Grant Thornton

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Independent Accountant's Report on Agreed-Upon Procedures

We have performed the procedures enumerated below, which were agreed to by management of the City of San José (the "City") and City Council (the "Specified Party), solely to assist you in determining whether Dolce International/San José Inc. ("Dolce") complied with certain requirements stated in the Management Agreement dated December 2, 2003 for the year ended June 30, 2017. The Hayes Mansion Conference Center (the "Center") activities covered by the Management Agreement are accounted for in a special revenue fund of the City. Dolce's management is responsible for compliance with those requirements. The sufficiency of these procedures is solely the responsibility of the City. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and our findings are as follows:

1. We inquired of Dolce's Director of Finance and Assistant Director of Finance as to the procedures performed by Dolce for recording cash receipts and reporting revenues to the City. We selected one check and one credit card transaction and performed walkthroughs of the transactions processed to determine whether the receipts and reporting procedures are operating as described in the aforementioned procedures.

   Finding: No exceptions noted as a result of applying our procedures.

2. We obtained the Dolce Hayes Mansion Trial Balance for the year ended June 30, 2017 and recalculated the gross operating profit ("GOP") of $2,184,216 reported by Dolce for the year ended June 30, 2017 for purposes of complying with the gross profit definitions in the Management Agreement. The Gross Operating Profit in the Profit and Loss Statement included in the Operations book did not include the base management fee as stated in the definitions in the Management Agreement, however, the Actual GOP based on GT's recalculation still exceeds 90% the budgeted GOP of $2,303,527.

   Finding: No exceptions noted as a result of applying our procedures.

3. We obtained the performance measure calculations for the GOP and Revenue per Available Room (RevPAR) and compared the calculations to the Hayes Mansion Trial

Balance and the Smith Travel Research report for purposes of determining whether Dolce is in compliance with the performance measures definition in the Management Agreement. Per the Management Agreement, if Dolce fails to achieve (i) at least 90% of Budgeted GOP or (ii) at least 90% of the RevPar Penetration Index for the Center's Competitive Set, then Dolce's management fee shall be reduced from 3% of Gross Revenues to 2% of Gross Revenues.

Finding: Dolce exceeded threshold (i), but did not meet threshold (ii). Per review of section 9.1(f) of the Management Agreement, the management fee will be reduced from three percent (3%) to two percent (2%) if no thresholds are achieved. As the first threshold is achieved, the management fee should be three percent (3%) of gross revenues.

4. We obtained the Dolce Hayes Mansion Trial Balance Statements and compared amounts reported therein to the financial statements included in the Operations Book, which is submitted to the City's Finance Department each month. We recalculated the following for purposes of complying with the Management Agreement definitions:

   a. Net revenues of $2,624,811, computed as the amount equal to the Hayes Mansion Revenue accounts minus the Hayes Mansion Expense accounts during the period

   b. Hayes Mansion Revenues of $17,633,166, which include all revenue accounts received in connection with the operation, use or lease of the Hayes Mansion.

   c. Hayes Mansion Expenses of $19,728,982, which include amounts paid by or on behalf of the City in connection with the operation of Hayes Mansion, payments to the Furniture, Fixtures & Equipment ("FF&E") Reserve account, addition of FF&E, Hayes Mansion bond expenses, and Hayes Mansion debt service.

   Finding: No exceptions noted as a result of applying our procedures.

5. We reviewed the certificate of liability insurance covering the year ended June 30, 2017 and determined whether the insurance provisions in the Management Agreement have been met, including types of insurance and coverage.

   Finding: No exceptions noted as a result of applying our procedures.

6. We reviewed the monthly and annual reporting packages to determine whether Dolce complied with the reporting requirements and deadlines for the Annual Budget, the Annual Proposed List of Capital Improvements for the Ensuing Five-Year Period, and the monthly Operations Books.

   Finding: No exceptions noted as a result of applying our procedures.

This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on Dolce's compliance with the Management Agreement as of June 30, 2017. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Specified Party and is not intended to be, and should not be, used by anyone other than the Specified Party.

Very truly yours,

Grant Thornton LLP