

COMPREHENSIVE HOTEL MARKET FEASIBILITY STUDY FINANCIAL PROFORMA



PREPARED FOR

DODGEVILLE, WISCONSIN

PREPARED BY

Core Distinction Group, LLC

Lisa Pennau - Founding Partner

l.pennau@coredistinctiongroup.com

Jessica Junker - Managing Partner

j.junker@coredistinctiongroup.com

Offices in Wisconsin

INCLUDES

Projected Land Costs

Projected Building Costs

Projected Fixture, Furnishings, and Equipment Costs

Projected Soft Costs

Projected Investment

Projected Revenue

Projected Expenses

Projected Return on Investment



TAKING THE FIRST STEP TO DEVELOP A NEW HOTEL

Hampton by Hilton Dodgeville, WI

Number of Units:		72	
Total Land & Prep (TBD)		\$0	
Building Construction		\$10,296,956	
<i>per room</i>		<i>\$143,013</i>	
Fixtures, Furnishings, and Equipment		\$1,358,437	
<i>per room</i>		<i>\$18,867</i>	
Indirect/Soft Costs		\$2,154,354	
<i>per room</i>		<i>\$29,922</i>	
Appraisal		\$7,500	
Architectural / Engineering		\$308,908	
Franchise Fee Application		\$100,000	
Sign Package		\$42,750	
Guest Internet Access		\$55,000	
Inventory & Operating Equipment		\$145,000	
Training & Computer Hardware/Software		\$135,000	
ADA Consultation		\$5,500	
Legal and Accounting Fees		\$75,000	
Working Capital		\$250,000	
Contingencies		\$1,029,696	
Total Project Costs:		\$13,809,747	
<i>per room</i>		<i>\$191,802</i>	
Requested Loan Amount:		\$9,666,823	70.0%
Expected Cash Injection:		\$4,142,924	30.0%
Sources of Funding			
Bank Loan	9,666,823	Debt Interest:	7.50%
Expected Cash Injection	4,142,924	Debt Terms:	25
Total:	\$13,809,747	Debt Service:	\$876,487



First Full Year Open													Rooms: 72
	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
Lodging Rooms Available	2,232	2,016	2,232	2,160	2,232	2,160	2,232	2,232	2,160	2,232	2,160	2,232	26,280
Lodging Occupancy %	44.6%	51.5%	60.9%	61.6%	67.2%	77.3%	78.0%	79.6%	72.1%	76.3%	56.8%	49.2%	64.7%
Total Occ. Rooms	996	1,038	1,360	1,331	1,499	1,669	1,740	1,777	1,557	1,704	1,227	1,097	16,996
Average Daily Rate	\$119.39	\$144.87	\$147.45	\$150.37	\$179.52	\$164.52	\$184.49	\$192.18	\$165.03	\$178.28	\$146.12	\$136.25	\$162.73
Revenue Per Available Room (REVPAR)	\$53.27	\$74.63	\$89.83	\$92.67	\$120.56	\$127.12	\$143.85	\$153.01	\$118.98	\$136.08	\$83.00	\$66.98	\$105.24
Revenue:													
Guest Room Revenue	118,905	150,446	200,498	200,167	269,083	274,587	321,080	341,526	256,993	303,720	179,281	149,501	2,765,788
Meeting Room Revenue	498	519	680	666	749	834	870	889	779	852	613	549	8,498
Marketplace/Vending	2,988	3,115	4,079	3,993	4,497	5,007	5,221	5,331	4,672	5,111	3,681	3,292	50,987
TOTAL HOTEL REVENUE	122,391	154,081	205,257	204,826	274,329	280,429	327,171	347,746	262,444	309,683	183,575	153,342	2,825,273
Hotel Payroll Expenses:													
Hotel Manager	4,833	4,833	4,833	4,833	4,833	4,833	4,833	4,833	4,833	4,833	4,833	4,833	58,000
Housekeeping/Maintenance	6,972	7,269	9,518	9,318	10,492	11,683	12,183	12,440	10,901	11,925	8,589	7,681	118,970
Front Desk	7,440	6,960	7,440	7,200	7,440	10,800	11,160	11,160	10,800	7,440	7,200	7,440	102,480
Workers Comp Insurance	481	477	545	534	569	683	704	711	663	605	516	499	6,986
Payroll Tax	2,466	2,442	2,792	2,736	2,917	3,500	3,610	3,643	3,400	3,100	2,642	2,557	35,805
TOTAL HOTEL PAYROLL	22,192	21,982	25,128	24,621	26,251	31,499	32,490	32,787	30,597	27,904	23,780	23,010	322,241
Hotel Operating Expenses:													
Cleaning Supplies	548	571	748	732	824	918	957	977	856	937	675	603	9,348
Laundry Supplies	498	519	680	666	749	834	870	889	779	852	613	549	8,498
Linens	747	779	1,020	998	1,124	1,252	1,305	1,333	1,168	1,278	920	823	12,747
Guest Supplies	996	1,038	1,360	1,331	1,499	1,669	1,740	1,777	1,557	1,704	1,227	1,097	16,996
Operating Supplies	847	883	1,156	1,131	1,274	1,419	1,479	1,511	1,324	1,448	1,043	933	14,446
Repairs & Maintenance	892	1,128	1,504	1,501	2,018	2,059	2,408	2,561	1,927	2,278	1,345	1,121	20,743
Swimming Pool Maintenance	833	833	833	833	833	833	833	833	833	833	833	833	10,000
Franchise & Royalty Fees	12,239	15,408	20,526	20,483	27,433	28,043	32,717	34,775	26,244	30,968	18,358	15,334	282,527
Hhonor Program Fees	5,826	7,372	9,824	9,808	13,185	13,455	15,733	16,735	12,593	14,882	8,785	7,326	135,524
PMS Fee	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	21,600
Complimentary Breakfast	3,984	4,154	5,439	5,325	5,996	6,676	6,962	7,109	6,229	6,815	4,908	4,389	67,983
Travel Agent Fees	3,567	4,513	6,015	6,005	8,072	8,238	9,632	10,246	7,710	9,112	5,378	4,485	82,974
Marketplace/Vending Expense	1,494	1,558	2,040	1,997	2,248	2,503	2,611	2,666	2,336	2,555	1,840	1,646	25,494
Marketing / Advertising	595	752	1,002	1,001	1,345	1,373	1,605	1,708	1,285	1,519	896	748	13,829
Utilities	3,060	3,852	5,131	5,121	6,858	7,011	8,179	8,694	6,561	7,742	4,589	3,834	70,632
Cable/Internet/Phone	2,232	2,016	2,232	2,160	2,232	2,160	2,232	2,232	2,160	2,232	2,160	2,232	26,280
Credit Card Expense	2,754	3,467	4,618	4,609	6,172	6,310	7,361	7,824	5,905	6,968	4,130	3,450	63,569
Management Fee	3,672	4,622	6,158	6,145	8,230	8,413	9,815	10,432	7,873	9,290	5,507	4,600	84,758
TOTAL OPERATING EXPENSES	46,582	55,267	72,086	71,645	91,895	94,965	108,241	114,101	89,141	103,213	65,009	55,803	967,947
Income Before Fixed Expenses	53,616	76,833	108,043	108,560	156,183	153,964	186,439	200,858	142,706	178,566	94,786	74,529	1,535,085
Gross Operating Profit (GOP)	43.81%	49.87%	52.64%	53.00%	56.93%	54.90%	56.99%	57.76%	54.38%	57.66%	51.63%	48.60%	54.33%
Reserves & Fixed Expenses:													
Debt Service	73,041	73,041	73,041	73,041	73,041	73,041	73,041	73,041	73,041	73,041	73,041	73,041	876,487
Real Estate Taxes (Estimates)	13,310	13,310	13,310	13,310	13,310	13,310	13,310	13,310	13,310	13,310	13,310	13,310	159,725
Personal Property Taxes (Estimates)	1,756	1,756	1,756	1,756	1,756	1,756	1,756	1,756	1,756	1,756	1,756	1,756	21,072
Insurance	1,836	2,311	3,079	3,072	4,115	4,206	4,908	5,216	3,937	4,645	2,754	2,300	42,379
Reserves For Replacement	2,448	3,082	4,105	4,097	5,487	5,609	6,543	6,955	5,249	6,194	3,672	3,067	56,505
TOTAL RESERVES & FIXED	92,391	93,500	95,291	95,276	97,708	97,922	99,558	100,278	97,292	98,946	94,532	93,474	1,156,168
NET OPERATING INCOME (NOI)	34,266	56,373	85,793	86,325	131,515	129,083	159,922	173,621	118,454	152,661	73,295	54,096	1,255,404
NET CASH FLOW	(38,774)	(16,667)	12,752	13,284	58,475	56,042	86,881	100,580	45,414	79,620	254	(18,945)	378,917

Five Year Numbers Projected Summary

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5					
	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT					
Lodging Rooms Available	26,280	26,280	26,280	26,280	26,280					
Lodging Occupancy %	64.7%	67.3%	69.9%	72.7%	75.3%					
Total Occ. Rooms	16,996	17,676	18,383	19,118	19,787					
Average Daily Rate	\$162.73	\$167.62	\$172.64	\$177.82	\$181.38					
REVENUE:										
Guest Room Revenue	2,765,788	97.9%	2,962,712	98.0%	3,173,657	98.0%	3,399,621	98.1%	3,588,980	98.1%
Meeting Room Revenue	8,498	0.3%	8,838	0.3%	9,191	0.3%	9,559	0.3%	9,894	0.3%
Marketplace/Vending	50,987	1.8%	53,027	1.8%	55,148	1.7%	57,354	1.7%	59,361	1.6%
=====	=====	=====	=====	=====	=====					
TOTAL HOTEL REVENUE	2,825,273	100.0	3,024,577	100.0	3,237,996	100.0	3,466,534	100.0	3,658,235	100.0

NOTE: The above information is a forwards looking projection of anticipated expenses and profits with regard to this project based on the professional experience of Core Distinction Group LLC (CDG) participation in other projects, similar in nature. Occupancy and ADR projections derived from market data trends reported by Smith Travel Research (STR) in the market's proximity along with to date range shopping of local and surrounding hotels. This projection could change due to changes and in the economy, both locally and overall, the acceptance of the project by the local community and patrons and the fact that CDG has not been involved in a project in this area and in a municipality with these demographics in the past. Thereby, all investors understand and acknowledge that these forward projections are not warranted by CDG and are subject to change and fluctuation.



5 Year Projection									Rooms: 72
	<u>Year 1</u>		<u>Year 2</u>		<u>Year 3</u>		<u>Year 4</u>		<u>Year 5</u>
Lodging Rooms Available	26,280		26,280		26,280		26,280		26,280
Lodging Occupancy %	64.7%		67.3%		69.9%		72.7%		75.3%
Total Occ. Rooms	16,996		17,676		18,383		19,118		19,787
Average Daily Rate	\$162.73		\$167.62		\$172.64		\$177.82		\$181.38
Revenue Per Available Room (REVPAR)	\$105.24		\$112.74		\$120.76		\$129.36		\$136.57
Revenue:									
Guest Room Revenue	2,765,788		2,962,712		3,173,657		3,399,621		3,588,980
Meeting Room Revenue	8,498		8,838		9,191		9,559		9,894
Marketplace/Vending	50,987		53,027		55,148		57,354		59,361
TOTAL HOTEL REVENUE	2,825,273		3,024,577		3,237,996		3,466,534		3,658,235
Hotel Payroll Expenses:									
Hotel Manager	58,000		58,870		59,753		60,649		61,559
Housekeeping/Maintenance	118,970		123,729		128,678		133,826		138,509
Front Desk	102,480		105,554		108,721		111,983		115,342
Workers Comp Insurance	6,986		7,204		7,429		7,661		7,885
Payroll Tax	35,805		36,920		38,073		39,265		40,412
TOTAL HOTEL PAYROLL	322,241		332,277		342,654		353,384		363,708
Hotel Operating Expenses:									
Cleaning Supplies	9,348		9,722		10,110		10,515		10,883
Laundry Supplies	8,498		8,838		9,191		9,559		9,894
Linens	12,747		13,257		13,787		14,338		14,840
Guest Supplies	16,996		17,676		18,383		19,118		19,787
Operating Supplies	14,446		15,024		15,625		16,250		16,819
Repairs & Maintenance	20,743		22,220		31,737		33,996		35,890
Swimming Pool Maintenance	10,000		11,500		13,225		15,209		17,490
Franchise & Royalty Fees	282,527		302,458		323,800		346,653		365,823
Hhonor Program Fees	135,524		145,173		155,509		166,581		175,860
PMS Fee	21,600		21,600		21,600		21,600		21,600
Complimentary Breakfast	67,983		70,702		73,531		76,472		79,148
Travel Agent Fees	82,974		88,881		95,210		101,989		107,669
Marketplace/Vending Expense	25,494		26,513		27,574		28,677		29,681
Marketing / Advertising	13,829		14,814		15,868		16,998		17,945
Utilities	70,632		75,614		80,950		86,663		91,456
Cable/Internet/Phone	26,280		27,068		27,880		28,717		29,578
Credit Card Expense	63,569		68,053		72,855		77,997		82,310
Management Fee	84,758		90,737		97,140		103,996		109,747
TOTAL OPERATING EXPENSES	967,947		1,029,851		1,103,975		1,175,329		1,236,421
Income Before Fixed Expenses									
Gross Operating Profit (GOP)	1,535,085		1,662,449		1,791,368		1,937,821		2,058,106
Reserves & Fixed Expenses:									
Real Estate Taxes (Estimates)	159,725		159,725		159,725		159,725		159,725
Personal Property Taxes (Estimates)	21,072		21,072		21,072		21,072		21,072
Insurance	42,379		45,369		48,570		51,998		54,874
Reserves For Replacement	56,505		90,737		97,140		138,661		146,329
NET OPERATING INCOME (NOI)	1,255,404		1,345,546		1,464,861		1,566,365		1,676,107
Loan (Interest Payment)	736,541		725,677		713,969		701,352		687,756
Loan (Principal Reduction)	139,946		150,810		162,518		175,135		188,731
NET CASH FLOW	\$378,917		\$469,059		\$588,374		\$689,878		\$799,620
RETURN ON INVESTMENT (ROI) %	9.15%		11.32%		14.20%		16.65%		19.30%
ROI % (Including Principal Reduction)	12.52%		14.96%		18.12%		20.88%		23.86%

NOTE: The above information is a forwards looking projection of anticipated expenses and profits with regard to this project based on the professional experience of Core Distinction Group LLC (CDG) participation in other projects, similar in nature. Occupancy and ADR projections derived from market data trends reported by Smith Travel Research (STR) in the market's proximity along with to date range shopping of local and surrounding hotels. This projection could change due to changes and in the economy, both locally and overall, the acceptance of the project by the local community and patrons and the fact that CDG has not been involved in a project in this area and in a municipality with these demographics in the past. Thereby, all investors understand and acknowledge that these forward projections are not warranted by CDG and are subject to change and fluctuation.

5 Year Break Even									Rooms: 72
	Year 1		Year 2		Year 3		Year 4		Year 5
Lodging Rooms Available	26,280		26,280		26,280		26,280		26,280
Lodging Occupancy %	50.6%		50.0%		48.9%		48.4%		47.8%
Total Occ. Rooms	13,294		13,149		12,843		12,716		12,569
Average Daily Rate	\$162.73		\$167.62		\$172.64		\$177.82		\$181.38
Revenue Per Available Room (REVPAR)	\$82.32		\$83.87		\$84.37		\$86.04		\$86.75
Revenue:									
Guest Room Revenue	2,163,383		2,203,981		2,217,271		2,261,205		2,279,767
Meeting Room Revenue	6,647		6,575		6,422		6,358		6,285
Marketplace/Vending	39,882		39,447		38,529		38,148		37,707
TOTAL HOTEL REVENUE	2,209,912		2,250,002		2,262,221		2,305,711		2,323,758
Hotel Payroll Expenses:									
Hotel Manager	58,000		59,740		61,532		63,378		65,280
Housekeeping/Maintenance	93,058		92,043		89,901		89,012		87,983
Front Desk	90,000		92,700		95,481		98,345		101,296
Workers Comp Insurance	6,026		6,112		6,173		6,268		6,364
Payroll Tax	30,886		31,324		31,636		32,125		32,615
TOTAL HOTEL PAYROLL	277,970		281,919		284,723		289,129		293,538
Hotel Operating Expenses:									
Cleaning Supplies	7,312		7,232		7,064		6,994		6,913
Laundry Supplies	6,647		6,575		6,422		6,358		6,285
Linens	9,971		9,862		9,632		9,537		9,427
Guest Supplies	13,294		13,149		12,843		12,716		12,569
Operating Supplies	11,300		11,177		10,917		10,809		10,684
Repairs & Maintenance	21,634		22,040		27,716		28,265		34,196
Swimming Pool Maintenance	10,000		11,500		13,225		15,209		17,490
Franchise & Royalty Fees	220,991		225,000		226,222		230,571		232,376
Hhonor Program Fees	106,006		107,995		108,646		110,799		111,709
PMS Fee	21,600		21,600		21,600		21,600		21,600
Complimentary Breakfast	53,176		52,596		51,372		50,864		50,276
Travel Agent Fees	64,901		66,119		66,518		67,836		68,393
Marketplace/Vending Expense	19,941		19,724		19,265		19,074		18,854
Marketing / Advertising	10,817		11,020		11,086		11,306		11,399
Utilities	77,347		78,750		79,178		80,700		81,332
Cable/Internet/Phone	26,280		27,068		27,880		28,717		29,578
Credit Card Expense	49,723		50,625		50,900		51,879		52,285
Management Fee	66,297		67,500		67,867		69,171		69,713
TOTAL OPERATING EXPENSES	797,237		809,531		818,352		832,404		845,076
Income Before Fixed Expenses									
Gross Operating Profit (GOP)	1,134,706		1,158,551		1,159,146		1,184,178		1,185,144
Reserves & Fixed Expenses:									
Real Estate Taxes (Estimates)	159,725		159,725		159,725		159,725		159,725
Personal Property Taxes (Estimates)	21,072		21,072		21,072		21,072		21,072
Insurance	33,149		33,750		33,933		34,586		34,856
Reserves For Replacement	44,198		67,500		67,867		92,228		92,950
NET OPERATING INCOME (NOI)	876,562		876,505		876,550		876,567		876,541
Loan (Interest Payment)	736,541		725,677		713,969		701,352		687,756
Loan (Principal Reduction)	139,946		150,810		162,518		175,135		188,731
NET CASH FLOW	\$75		\$18		\$63		\$80		\$54

NOTE: The above information is a forwards looking projection of anticipated expenses and profits with regard to this project based on the professional experience of Core Distinction Group LLC (CDG) participation in other projects, similar in nature. Occupancy and ADR projections derived from market data trends reported by Smith Travel Research (STR) in the market's proximity along with to date range shopping of local and surrounding hotels. This projection could change due to changes and in the economy, both locally and overall, the acceptance of the project by the local community and patrons and the fact that CDG has not been involved in a project in this area and in a municipality with these demographics in the past. Thereby, all investors understand and acknowledge that these forward projections are not warranted by CDG and are subject to change and fluctuation.

Lodging Demand Analysis

1st Quarter (Jan-Mar)	January	February	March	
Lodging Rooms Available	2,232	2,016	2,232	
Lodging Occupancy %	44.6%	51.5%	60.9%	
Total Occ. Rooms	996	1,038	1,360	
Average Daily Rate	119.39	144.87	147.45	
Total Revenue	\$118,905	\$150,446	\$200,498	
2nd Quarter (Apr-June)	April	May	June	
Lodging Rooms Available	2,160	2,232	2,160	
Lodging Occupancy %	61.6%	67.2%	77.3%	
Total Occ. Rooms	1,331	1,499	1,669	
Average Daily Rate	150.37	179.52	164.52	
Total Revenue	\$200,167	\$269,083	\$274,587	
3rd Quarter (July-Sept)	July	August	September	
Lodging Rooms Available	2,232	2,232	2,160	
Lodging Occupancy %	78.0%	79.6%	72.1%	
Total Occ. Rooms	1,740	1,777	1,557	
Average Daily Rate	184.49	192.18	165.03	
Total Revenue	\$321,080	\$341,526	\$256,993	
4th Quarter (Oct-Dec)	October	November	December	TOTAL
Lodging Rooms Available	2,232	2,160	2,232	26,280
Lodging Occupancy %	76.3%	56.8%	49.2%	64.7%
Total Occ. Rooms	1,704	1,227	1,097	16,996
Average Daily Rate	178.28	146.12	136.25	\$162.73
Total Revenue	\$303,720	\$179,281	\$149,501	2,765,788

** The above forecasts represent projections for occupancy, ADR, and revenue of a developed 72 unit lodging option. Financial Returns projected based on specific brand chosen for development. Development costs and FDD required by each brand for financial projection estimates.*

NOTE: The above information is a forward looking projection of anticipated occupancies, average daily rate and revenue based on the professional experience of Core Distinction Group LLC's participation in other projects, similar in nature. Occupancy and ADR projections derived from market data trends reported by CoStar/Smith Travel Research (STR) in the market's proximity along with to date rate shopping of local and surrounding hotels, and community feedback. This projection could change due to changes in the economy (both locally and overall), the acceptance of the project by the local community and patrons, and the fact that CDG has not been involved in a project in this area and in a municipality with these demographics in the past. Thereby, all investors understand and acknowledge that these forward looking projections are not warranted by CDG and are subject to change and fluctuation.

Source: Core Distinction Group LLC



Projections Summary

1-5 Year Projections:

OCC%	ADR:	REVPAR	Room Revenue:	YEAR 1
64.7%	\$162.73	\$105.24	\$2,765,788	
OCC%	ADR:	REVPAR	Room Revenue:	YEAR 2
67.3%	\$167.62	\$112.74	\$2,962,712	
OCC%	ADR:	REVPAR	Room Revenue:	YEAR 3
69.9%	\$172.64	\$120.76	\$3,173,657	
OCC%	ADR:	REVPAR	Room Revenue:	YEAR 4
72.7%	\$177.82	\$129.36	\$3,399,621	
OCC%	ADR:	REVPAR	Room Revenue:	YEAR 5
75.3%	\$181.38	\$136.57	\$3,588,980	

It should be noted that the above projections are considered to be forecasted for the first full year open. Consideration for a ramp up period at a minimum of 90 to 180 days is typical for new hotel development. It should be noted that projections shown in any forward reaching Pro Forma will indicate a first partial year ramp up period for comparison and budget planning. The opening of this potential hotel development should be in timing up to 90 days prior to peak season to ensure highest potential profitability in year 1. A minimum of \$150k should be factored into the total project cost under working capital to offset this first year ramp up period loss potential. Hotels used in this seasonality analysis are from the regional market of Dodgeville, WI. The market's demand patterns appear average.

Source: Core Distinction Group LLC



Proposed Property

In this section of the report, Core Distinction Group has compiled a projection of income and expense for the proposed hotel development. This projection is based on the hotel's recommendations stated throughout this report, as well as the occupancy and average rate projected throughout this report. This section of the report also details construction/development costs gathered by Core Distinction Group.

Proposed Property Description

The quality of a lodging facility's physical improvements has a direct influence on marketability, attainable occupancy, and average room rate. The design and functionality of the structure can also affect operating efficiency and overall profitability. This section investigates the subject property's proposed physical improvements and personal property in an effort to determine how they are expected to contribute to attainable cash flows.

Projected Construction/Development Costs

Gathering the most accurate costs available may help ensure the hotel project projection estimates set in this report be as accurate as possible. Core Distinction Group requested construction/development costs directly from a reputable hotel construction company and/or the brand selected by the client. Core Distinction Group is not responsible for any discrepancies in costs in the future. The total estimated costs for this proposed hotel development project are listed in table below:

Hotel Construction/Development Costs in Dodgeville, WI	
Total Estimated Costs	\$13,809,747

Hotel Construction/Development Costs in Dodgeville, WI		
Total Estimated Costs	\$191,802	per room/key



Projected Hotel Development Revenue

In this section of this report, Core Distinction Group has compiled projections of revenue for the proposed hotel. This projection is based on the hotel's recommendations stated throughout this report, as well as the occupancy and average rate projected throughout this report. Room revenue is determined by two variables: occupancy and average rate. We projected occupancy and average rate in a previous section of this report. The proposed subject hotel is expected to stabilize by year three. Due to the scale of the proposed hotel development, the revenue will also contain a small amount of food and beverage revenue, telephone revenue, meeting space revenue and miscellaneous revenue. Below you will find a five year projection of total revenue for the proposed hotel development:

Five Year Projected Hotel Development Revenue	
Year 1	
	\$2,825,273.02
Year 2	
	\$3,024,576.52
Year 3	
	\$3,237,996.19

Projected Hotel Development Payroll

The projected hotel development payroll expenses consist of all payroll associated with the revenue obtained by the proposed property. Core Distinction Group includes; the General Manager salary, all maintenance payroll, all housekeeping payroll, all front desk payroll, as well as workers compensation insurance and any payroll taxes in its evaluation. Below you will find the forecasted five year proposed property's total payroll:

Five Year Projected Hotel Development Total Payroll	
Year 1	
	\$322,241.30
Year 2	
	\$332,277.20
Year 3	
	\$342,654.00



Projected Hotel Development Operating Expenses

The projected hotel development operating expenses consist of all operating expenses associated with the revenue obtained by the proposed property. Core Distinction Group includes the following in its operating expenses:

Cleaning Supply Expenses - All expenses related to the cleaning of the proposed hotel project.

Laundry Supply Expenses - All expenses related to the laundering of the linens at the proposed hotel project.

Linen Expenses - All expenses related to the ongoing cost of replacing linens at the proposed hotel project.

Guest Supply Expenses - All expenses related to the restocking of supplies used by the guest at proposed hotel project.

Operating Supply Expenses - All expenses related to the operations of the proposed hotel project.

Repairs and Maintenance Expenses - All expenses related to the repair and maintenance of the proposed hotel project. It should be noted that as a new hotel, these amounts may be lower in the first year or two of operation. However, this also does include any contracts such as elevator maintenance, fire alarm monitoring, etc.

Swimming Pool Maintenance Expenses - All expenses related to the upkeep of the pool at the proposed hotel project. It should be noted that if the proposed hotel does not have a pool, this number will not be present in the proposed hotel project expenses.

Grounds and Landscaping Expenses - All expenses related to the ongoing maintenance of lawn, landscaping and snow removal (if applicable) of the proposed hotel project.

Franchise Fee Expenses - All expenses related to the ongoing fees charged by the franchise to the proposed hotel project.

Property Management System Expenses - All expenses related to the ongoing fees charged by the property management system of the proposed hotel project.

Breakfast Expenses - All expenses related to the breakfast provided by the proposed hotel project.

Travel Agent Fee Expenses - All expenses related to the ongoing fees charged by any travel agent booking revenue at the proposed hotel project. This also includes online travel agent websites.

Reservation Expenses - All expenses related to the ongoing fees charged by the central reservation system of proposed hotel project.



Projected Hotel Development Operating Expenses (continued)

Vending and Bar Expenses - All expenses related to the bar or vending area of the proposed hotel project.

Office Expenses - All expenses related to the office supplies need at the proposed hotel project.

Marketing and Advertising Expenses - All expenses related to the marketing and advertising done for the proposed hotel project.

Utility Expenses - All expenses related to the utilities utilized at the proposed hotel project.

Telephone Expenses - All expenses related to the phone system at the proposed hotel project.

Internet Expenses - All expenses related to the internet system at the proposed hotel project.

Cable Expenses - All expenses related to the cable system at the proposed hotel project.

Waste Removal Expenses - All expenses related to the removal of waste at the proposed hotel project.

Dues and Subscription Expenses - All expenses related to any dues or subscriptions utilized at proposed hotel project.

Licenses and Permitting Expenses - All expenses related to any ongoing licenses or permits for the proposed hotel project.

Credit Card Processing Expenses - All expenses related to the credit card processing system at the proposed hotel project.

Management Fee Expenses - All expenses related to the ongoing professional hotel management fees of the proposed hotel project.

Accounting Service Expenses - All expenses related to the ongoing, professional accounting or accountant fees of the proposed hotel project.

Other Expenses/Frequent Stay Program Expenses - All expenses related to the brand's frequent stay program at the proposed hotel project. This line also includes any miscellaneous expenses.



Projected Hotel Development Operating Expenses (continued)

Below you will find the forecasted five year, proposed property's total operating expenses:

Five Year Projected Hotel Development Total Operating Expenses	
Year 1	
	\$967,946.91
Year 2	
	\$1,029,850.70
Year 3	
	\$1,103,974.63
Year 4	
	\$1,175,328.97
Year 5	
	\$1,236,420.95



Projected Hotel Development Reserves and Fixed Expenses

The projected hotel development reserves and fixed expenses consist of all fixed monthly expenses as well as the reserve for replacement expenses associated with the revenue obtained by the proposed property. Core Distinction Group includes the following in its reserves and fixed expenses:

Real Estate Tax Expenses - This expense relates to the real estate taxes assessed for the proposed hotel project. In some cases this item could be an estimate and/or may be reduced due to incentives. Depending on the taxing policy of the municipality, property taxes can be based on the value of the real property or the value of the personal property and the real property. We have based our estimate of the proposed subject property's market value (for tax purposes) on an analysis of assessments of comparable hotel properties in the local municipality. The numbers below are based on what was available to Core Distinction Group representatives at the time of conducting the research in this report.

Insurance Expenses - This expense relates to the ongoing property insurance for the proposed hotel project. In some cases this item could be an estimate. The insurance expense consists of the cost of insuring the hotel and its contents against damage or destruction by fire, weather, sprinkler leakage, boiler explosion, plate glass breakage, and so forth. General insurance costs also include premiums relating to liability, fidelity, and theft coverage. Insurance rates are based on many factors, including building design and construction, fire detection and extinguishing equipment, fire district, distance from the firehouse, and the area's fire experience. Insurance expenses do not vary with occupancy. The numbers to follow are based on what was available to Core Distinction Group representatives at the time of conducting the research in this report.

Reserve for Replacement Expenses - Furniture, fixtures, and equipment are essential to the operation of a lodging facility, and their quality often influences a property's revenue-producing abilities. This expense line includes all non-real estate items that are capitalized, rather than expensed. The furniture, fixtures, and equipment of a hotel are exposed to heavy use and must be replaced at regular intervals. The useful life of these items is determined by their quality, durability, and the amount of guest traffic and use. Periodic replacement of furniture, fixtures, and equipment is essential to maintain the quality, image, and revenue-producing potential of a lodging facility. Studies have indicated that on an ongoing basis a minimum of 4 percent is required to properly maintain hotels. Because the proposed hotel will be a new construction, we used a buildable approach whereas, in the first two years of operation, the reserve was estimated to be 3 percent and in subsequent years the reserve for replacement was estimated to be 4 percent of total sales and is estimated to provide sufficient funds for future capital improvements.



Projected Hotel Development Reserves and Fixed Expenses (continued)

Below you will find the forecasted five year, proposed property's total reserves and fixed expenses:

Five Year Projected Hotel Development Total Reserves and Fixed Expenses	
Year 1	
	\$258,609.24
Year 2	
	\$295,830.63
Year 3	
	\$305,434.51
Year 4	
	\$350,384.06
Year 5	
	\$360,927.61



Projected Hotel Development Loan Expenses

The projected hotel development loan expenses consist of all monthly expenses incurred by the proposed property. Based on our analysis of the current lodging industry's mortgage market and adjustments for specific factors, such as the property's site, proposed facility, and conditions in the hotel market, it is our opinion that a 7.5% interest, 25-year amortization mortgage is appropriate for the proposed subject hotel. In the mortgage equity analysis, we have applied a loan-to-cost ratio of 70%, which is reasonable to expect based on this interest rate and current parameters. Below you will find the forecasted five year, proposed property's total loan expenses:

Five Year Projected Hotel Development Total Interest Payment	
Year 1	
	\$736,541
Year 2	
	\$725,677
Year 3	
	\$713,969
Year 4	
	\$701,352
Year 5	
	\$687,756

Five Year Projected Hotel Development Total Principal Reduction	
Year 1	
	\$139,946
Year 2	
	\$150,810
Year 3	
	\$162,518
Year 4	
	\$175,135
Year 5	
	\$188,731



Projected Hotel Development Income

The projected hotel development income is measured by two separate parameters for the proposed property:

Return On Investment (ROI) is a performance measure used to evaluate the efficiency of an investment or compare the efficiency of a number of different investments. ROI tries to directly measure the amount of return on a particular investment relative to the investment's cost.

ROI % (Including Principal Reduction) is a calculation used to analyze the profitability of income-generating real estate investments. ROI equals all revenue from the property, minus all reasonably necessary operating expenses, and principle loan payment.

The projected Return On Investment (ROI) and Net Operating Income ROI % (Including Principal Reduction) are as follows:

Five Year Projected - Total Return On Investment (ROI)	
Year 1	9.15%
Year 2	11.32%
Year 3	14.20%
Year 4	16.65%
Year 5	19.30%
Five Year Projected - ROI % (Including Principal Reduction)	
Year 1	12.52%
Year 2	14.96%
Year 3	18.12%
Year 4	20.88%
Year 5	23.86%

