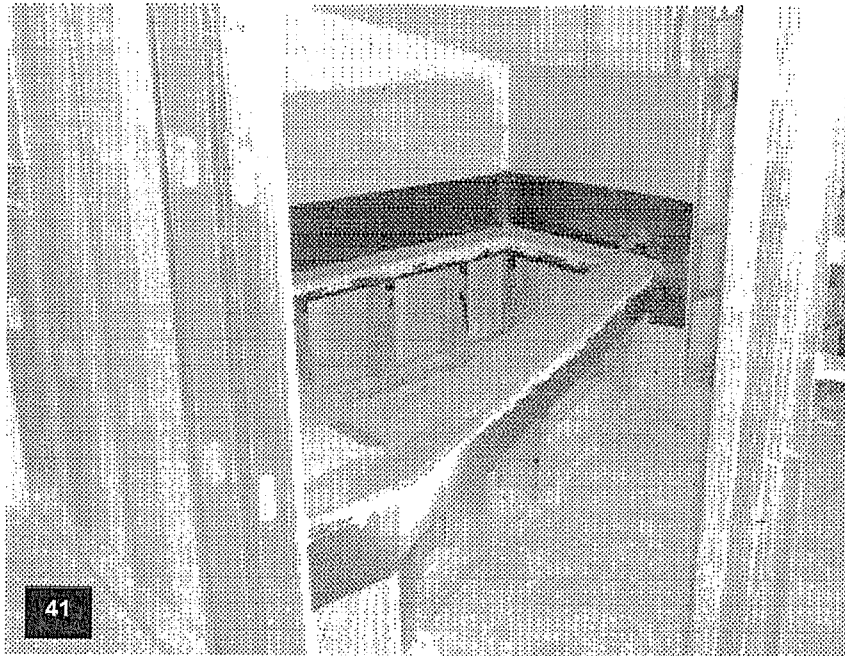
Tower level T-11 with bathroom soaking tub platforms framed and waterproofed.



Tower level T-11 with bathroom soaking tub platforms framed/waterproofed and plumbing risers and stub-outs in-place.



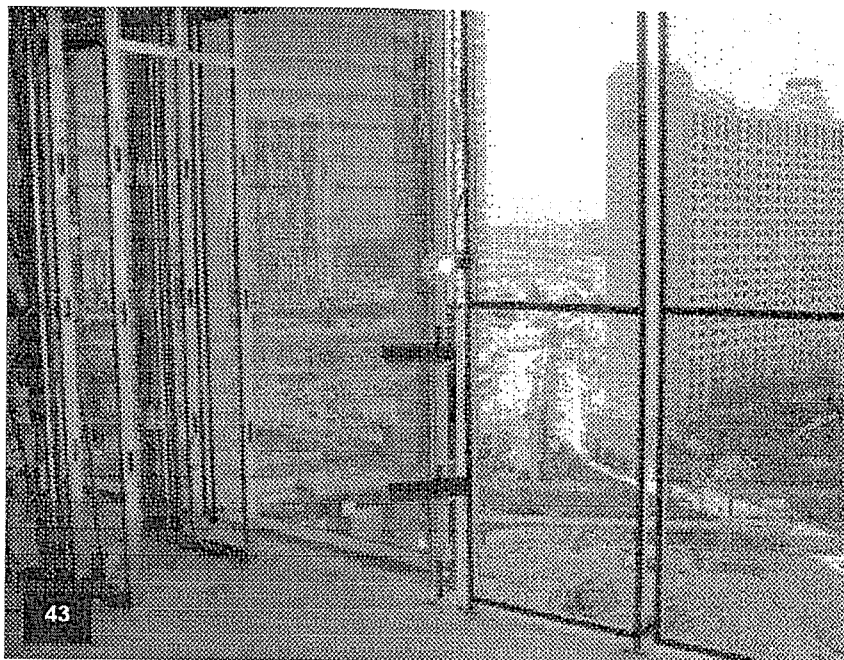
Tower level T-10 with wall framing complete, insulation and drywall in process, ceiling finish completed, and electrical conduit runs to outlets and switches in process.



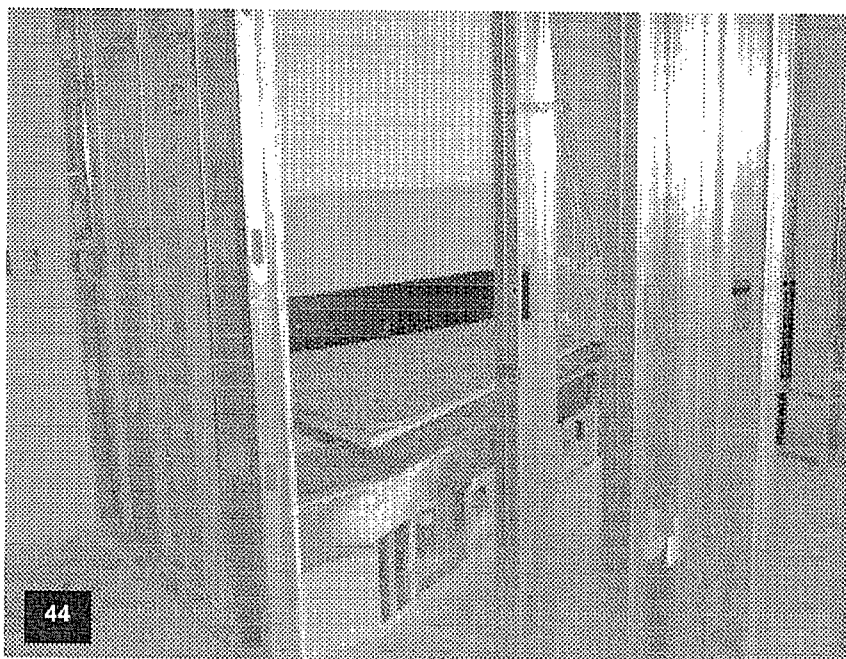
Tower level T-10 with bathroom soaking tub platforms framed/waterproofed and marble surround set, and plumbing risers and stub-outs in-place.



Tower level T-10 with bathroom soaking tub platforms framed/waterproofed and marble surround set and soaking tubs ready to be set. The curtain wall system (in the background) on the north elevation is installed to T16.



Tower level T-9 with the curtain wall system on the north elevation is installed to T16.



Tower level T-8 with bathroom soaking tub platforms framed/waterproofed, marble surround set and soaking tubs in-place.



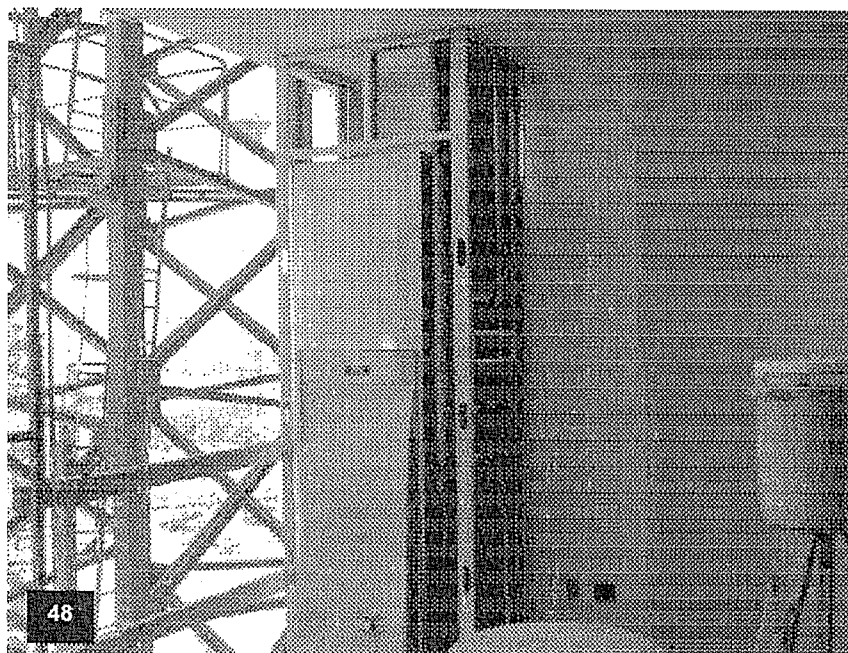
Tower level T-8 with sprinkler piping stubbed, and corridor ceiling framing in process.



Tower level T-7 with wall framing complete, insulation and drywall in process, ceiling finish completed, and electrical conduit runs to outlet/switches in process and plumbing lines stubbed out for fixture connection.



Tower level T-7 with sprinkler piping stubbed, and corridor ceiling framing completed.



Tower level T-6 with fan coil units installed.



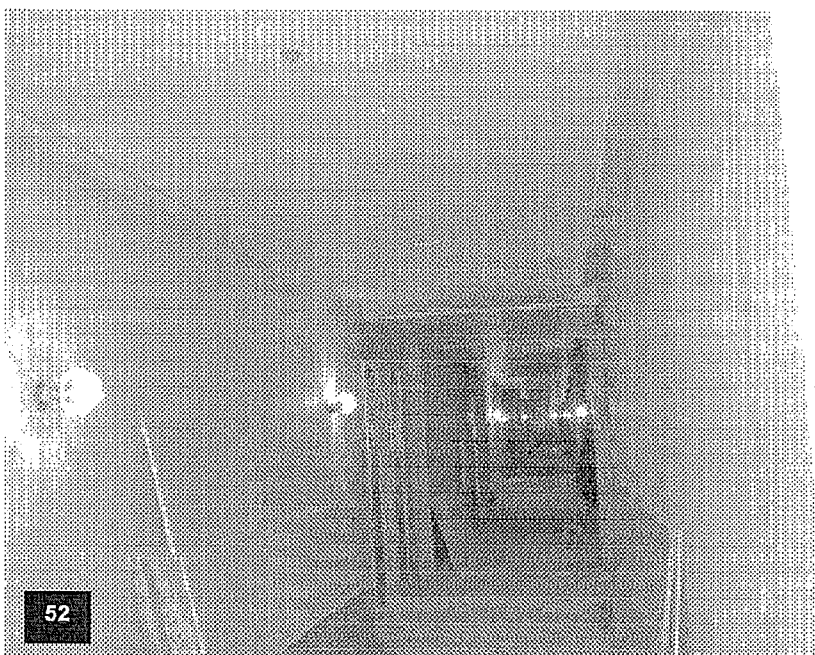
Tower level T-6 with corridor ceiling and wall framing and insulation complete.



Tower level T-5 with corridor ceiling and wall framing and insulation complete, and drywall in process.

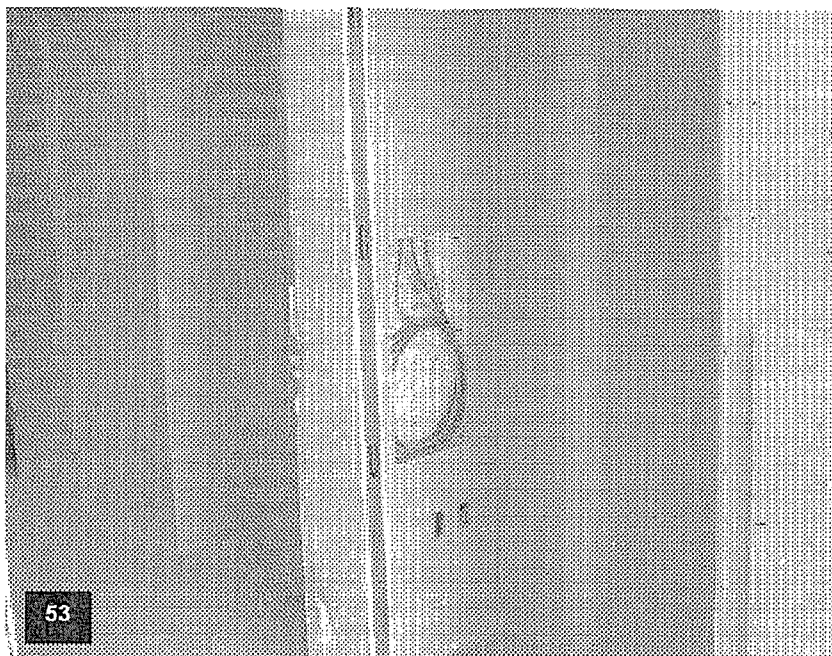


Tower level T-5 with wall framing and insulation complete, and drywall in process.



Tower level T-4 with corridor framing, drywall and insulation complete.

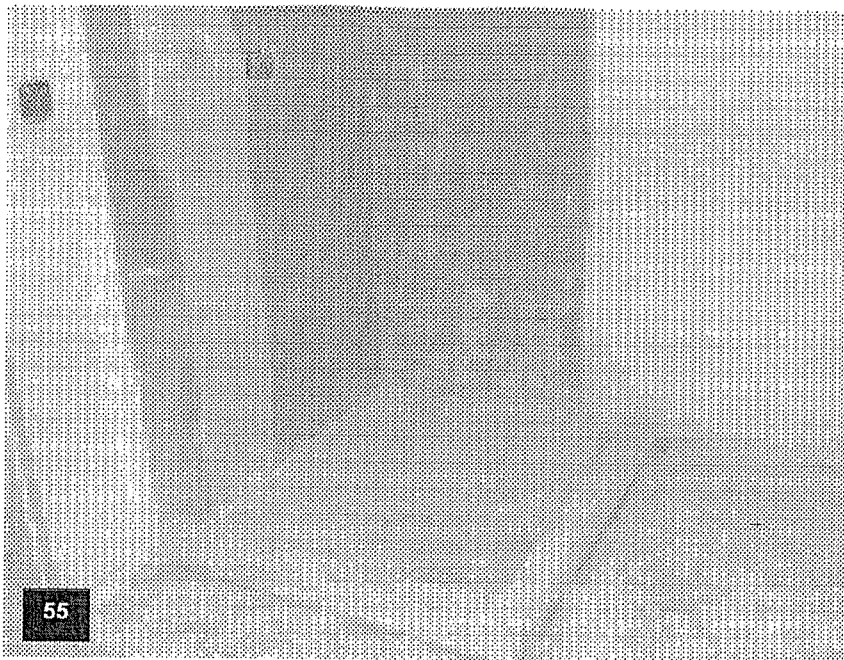




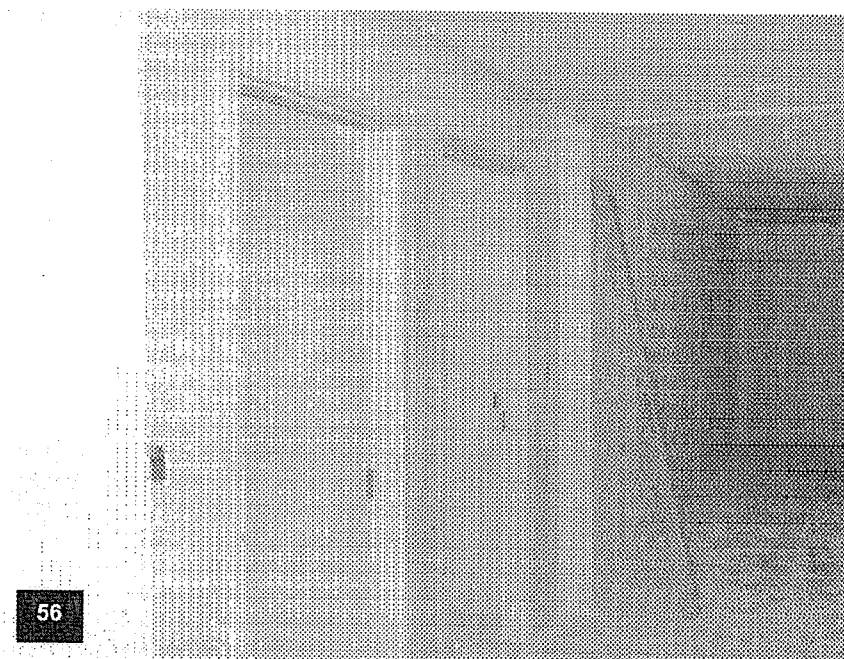
Tower level T-3 with suites framing, drywall and insulation complete, taping and spackling in process, and electrical runs to the panel box complete.



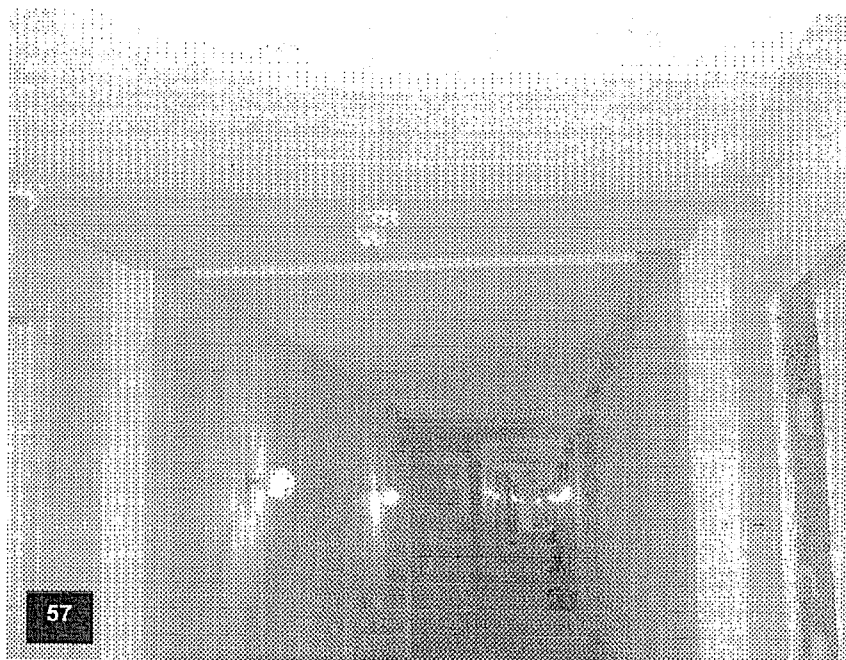
Tower level T-2 with suites framing, drywall, insulation, taping and spackling, electrical runs to the panel box complete and priming and painting of the walls in process.



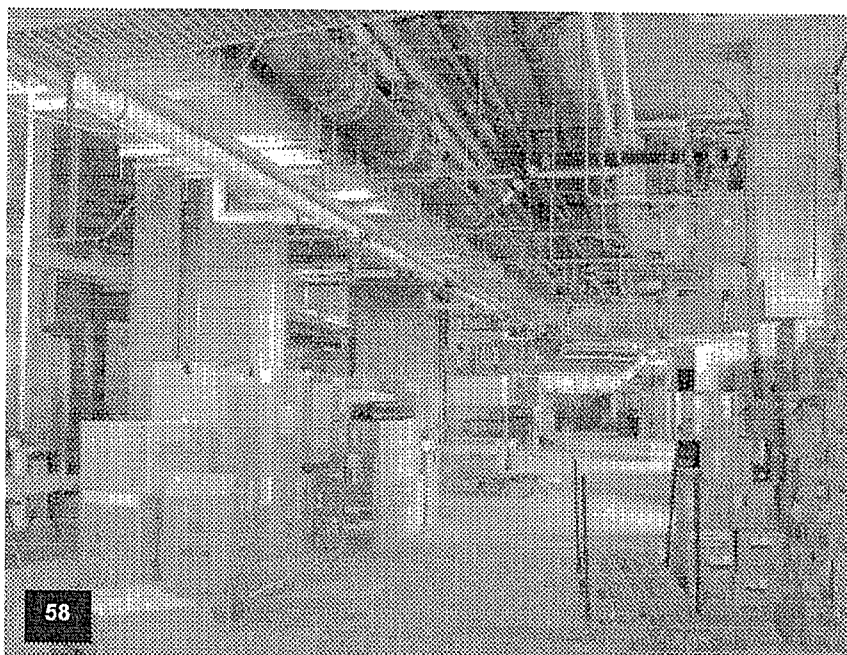
55  
Tower level T-2 with shower bases and sills installed and waterproofed ready for tile installation.



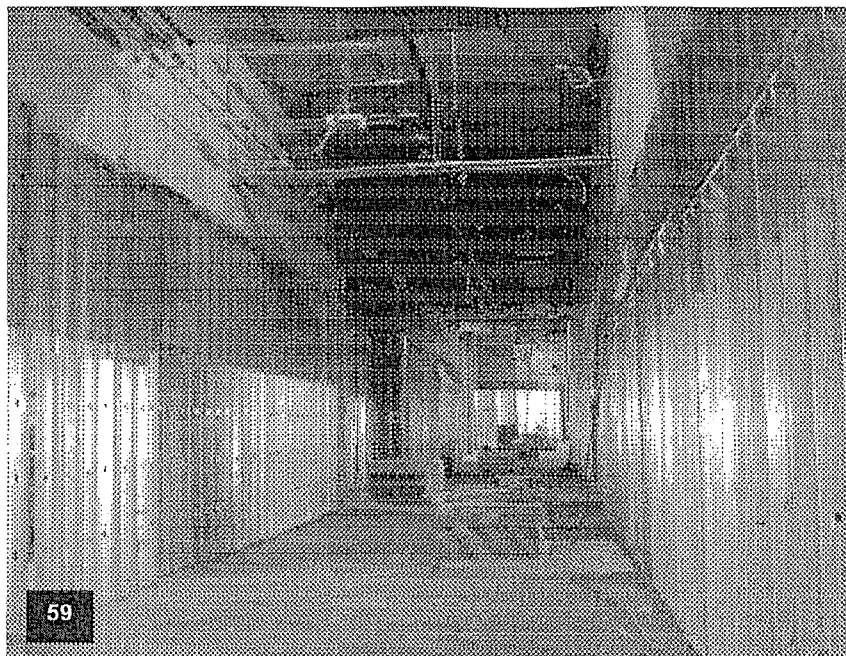
56  
Tower level T-2 with door frames installation in process, priming and painting of the walls in process.



Tower level T-1 with door frames installation and painting of the walls and ceiling in process.



Retail mechanical level with MEP in process with 11%, 13% and 20% completed.



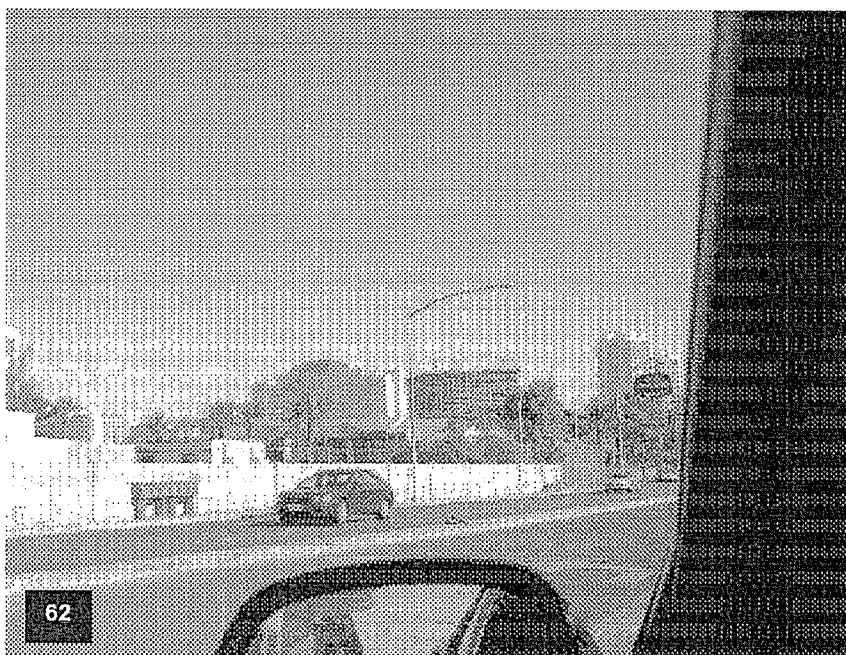
Retail level with; fire sprinkler piping complete, mechanical, electrical and plumbing in process, and framing/drywall in process.



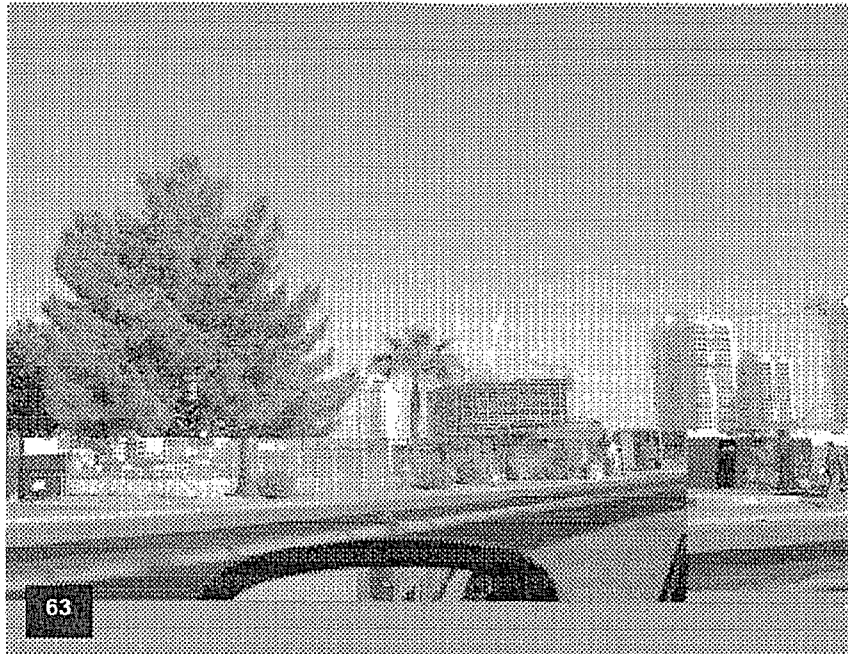
Casino mechanical level with MEP in process, framed walls complete.



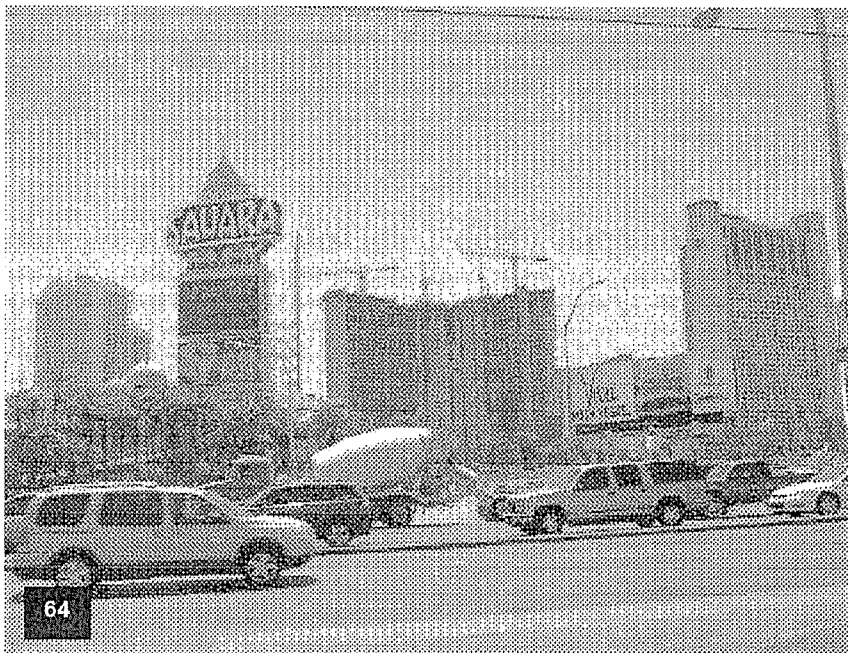
Casino level MEP and raised flooring in process.



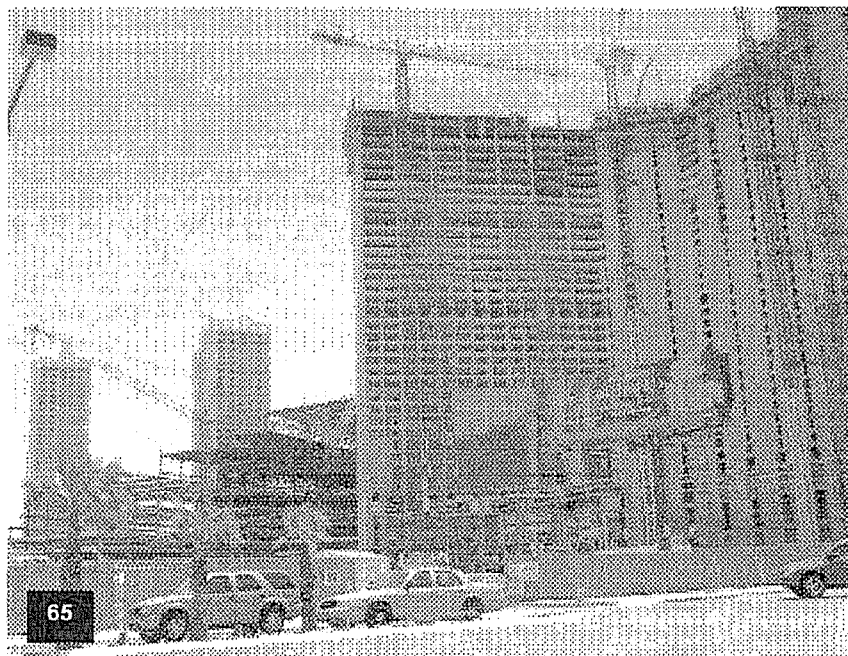
View looking southeast across Las Vegas Boulevard at the north elevation of the Tower and Casino.



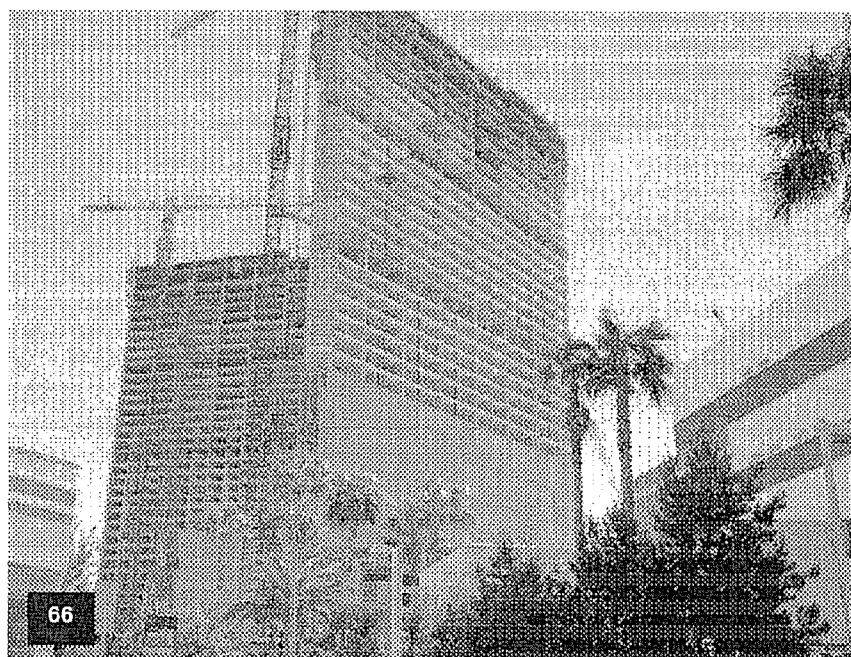
View looking southeast across Las Vegas Boulevard at the north elevation of the Tower and Casino.



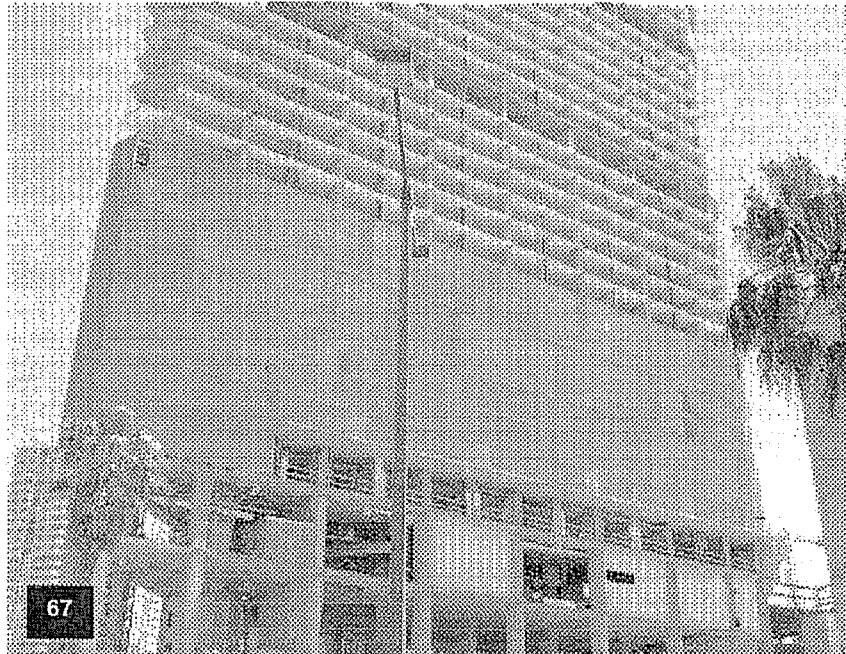
View looking southeast across Las Vegas Boulevard at the north elevation of the Tower and Casino.



View looking southeast across Las Vegas Boulevard at the north elevation of the Tower and Casino.



View looking southeast across Las Vegas Boulevard at the north elevation of the Tower and Casino.

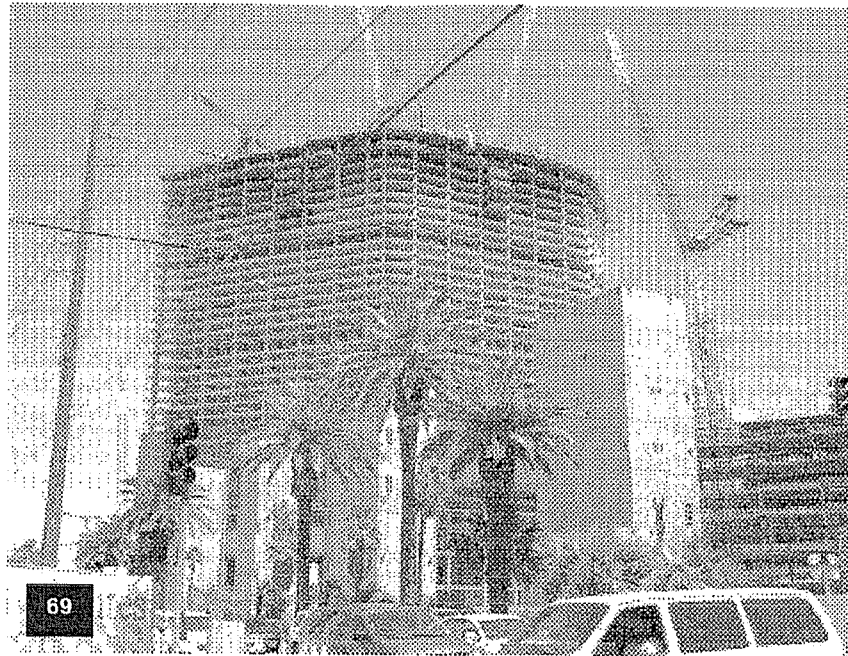


View looking southeast across Las Vegas Boulevard at the north elevation of the Tower and Casino.

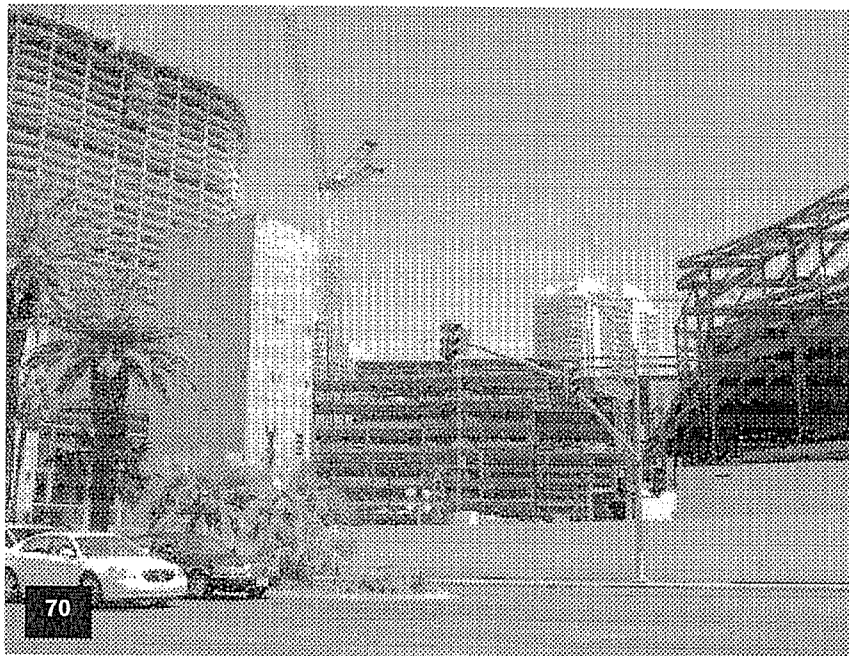


View looking southeast across Las Vegas Boulevard at the north elevation of the Tower and Casino.

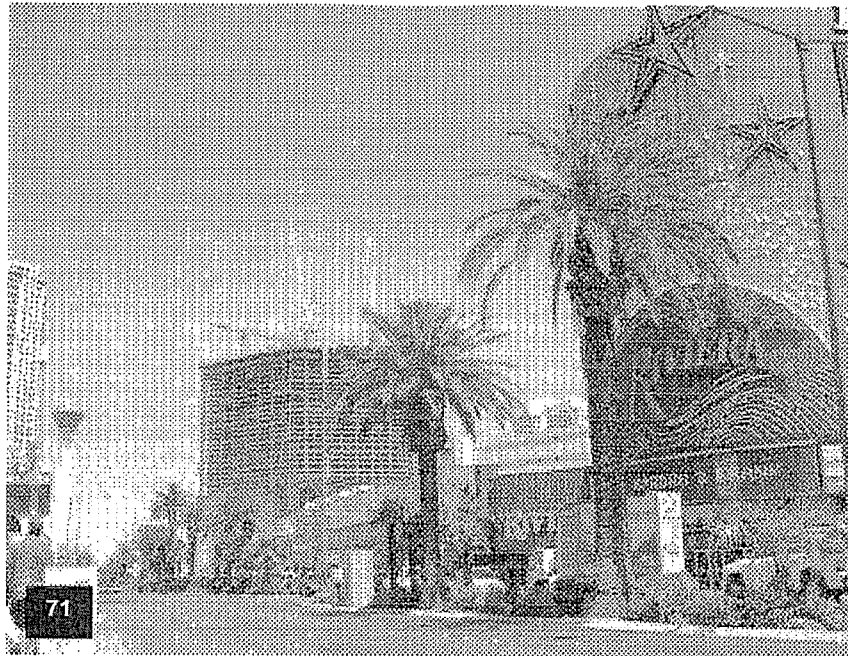




View looking southeast across Las Vegas Boulevard at the north elevation of the Tower and Casino.



View looking southeast across Las Vegas Boulevard at the north elevation of the Tower and Casino.



View looking southeast across Las Vegas Boulevard at the north elevation of the Tower and Casino.