Downtown Phoenix Hotel Corporation
An Arizona Nonprofit Corporation

A Development Stage Enterprise
A Component Unit of the City of Phoenix, Arizona

2007 Annual Financial Report

For the Fiscal Years Ended December 31, 2007 and 2006

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Annual Financial Report

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TABLE OF CONTENTS

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ADMINISTRATIVE ORGANIZATION

Board Members

David Krietor
President

Gary Verburg
Vice President

John Chan
Secretary

Dick Snell
Director

Bob Wingenroth
Treasurer

City of Phoenix Administrative Staff

Frank A. Fairbanks
City Manager

Wylie Bearup
City Engineer

Jerry Harper III
Project Manager

Clifton Gunderson LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Downtown Phoenix Hotel Corporation
Phoenix, Arizona

We have audited the accompanying basic financial statements of Downtown Phoenix Hotel Corporation (a development stage enterprise and a Component Unit of the City of Phoenix, Arizona) as of and for the years ended December 31, 2007 and 2006, as listed in the table of contents. These basic financial statements are the responsibility of the Downtown Phoenix Hotel Corporation's management. Our responsibility is to express opinions on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Downtown Phoenix Hotel Corporation (a development stage enterprise) as of December 31, 2007 and 2006, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 5 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clifton Gunderson LLP

Phoenix, Arizona
May 24, 2008

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Management's Discussion and Analysis

As management of the Downtown Phoenix Hotel Corporation (the Corporation), a development stage enterprise and a component unit of the City of Phoenix, Arizona (the City) we offer the readers of the Corporation's basic financial statements this narrative overview and analysis of financial activities of the Corporation for the year ended December 31, 2007 and 2006.

Downtown Phoenix Hotel Corporation

The Downtown Phoenix Hotel Corporation is an Arizona nonprofit corporation duly organized and existing under the laws of the State. The Corporation was formed in January 2005 for the sole purpose of owning, acquiring, constructing, equipping, operating, financing and taking any other actions that an Arizona nonprofit corporation may take with respect to a full-service downtown hotel.

The Downtown Phoenix Hotel (the Hotel), is planned to be an approximately 1 million square foot, 1,000 room full service, first class, downtown hotel located at the northwest corner of 3rd Street and Van Buren Street approximately one block north of the Phoenix Convention Center. The Hotel will primarily serve the Convention Center, which is currently in the process of a major expansion. The Hotel is planned for opening in the fall of 2008.

Corporation Revenue Bonds

In December of 2005, the Corporation issued $350,000,000 in revenue bonds to finance the planning, design, engineering, construction, equipping, furnishing and opening of the Hotel. The bonds are special revenue obligations of the Corporation, payable from gross operating revenues from the operation of the Hotel. The Corporation issued both Senior and Subordinate Revenue Bonds. The Senior Bonds in the amount of $156,710,000 are payable solely from gross revenues, while the Subordinate Bonds in the amount of $193,290,000 are also secured by a portion of non-general fund City hotel excise (sales) taxes and rental car sales taxes. Hotel revenues are projected to pay all costs. The bonds are insured by the Financial Guaranty Insurance Company (FGIC). Detailed information on the bonds is presented in Note 4 to the basic financial statements.

Corporation Contracts for Hotel Development

To act on behalf of the Corporation in the development and construction of the Hotel, contracts were entered into with a hotel consultant, program manager and construction manager. The Corporation also entered into a hotel operating agreement for the operations of the Hotel.

Warnick & Company, LLC, (Warnick), an Arizona Limited Liability Company, is acting as the consultant to the Corporation to assist staff with efforts to facilitate the development of the Hotel and general support to the Corporation. Upon opening of the Hotel, Warnick will act as the asset manager on behalf of the Corporation.

The TynanGroup, Inc. (TynanGroup), a California corporation and a national real estate development services firm that has expertise in the hospitality real estate development process, was contracted to act as the program Manager to provide general oversight of the Hotel project on behalf of the Corporation.

The Perini Building Company, an Arizona Corporation, the largest builder of hotels and casinos in the United States, was contracted as the Construction Manager (CM) @ Risk and is responsible for overseeing the design and completing the construction of the Hotel.

Finally, the Corporation entered into a Hotel Operating Agreement with Starwood Hotels & Resorts Management Company, Inc. (Hotel Operator), a Delaware company and a direct subsidiary of Starwood Hotels & Resorts Worldwide, Inc., (Starwood), a Maryland corporation. The Hotel Operating Agreement is for a term of fifteen years, subject to certain occurrences, including performance standards by the Hotel Operator. Starwood is under a pre-opening sales agreement with the Corporation to market the hotel in advance of opening through Starwood's Global Sales Office. As mentioned previously, the Hotel is planned to open in the fall of 2008.

Overview of the Basic Financial Statements

The Corporation is reported as a discrete component unit of the City of Phoenix. This discussion and analysis is intended to serve as an introduction to the Corporation's separate basic financial statements.

The Corporation's basic financial statements are comprised of the following two components:

- Financial statements

- Notes to the financial statements

Financial statements. The *financial statements* are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business. These statements are presented on pages 10-13 of this report. Summarized versions of the Statements of Net Assets and the Statements of Revenues, Expenses and Changes in Net Assets are included in this Management's Discussion and Analysis (MD&A).

The *Statements of Net Assets* present information on all of the Corporation's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of changes in the Corporation's financial position.

The *Statements of Revenues, Expenses and Changes in Net Assets* present information showing how the Corporation's net assets changed during the most recent fiscal years. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods e.g., accounts payable. This is the accrual method of accounting.

The *Statements of Cash Flows* provide information about the receipts and payments of the Corporation that result in changes to Cash and Cash Equivalents. The cash flows are classified as operating activities, capital and financing activities, or investing activities.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the basic financial statements can be found on pages 14-21 of this report.

Condensed Financial Information and Analysis of Overall Financial Position

The following tables and analysis discuss the financial position and changes to the financial position for the Corporation as a whole, as of and for the years ended December 31, (in thousands).

Summary of net assets (in thousands):

	2007	2006	2005
Current Assets	$ 160,487	$ 303,592	$ 369,388
Capital Assets	205,765	57,727	8,113
Total Assets	366,252	361,319	377,501
Current Liabilities	26,136	25,360	41,020
Long-Term Liabilities	337,000	336,940	336,749
Total Liabilities	363,136	362,300	377,769
Net Assets			
Restricted for debt service	55,359	73,119	79,136
Restricted for capital projects	88,281	216,158	230,341
Unrestricted	(140,524)	(290,258)	(309,745)
Total Net Assets (Deficit)	$ 3,116	$ (981)	$ (268)

The current assets are comprised primarily of bond proceeds held by the trustee bank for construction costs and various other expenses related to preparing the hotel for opening, planned for October 2008.

The change in total assets for 2007 is primarily due to the contribution of $5 million operating reserves from the management company. The reduction in current assets related to payment of construction costs is offset by the increase in capital assets.

The change in total assets for 2006 is primarily due to the payment of pre-opening expenses and the return of an $8 million trust deposit to the management company which exchanged a line of credit for the trust deposit.

The reduction in current assets related to payment of construction costs is offset by the increase in capital assets.

The long-term liabilities are comprised of bonds payable net of unamortized issuance costs and premium and will not change significantly until 2012 which is the first year that principle is due on the bonds.

Summary of changes in net assets (in thousands):

	2007	2006	2005
Investment income	$ 2,519	$ 14,745	$ 403
Contributions	5,000	-	-
Total revenues	7,519	14,745	403
Pre-opening expenses	2,136	654	151
Debt issuance costs	626	616	-
Trustee Fees	19	-	-
Interest on long-term debt	641	14,188	520
Total Expenses	3,422	15,458	671
Increase (Decrease) in net assets	4,097	(713)	(268)
Ending net assets (Deficit)	$ 3,116	$ (981)	$ (268)

The increase in ending net assets as of December 31, 2007 is primarily due to the contribution of $5 million operating reserve by the Hotel Operator.

The decrease in ending net assets as of December 31, 2006 is primarily due to the payment of pre-opening expenses. This trend will continue until the Hotel opens and begins operations.

Capital Asset

The Corporation records assets under construction as non-depreciable capital assets. When construction is substantially complete, the asset will be moved to a depreciable asset and depreciated over the life of the asset using the straight line depreciation method.

Requests for Financial Information

This financial report is designed to provide a general overview of the Downtown Phoenix Hotel Corporation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of Phoenix, Calvin C. Goode Municipal Building, Ninth Floor, 251 West Washington, Phoenix, Arizona, 85003.

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Downtown Phoenix Hotel Corporation
(A Development Stage Enterprise)
Statements of Net Assets
December 31, 2007 and 2006
(in thousands)

		2007		2006
ASSETS				
Current Restricted Assets				
Debt Service				
Cash and Cash Equivalents	$	21,588	$	24,320
Investments		33,771		48,799
Receivables				
Accrued Interest		295		300
Operating Reserve				
Cash and Cash Equivalents		16,186		13,067
Receivables				
Accrued Interest		46		52
Capital Projects				
Cash and Cash Equivalents		75,373		203,546
Receivables				
Accrued Interest		320		896
Investments		12,908		12,612
Total Current Restricted Assets		160,487		303,592
Noncurrent Assets				
Capital Assets				
Construction in Progress		205,765		57,727
Total Noncurrent Assets		205,765		57,727
Total Assets		366,252		361,319

The accompanying notes are an integral part of these financial statements.

	2007	2006
LIABILITIES		
Current Liabilities Payable from Restricted Assets		
Debt Service		
Interest Payable	8,706	8,706
Accounts Payable	-	-
Operating Reserve		
Accounts Payable	34	41
Capital Projects		
Accounts Payable	6,876	6,071
Deposits in Trust	10,520	10,542
Total Current Liabilities Payable from Restricted Assets	26,136	25,360
Noncurrent Liabilities		
Bonds Payable	350,000	350,000
Unamortized Debt Issuance Costs	(20,342)	(20,643)
Unamortized Premium	7,342	7,583
Total Noncurrent Liabilities	337,000	336,940
Total Liabilities	363,136	362,300
NET ASSETS		
Restricted for Debt Service	55,359	73,119
Restricted for Capital Projects	88,281	216,158
Unrestricted	(140,524)	(290,258)
Net Assets (Deficit) Accumulated during the Development Stage	$ 3,116	$ (981)

Downtown Phoenix Hotel Corporation
(A Development Stage Enterprise)
Statements of Revenues, Expenses and Changes in Net Assets
For the Fiscal Years Ended December 31, 2007 and 2006
(in thousands)

	2007	2006	Cumulative since inception
Operating Expenses			
Pre-Opening Expenses	$ 2,136	$ 654	$ 2,941
Debt Issuance Costs	626	616	1,242
Trustee Fees	19	-	19
Total Operating Expenses	2,781	1,270	4,202
Operating Loss	(2,781)	(1,270)	(4,202)
Non-Operating Revenues (Expenses)			
Investment Income			
Net Increase in Fair Value of Investments	1,693	482	2,175
Interest	826	14,263	15,492
Contributions	5,000	-	5,000
Interest on Capital Debt	(641)	(14,188)	(15,349)
Total Non-Operating Revenues (Expenses)	6,878	557	7,318
Change in Net Assets	4,097	(713)	3,116
Net Assets (Deficit), January 1	(981)	(268)	-
Net Assets (Deficit), December 31	$ 3,116	$ (981)	$ 3,116

The accompanying notes are an integral part of these financial statements.

Downtown Phoenix Hotel Corporation
(A Development Stage Enterprise)
Statements of Cash Flows
For the Fiscal Years Ended December 31, 2007 and 2006
(in thousands)

	2007	2006	Cumulative since inception
Cash Flows from Operating Activities			
Payments to Suppliers	$ (2,142)	$ (14,701)	$ (23,981)
Payment of Staff and Administrative Expenses	(345)	(184)	(529)
Net Cash Used by Operating Activities	(2,487)	(14,885)	(24,510)
Cash Flows from Capital and Related Financing Activities			
Proceeds from Capital Debt	-	-	357,822
Interest Paid on Capital Debt	(17,412)	(9,238)	(26,650)
Receipt of Deposits Held in Trust	-	242	18,542
Return of Deposits Held in Trust	(21)	(8,000)	(8,021)
Acquisition and Construction of Capital Assets	(139,890)	(48,660)	(188,550)
Capital Contributions	5,000	-	5,000
Net Cash Provided (Used) by Capital and Related Financing Activities	(152,323)	(65,656)	158,143
Cash Flows from Investing Activities			
Purchases of Investment Securities	-	(60,929)	(60,929)
Proceeds from Sales and Maturities of Investment Securities	16,424	-	16,424
Interest on Investments	10,600	13,419	24,019
Net Cash Provided (Used) by Investing Activities	27,024	(47,510)	(20,486)
Net Increase (Decrease) in Cash and Cash Equivalents	(127,786)	(128,051)	113,147
Cash and Cash Equivalents, January 1	240,933	368,984	-
Cash and Cash Equivalents, December 31	$ 113,147	$ 240,933	$ 113,147
Reconciliation of Operating Loss to Net Cash Used by Operating Activities			
Operating Loss	$ (2,781)	$ (1,270)	$ (4,202)
Adjustments			
Increase (Decrease) in Liabilities			
Accounts Payable	(7)	(14,046)	34
Unamortized Debt Issuance Costs	301	431	(20,342)
Net Cash Used by Operating Activities	$ (2,487)	$ (14,885)	$ (24,510)
Noncash Transactions Affecting Financial Position			
Increase in Fair Value of Investments	$ 1,693	$ 482	$ 2,175
Total Noncash Transactions Affecting Financial Position	$ 1,693	$ 482	$ 2,175

The accompanying notes are an integral part of these financial statements.

DOWNTOWN PHOENIX HOTEL CORPORATION
An Arizona Nonprofit Corporation
(A Development Stage Enterprise)
(A Component Unit of the City of Phoenix, Arizona)

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Years Ended December 31, 2007 and 2006

The Downtown Phoenix Hotel Corporation (the Corporation) is a non-profit public benefit corporation established in January 2005 to facilitate the financing, development, construction, and operation of a full-service convention center hotel in downtown Phoenix. The Corporation is a development stage enterprise as it has not commenced operations; however, revenue producing activities are expected in fiscal 2008.

The City Council of the City of Phoenix (the City) appoints the Corporation's Board of Directors, approves the annual budget, and approves amendments to the Articles of Incorporation and Bylaws. Upon future dissolution of the Corporation, remaining assets will revert to the City. Accordingly, the Corporation is considered to be a governmental unit for financial reporting purposes. Although the Corporation is legally separate from the City, governmental accounting standards require the Corporation to be reported as a component unit of the City for financial reporting purposes because of the City Council's relationship to the Corporation.

1. Summary of Significant Accounting Policies

The accompanying financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The following is a summary of the more significant policies:

a. Reporting Entity

The Corporation prepares financial statements for use by the Board of Directors and other interested parties. The Corporation's financial statements are also included as a discrete component unit of the City's reporting entity.

b. Basic Financial Statements

The basic financial statements constitute the core of the financial section of the Corporation's Annual Financial Report. The basic financial statements include the financial statements and the accompanying notes to these financial statements.

The financial statements (Statements of Net Assets; Statements of Revenues, Expenses and Changes in Net Assets; and Statements of Cash Flows) report on the Corporation as a whole. All activities are reported in the financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The financial statements focus more on the sustainability of the Corporation as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The Statements of Net Assets report all financial resources of the entity and are displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are displayed in two components: 1) restricted and 2) unrestricted. Restricted net assets are those with constraints placed on their use. Those constraints are either 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted are shown as unrestricted. Generally, the Corporation would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Reservations or designations of net assets imposed by the reporting entity, whether by administrative policy or legislative actions of the reporting entity, are not shown on the accompanying financial statements.

The Statements of Revenues, Expenses and Changes in Net Assets present information showing how the Corporation's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods e.g., accounts payable. This is the accrual method of accounting.

The Statements of Cash Flows provide information about the receipts and payments of the Corporation that result in changes to Cash and Cash Equivalents. The cash flows are classified as operating activities, capital and related financing activities, or investing activities.

c. Basis of Accounting

The Corporation's activities are accounted for as an enterprise fund and the accounting records are maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The Corporation applies applicable Financial Accounting Standards Board pronouncements issued prior to November 30, 1989, and all Governmental Accounting Standards Board pronouncements in accounting and reporting for its proprietary operations.

The Corporation distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Corporation's principal ongoing hotel operations. Operating expenses for the Corporation include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

d. Investments

The Corporation's investments are governed by the underlying bond documents. The corporation reports all investments, deposits and associated risks in accordance with Governmental Accounting Standards Board Statements No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*" and No. 40, "*Deposit and Investment Risk Disclosures.*"

e. Cash and Cash Equivalents

Cash and cash equivalents are defined as highly liquid investments (including restricted cash and investments) with a maturity of three months or less from the date of purchase.

f. Long-Term Obligations

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the statements of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bond issuance costs are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium, discount or issuance costs.

g. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

h. Income Taxes

The Corporation is an Arizona nonprofit corporation and a component unit of the City of Phoenix, a governmental agency, and is exempt from federal and state income taxes.

2. Cash and Investments

All cash and investments of the Corporation are held by the trustee. The contract with the trustee calls for these deposits to be fully covered by collateral held in the trustee's trust department but not in the Corporation's name. The trust department pledges a pool of collateral against all trust deposits it holds.

Cash and cash equivalents at December 31, was comprised of the following (in thousands).

	2007	2006
Short-term money market accounts	$ 36,967	$ 34,463
Short-term investments	76,180	206,470
Total Cash and Cash Equivalents	$ 113,147	$ 240,933

DOWNTOWN PHOENIX HOTEL CORPORATION
An Arizona Nonprofit Corporation
(A Development Stage Enterprise)
(A Component Unit of the City of Phoenix, Arizona)

NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Years Ended December 31, 2007 and 2006

Investments at December 31, was comprised of the following (in thousands).

2007

	Credit Quality Rating	Fair Value	Weighted Average Maturity (Years)
Guaranteed Investment Contracts			
collateralized by U.S. Treasury Securities	Not Rated	$ 76,180	0.003
U.S. Government Agency Securities			
FNMA Notes	AAA	17,069	1.392
FHLMC Notes	AAA	21,024	2.064
FHLB Notes	AAA	8,586	0.994
Total U.S. Government Agency Securities		46,679	
Total Investments		122,859	0.6178
Less: Short-Term Investments		(76,180)	
Net Investments		$ 46,679	

2006

	Credit Quality Rating	Fair Value	Weighted Average Maturity (Years)
Guaranteed Investment Contracts			
collateralized by U.S. Treasury Securities	Not Rated	$ 206,470	0.003
U.S. Government Agency Securities			
FNMA Notes	AAA	16,478	2.406
FHLMC Notes	AAA	36,403	2.026
FHLB Notes	AAA	8,530	2.008
Total U.S. Government Agency Securities		61,411	
Total Investments		267,881	0.4893
Less: Short-Term Investments		(206,470)	
Net Investments		$ 61,411	

Interest Rate Risk
The Corporation manages its exposure to interest rate risk by attempting to match investment maturities with anticipated expenses, and by limiting maturities in reserve funds to five years or less.

Credit Risk
The Corporation limits its investments to the top ratings issued by nationally recognized statistical rating organizations such as Standard & Poor's "S&P" and Moody's Investors Service "Moody's". The portfolio is primarily invested in securities issued by the U.S. Treasury or by U.S. Government Agency Securities which carry long-term AAA rating from both rating organizations. Guaranteed Investment Contracts are collateralized by U.S. Treasuries at 104%.

Concentration of Credit Risk

Investments in any one issuer that represent 5% or more of total Corporation investments as of December 31, 2007 are as follows (in thousands).

Issuer	Investment Type	Fair Value
FNMA	U.S. Government Agency Securities	$ 17,069
FHLMC	U.S. Government Agency Securities	21,024
FHLB	U.S. Government Agency Securities	8,586

3. Capital Assets

A summary of changes in capital assets for the years ended December 31, is as follows (in thousands).

	Beginning Balance	Increases	Ending Balance
2007			
Construction in Progress (non-depreciable)	$ 57,727	$ 148,038	$ 205,765
2006			
Construction in Progress (non-depreciable)	$ 8,113	$ 49,614	$ 57,727

The Corporation capitalized interest totaling $7,342,315 and $2,948,038 in fiscal years 2007 and 2006, respectively.

4. Bonds Payable

On December 20, 2005, the Corporation issued $156,710,000 in Senior Revenue Bonds (Series 2005A), $164,425,000 in Subordinate Revenue Bonds (Series 2005B), and $28,865,000 in Subordinate Revenue Bonds Taxable (Series 2005C). The proceeds of the bonds are to be used to finance the planning, design, engineering, development, construction, equipping, furnishing and opening of an approximately 1,000 room, full-service, first-class downtown hotel. Series 2005A and 2005B bonds maturing on or after July 1, 2016 are subject to redemption at the option of the Corporation, in whole or in part on any date on or after January 1, 2016. The Series 2005C bonds are subject to redemption at the option of the Corporation, in whole or in part on any date.

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NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Years Ended December 31, 2007 and 2006

Debt service requirements, including principal and interest are as follows (in thousands).

Fiscal Year Ending December 31	Principal	Interest	Total
Senior Revenue Bonds, Series 2005A			
2008	$ -	$ 7,800	$ 7,800
2009	-	7,800	7,800
2010	-	7,800	7,800
2011	-	7,800	7,800
2012	1,470	7,763	9,233
2013-2017	10,030	37,464	47,494
2018-2022	15,290	34,562	49,852
2023-2027	22,210	29,958	52,168
2028-2032	31,440	23,206	54,646
2033-2037	43,260	13,926	57,186
2038-2040	33,010	2,542	35,552
	$ 156,710	$ 180,621	$ 337,331
Coupon rates		4.0 - 5.25%	
Effective interest rate		5.29%	

Fiscal Year Ending December 31	Principal	Interest	Total
Subordinate Revenue Bonds, Series 2005B			
2008	$ -	$ 8,102	$ 8,102
2009	-	8,102	8,102
2010	-	8,102	8,102
2011	-	8,102	8,102
2012	-	8,102	8,102
2013-2017	-	40,510	40,510
2018-2022	15,475	39,395	54,870
2023-2027	29,500	33,324	62,824
2028-2032	37,310	25,321	62,631
2033-2037	47,530	14,825	62,355
2038-2040	34,610	2,654	37,264
	$ 164,425	$ 196,539	$ 360,964
Coupon rates		4.125 - 5.0%	
Effective interest rate		5.09%	

Fiscal Year Ending December 31	Principal	Interest	Total
Subordinate Revenue Bonds, Taxable Series 2005C			
2008	$ -	$ 1,509	$ 1,509
2009	-	1,509	1,509
2010	-	1,509	1,509
2011	-	1,509	1,509
2012	3,095	1,430	4,525
2013-2017	18,055	4,504	22,559
2018-2019	7,715	394	8,109
	$ 28,865	$ 12,364	$ 41,229
Coupon rates		5.13 - 5.31%	
Effective interest rate		5.67%	

Total Debt Service Requirements

Fiscal Year Ending December 31	Principal	Interest	Total
2008	$ -	$ 17,411	$ 17,411
2009	-	17,411	17,411
2010	-	17,411	17,411
2011	-	17,411	17,411
2012	4,565	17,294	21,859
2013-2017	28,085	82,478	110,563
2018-2022	38,480	74,351	112,831
2023-2027	51,710	63,282	114,992
2028-2032	68,750	48,527	117,277
2033-2037	90,790	28,751	119,541
2038-2040	67,620	5,196	72,816
	$ 350,000	$ 389,523	$ 739,523

5. Related Party Transactions

The City of Phoenix (the "City") acquired the land (the "Site") upon which the Hotel is located in March 2005. Pursuant to a ground lease dated as of December 1, 2005, between the City and the Corporation, the City will lease the Site and the Hotel to be constructed thereon to the Corporation. The term of the ground lease commenced as of the date of issuance of the Series 2005 Bonds and will terminate on December 1, 2040, or such later date as of which no Series 2005 Bonds or additional bonds maturing on or prior to December 1, 2040, are outstanding. The City may not terminate the ground lease for any reason prior to the end of the term of the ground lease. Under the ground lease, the Corporation will make lease payments to the City in the aggregate amount of $3,600,000 (for amounts paid to acquire the Site and other related expenditures made by the City prior to the issuance of the Series 2005 Bonds) at the times and solely from amounts available for such purpose in the City Payments Account of the Excess Revenue Fund.

In 2007, the Corporation paid the City $287,464 for permits, plan reviews and other construction related work performed by the City's Engineering and Architectural Services staff. The City performs and absorbs significantly all administrative functions and costs on behalf of the Corporation.

In 2006, the Corporation reimbursed the City $10,398,826.03 for project expenditures made prior to the issuance of the Series 2005 Bonds. In addition to this, the Corporation paid the City $387,525.77 for permits, plan reviews and other construction related work performed by the City's Engineering and Architectural Services staff.

6. Deposit in Trust

On the date of issuance of the Series 2005A Bonds, the City deposited $10,300,000 to the Senior Special Debt Service Reserve Fund. The City will be repaid by the Corporation from the first amounts deposited to the Excess Revenue Fund.

7. Contractual Commitments

The Corporation has entered into a contract with Starwood Hotels and Resorts Management Company to operate the Hotel. The Operating Agreement covers the first fifteen years of operations and includes a base management fee of $1.2 million in the initial year of operations and increasing to $3.16 million by the fifteenth year.

The Corporation has entered into various contracts to complete the construction and furnishing of the Hotel. As of December 31, 2007, the estimated cost to complete construction is $49.8 million.

8. Subsequent Events

In March 2008, Standard & Poor's Ratings Services (S&P) and Moody's Investors Service downgraded the Financial Guaranty Insurance Company (FGIC) to BB and Baa3 from A and A3, respectively. In April 2008, S&P published its underlying ratings for the Senior Revenue Bonds (Series 2005A) of BBB and the Subordinate Revenue Bonds (Series 2005B and 2005C) of A-. Also in April 2008, Moody's released its underlying ratings for the Senior Revenue Bonds (Series 2005A) of Baa3 and the Subordinate Revenue Bonds (Series 2005B and 2005C) of A2.

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