

COMPREHENSIVE HOTEL MARKET FEASIBILITY STUDY FINANCIAL PROFORMA



PREPARED FOR

HIAWATHA, IOWA

PREPARED BY

Core Distinction Group, LLC

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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

Cobblestone Hotel & Suites Hiawatha, IA

Number of Units: **88**

Building Specifications: 88 unit, 4-story Main Street Prototype Hotel & Suites with standard and extended stay rooms, guest cocktail lounge, hot breakfast, fitness room, meeting room, pool and two elevators. No Restaurant

Total Land & Prep **\$1,350,000**

per room

\$15,341

Raw Land

\$0

Permit & Community (plan review/permit/inspect/impact/tap fees/etc.)

\$550,000

Site Utility & Excav. (sewer/water/electric/grading & fill/drainage/etc.)

\$800,000

Building Construction **\$11,080,000**

per room

\$125,909

Fixtures, Furnishings, and Equipment **\$1,595,000**

per room

\$18,125

Indirect/Soft Costs **\$1,892,000**

per room

\$21,500

Appraisal

\$7,000

Architectural / Engineering

\$120,000

Cobblestone Franchise Fee

\$40,000

Surveys

\$15,000

Development Services

\$980,000

Pre-Opening Services

\$40,000

Working Capital

\$200,000

Legal and Accounting Fees

\$10,000

Construction Period Interest / Loan Fees / Closing

\$250,000

Insurance & Taxes During Construction

\$30,000

Project Contingency

\$200,000

Total Project Costs: **\$15,917,000**

per room

\$180,875

Requested Loan Amount: \$11,141,900 70.0%

Expected Cash Injection: \$4,775,100 30.0%

Sources of Funding

Bank Loan	11,141,900	Debt Interest:	7.50%
Expected Cash Injection	4,775,100	Debt Terms:	25
Total:	\$15,917,000	Debt Service:	\$982,509



First Full Year Open													Rooms: 88
	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
Lodging Rooms Available	2,728	2,464	2,728	2,640	2,728	2,640	2,728	2,728	2,640	2,728	2,640	2,728	32,120
Lodging Occupancy %	45.8%	55.3%	60.3%	59.9%	66.7%	77.0%	74.3%	69.9%	70.3%	65.6%	57.1%	44.9%	62.3%
Total Occ. Rooms	1,251	1,362	1,644	1,580	1,821	2,034	2,026	1,908	1,855	1,789	1,507	1,225	20,002
Average Daily Rate	\$119.28	\$124.56	\$129.00	\$127.89	\$139.06	\$149.62	\$147.67	\$135.09	\$149.35	\$146.39	\$141.93	\$124.13	\$137.61
Revenue Per Available Room (REVPAR)	\$54.68	\$68.87	\$77.76	\$76.55	\$92.82	\$115.27	\$109.70	\$94.47	\$104.92	\$96.00	\$81.03	\$55.72	\$85.69
Revenue:													
Guest Room Revenue	149,175	169,686	212,119	202,081	253,225	304,311	299,259	257,714	276,999	261,902	213,930	152,004	2,752,403
Meeting Room Revenue	625	681	822	790	910	1,017	1,013	954	927	895	754	612	10,001
Marketplace/Lounge	6,253	6,812	8,222	7,900	9,105	10,170	10,132	9,539	9,273	8,945	7,536	6,123	100,011
TOTAL HOTEL REVENUE	156,054	177,178	221,163	210,771	263,241	315,498	310,405	268,207	287,199	271,742	222,220	158,739	2,862,415
Hotel Payroll Expenses:													
Hotel Manager	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	75,000
Housekeeping/Maintenance	9,380	10,217	12,333	11,851	13,657	15,255	15,199	14,308	13,910	13,418	11,304	9,184	150,016
Front Desk	7,440	6,960	9,300	9,000	9,300	10,800	11,160	11,160	9,000	9,300	7,200	7,440	108,000
Workers Comp Insurance	577	586	697	678	730	808	815	793	729	724	619	572	8,327
Payroll Tax	2,956	3,002	3,572	3,472	3,742	4,139	4,178	4,064	3,736	3,712	3,172	2,931	42,675
TOTAL HOTEL PAYROLL	26,602	27,015	32,152	31,251	33,679	37,251	37,602	36,575	33,625	33,404	28,545	26,377	384,078
Hotel Operating Expenses:													
Cleaning Supplies	688	749	904	869	1,002	1,119	1,115	1,049	1,020	984	829	674	11,001
Laundry Supplies	625	681	822	790	910	1,017	1,013	954	927	895	754	612	10,001
Linens	938	1,022	1,233	1,185	1,366	1,525	1,520	1,431	1,391	1,342	1,130	918	15,002
Guest Supplies	1,251	1,362	1,644	1,580	1,821	2,034	2,026	1,908	1,855	1,789	1,507	1,225	20,002
Operating Supplies	1,063	1,158	1,398	1,343	1,548	1,729	1,723	1,622	1,576	1,521	1,281	1,041	17,002
Repairs & Maintenance	1,492	1,697	2,121	2,021	2,532	3,043	2,993	2,577	2,770	2,619	2,139	1,520	27,524
Swimming Pool Maintenance	833	833	833	833	833	833	833	833	833	833	833	833	10,000
Franchise Fees	10,230	9,240	10,230	9,900	10,230	9,900	10,230	10,230	9,900	10,230	9,900	10,230	120,450
Marketing Funds Fee	2,046	1,848	2,046	1,980	2,046	1,980	2,046	2,046	1,980	2,046	1,980	2,046	24,090
Reservation Expense	775	775	775	775	775	775	775	775	775	775	775	775	9,300
PMS Fee	591	591	591	591	591	591	591	591	591	591	591	591	7,092
Complimentary Breakfast	4,377	4,768	5,755	5,530	6,373	7,119	7,093	6,677	6,491	6,262	5,275	4,286	70,007
Travel Agent Fees	5,967	6,787	8,485	8,083	10,129	12,172	11,970	10,309	11,080	10,476	8,557	6,080	110,096
Vending Expense	3,127	3,406	4,111	3,950	4,552	5,085	5,066	4,769	4,637	4,473	3,768	3,061	50,005
Marketing / Advertising	746	848	1,061	1,010	1,266	1,522	1,496	1,289	1,385	1,310	1,070	760	13,762
Utilities	3,901	4,429	5,529	5,269	6,581	7,887	7,760	6,705	7,180	6,794	5,555	3,968	71,560
Cable/Internet/Phone	2,728	2,464	2,728	2,640	2,728	2,640	2,728	2,640	2,728	2,640	2,728	2,640	32,120
Credit Card Expense	3,511	3,987	4,976	4,742	5,923	7,099	6,984	6,035	6,462	6,114	5,000	3,572	64,404
Management Fee	9,363	10,631	13,270	12,646	15,794	18,930	18,624	16,092	17,232	16,304	13,333	9,524	171,745
TOTAL OPERATING EXPENSES	54,252	57,277	68,513	65,740	77,001	87,000	86,587	78,620	80,726	78,085	66,919	54,445	855,164
Income Before Fixed Expenses	75,199	92,887	120,498	113,781	152,560	191,246	186,216	153,011	172,849	160,253	126,756	77,917	1,623,172
Gross Operating Profit (GOP)	48.19%	52.43%	54.48%	53.98%	57.95%	60.62%	59.99%	57.05%	60.18%	58.97%	57.04%	49.08%	56.71%
Reserves & Fixed Expenses:													
Debt Service	81,876	81,876	81,876	81,876	81,876	81,876	81,876	81,876	81,876	81,876	81,876	81,876	982,509
Real Estate Taxes (Estimates)	11,702	11,702	11,702	11,702	11,702	11,702	11,702	11,702	11,702	11,702	11,702	11,702	140,422
Insurance	2,341	2,658	3,317	3,162	3,949	4,732	4,656	4,023	4,308	4,076	3,333	2,381	42,936
Reserves For Replacement	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL RESERVES & FIXED	95,918	96,235	96,895	96,739	97,526	98,310	98,234	97,601	97,886	97,654	96,911	95,959	1,165,867
NET OPERATING INCOME (NOI)	61,157	78,527	105,479	98,918	136,910	174,812	169,858	137,286	156,839	144,475	111,721	63,834	1,439,814
NET CASH FLOW	(20,719)	(3,349)	23,603	17,042	55,034	92,936	87,983	55,411	74,963	62,599	29,845	(18,042)	457,305

Five Year Numbers Projected Summary										
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5					
	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT					
Lodging Rooms Available	32,120	32,120	32,120	32,120	32,120					
Lodging Occupancy %	62.3%	64.1%	66.1%	68.0%	70.1%					
Total Occ. Rooms	20,002	20,602	21,220	21,857	22,513					
Average Daily Rate	\$137.61	\$141.73	\$145.99	\$150.37	\$153.37					
REVENUE:										
Guest Room Revenue	2,752,403	96.2%	2,920,024	96.3%	3,097,854	96.4%	3,286,513	96.5%	3,452,811	96.5%
Meeting Room Revenue	10,001	0.3%	10,301	0.3%	10,610	0.3%	10,928	0.3%	11,256	0.3%
Marketplace/Lounge	100,011	3.5%	103,011	3.4%	106,101	3.3%	109,284	3.2%	112,563	3.1%
=====	=====	=====	=====	=====	=====					
TOTAL HOTEL REVENUE	2,862,415		3,033,336		3,214,565		3,406,726		3,576,630	

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: 88
	Year 1		Year 2		Year 3		Year 4		Year 5
Lodging Rooms Available	32,120		32,120		32,120		32,120		32,120
Lodging Occupancy %	62.3%		64.1%		66.1%		68.0%		70.1%
Total Occ. Rooms	20,002		20,602		21,220		21,857		22,513
Average Daily Rate	\$137.61		\$141.73		\$145.99		\$150.37		\$153.37
Revenue Per Available Room (REVPAR)	\$85.69		\$90.91		\$96.45		\$102.32		\$107.50
Revenue:									
Guest Room Revenue	2,752,403		2,920,024		3,097,854		3,286,513		3,452,811
Meeting Room Revenue	10,001		10,301		10,610		10,928		11,256
Marketplace/Lounge	100,011		103,011		106,101		109,284		112,563
TOTAL HOTEL REVENUE	2,862,415		3,033,336		3,214,565		3,406,726		3,576,630
Hotel Payroll Expenses:									
Hotel Manager	75,000		76,125		77,267		78,426		79,602
Housekeeping/Maintenance	150,016		154,516		159,152		163,927		168,844
Front Desk	108,060		111,302		114,641		118,080		121,622
Workers Comp Insurance	8,327		8,549		8,776		9,011		9,252
Payroll Tax	42,675		43,811		44,980		46,180		47,415
TOTAL HOTEL PAYROLL	384,078		394,303		404,816		415,624		426,736
Hotel Operating Expenses:									
Cleaning Supplies	11,001		11,331		11,671		12,021		12,382
Laundry Supplies	10,001		10,301		10,610		10,928		11,256
Linens	15,002		15,452		15,915		16,393		16,884
Guest Supplies	20,002		20,602		21,220		21,857		22,513
Operating Supplies	17,002		17,512		18,037		18,578		19,136
Repairs & Maintenance	27,524		29,200		38,723		41,081		51,792
Swimming Pool Maintenance	10,000		11,500		13,225		15,209		17,490
Franchise Fees	120,450		120,450		120,450		120,450		120,450
Marketing Funds Fee	24,090		24,090		24,090		24,090		24,090
Reservation Expense	9,300		9,300		9,300		9,300		9,300
PMS Fee	7,092		7,092		7,092		7,092		7,092
Complimentary Breakfast	70,007		72,108		74,271		76,499		78,794
Travel Agent Fees	110,096		116,801		123,914		131,461		138,112
Vending Expense	50,005		51,505		53,051		54,642		56,281
Marketing / Advertising	13,762		14,600		15,489		16,433		17,264
Utilities	71,560		75,833		80,364		85,168		89,416
Cable/Internet/Phone	32,120		33,084		34,076		35,098		36,151
Credit Card Expense	64,404		68,250		72,328		76,651		80,474
Management Fee	171,745		182,000		192,874		204,404		214,598
TOTAL OPERATING EXPENSES	855,164		891,012		936,701		977,355		1,023,476
Income Before Fixed Expenses	1,623,172		1,748,021		1,873,049		2,013,747		2,126,418
Gross Operating Profit (GOP)									
Reserves & Fixed Expenses:									
Real Estate Taxes (Estimates)	140,422		140,422		140,422		140,422		140,422
Insurance	42,936		45,500		48,218		51,101		53,649
Reserves For Replacement	0		60,667		96,437		136,269		143,065
NET OPERATING INCOME (NOI)	1,439,814		1,501,433		1,587,971		1,685,955		1,789,282
Loan (Interest Payment)	504,648		497,205		489,183		480,538		471,311
Loan (Principal Reduction)	477,861		485,304		493,326		501,971		511,198
NET CASH FLOW	\$457,305		\$518,923		\$605,462		\$703,446		\$806,772
RETURN ON INVESTMENT (ROI) %	9.58%		10.87%		12.68%		14.73%		16.90%
ROI % (Including Principal Reduction)	19.58%		21.03%		23.01%		25.24%		27.60%

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: 88	
	Year 1		Year 2		Year 3		Year 4		Year 5	
Lodging Rooms Available	32,120		32,120		32,120		32,120		32,120	
Lodging Occupancy %	48.3%		48.3%		47.9%		47.3%		46.7%	
Total Occ. Rooms	15,508		15,526		15,380		15,188		14,997	
Average Daily Rate	\$137.61		\$141.73		\$145.99		\$150.37		\$153.37	
Revenue Per Available Room (REVPAR)	\$66.44		\$68.51		\$69.90		\$71.10		\$71.61	
Revenue:										
Guest Room Revenue	2,133,986		2,200,557		2,245,259		2,283,747		2,300,128	
Meeting Room Revenue	7,754		7,763		7,690		7,594		7,499	
Marketplace/Lounge	77,540		77,630		76,900		75,940		74,985	
TOTAL HOTEL REVENUE	2,219,280		2,285,950		2,329,849		2,367,281		2,382,611	
Hotel Payroll Expenses:										
Hotel Manager	75,000		77,250		79,568		81,955		84,413	
Housekeeping/Maintenance	116,310		116,445		115,350		113,910		112,478	
Front Desk	90,000		92,700		95,481		98,345		101,296	
Workers Comp Insurance	7,033		7,160		7,260		7,355		7,455	
Payroll Tax	36,043		36,694		37,207		37,696		38,205	
TOTAL HOTEL PAYROLL	324,386		330,249		334,866		339,261		343,846	
Hotel Operating Expenses:										
Cleaning Supplies	8,529		8,539		8,459		8,353		8,248	
Laundry Supplies	7,754		7,763		7,690		7,594		7,499	
Linens	11,631		11,645		11,535		11,391		11,248	
Guest Supplies	15,508		15,526		15,380		15,188		14,997	
Operating Supplies	13,182		13,197		13,073		12,910		12,747	
Repairs & Maintenance	21,340		22,006		28,066		28,547		34,502	
Swimming Pool Maintenance	10,000		11,500		13,225		15,209		17,490	
Franchise Fees	120,450		120,450		120,450		120,450		120,450	
Marketing Funds Fee	24,090		24,090		24,090		24,090		24,090	
Reservation Expense	9,300		9,300		9,300		9,300		9,300	
PMS Fee	7,092		7,092		7,092		7,092		7,092	
Complimentary Breakfast	62,032		62,104		61,520		60,752		59,988	
Travel Agent Fees	85,359		88,022		89,810		91,350		92,005	
Vending Expense	38,770		38,815		38,450		37,970		37,493	
Marketing / Advertising	10,670		11,003		11,226		11,419		11,501	
Utilities	77,675		80,008		81,545		82,855		83,391	
Cable/Internet/Phone	32,120		33,084		34,076		35,098		36,151	
Credit Card Expense	49,934		51,434		52,422		53,264		53,609	
Management Fee	133,157		137,157		139,791		142,037		142,957	
TOTAL OPERATING EXPENSES	738,593		752,734		767,200		774,868		784,757	
Income Before Fixed Expenses	1,156,301		1,202,966		1,227,784		1,253,152		1,254,008	
Gross Operating Profit (GOP)										
Reserves & Fixed Expenses:										
Real Estate Taxes (Estimates)	140,422		140,422		140,422		140,422		140,422	
Insurance	33,289		34,289		34,948		35,509		35,739	
Reserves For Replacement	0		45,719		69,895		94,691		95,304	
NET OPERATING INCOME (NOI)	982,591		982,536		982,519		982,530		982,542	
Loan (Interest Payment)	504,648		497,205		489,183		480,538		471,311	
Loan (Principal Reduction)	477,861		485,304		493,326		501,971		511,198	
NET CASH FLOW	\$81		\$27		\$9		\$20		\$33	

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	2,728	2,464	2,728	
Lodging Occupancy %	45.8%	55.3%	60.3%	
Total Occ. Rooms	1,251	1,362	1,644	
Average Daily Rate	119.28	124.56	129.00	
Total Revenue	\$149,175	\$169,686	\$212,119	
2nd Quarter (Apr-June)	April	May	June	
Lodging Rooms Available	2,640	2,728	2,640	
Lodging Occupancy %	59.9%	66.7%	77.0%	
Total Occ. Rooms	1,580	1,821	2,034	
Average Daily Rate	127.89	139.06	149.62	
Total Revenue	\$202,081	\$253,225	\$304,311	
3rd Quarter (July-Sept)	July	August	September	
Lodging Rooms Available	2,728	2,728	2,640	
Lodging Occupancy %	74.3%	69.9%	70.3%	
Total Occ. Rooms	2,026	1,908	1,855	
Average Daily Rate	147.67	135.09	149.35	
Total Revenue	\$299,259	\$257,714	\$276,999	
4th Quarter (Oct-Dec)	October	November	December	TOTAL
Lodging Rooms Available	2,728	2,640	2,728	32,120
Lodging Occupancy %	65.6%	57.1%	44.9%	62.3%
Total Occ. Rooms	1,789	1,507	1,225	20,002
Average Daily Rate	146.39	141.93	124.13	\$137.61
Total Revenue	\$261,902	\$213,930	\$152,004	2,752,403

** The above forecasts represent projections for occupancy, ADR, and revenue of a developed 88 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
62.3%	\$137.61	\$85.69	\$2,752,403	
OCC%	ADR:	REVPAR	Room Revenue:	YEAR 2
64.1%	\$141.73	\$90.91	\$2,920,024	
OCC%	ADR:	REVPAR	Room Revenue:	YEAR 3
66.1%	\$145.99	\$96.45	\$3,097,854	
OCC%	ADR:	REVPAR	Room Revenue:	YEAR 4
68.0%	\$150.37	\$102.32	\$3,286,513	
OCC%	ADR:	REVPAR	Room Revenue:	YEAR 5
70.1%	\$153.37	\$107.50	\$3,452,811	

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 Hiawatha, IA. 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 Hiawatha, IA	
Total Estimated Costs	\$15,917,000

Hotel Construction/Development Costs in Hiawatha, IA		
Total Estimated Costs	\$180,875	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
\$2,862,414.77
Year 2
\$3,033,336.46
Year 3
\$3,214,565.31

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
\$384,078.25
Year 2
\$394,303.34
Year 3
\$404,815.71



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	
	\$855,164.33
Year 2	
	\$891,011.80
Year 3	
	\$936,701.01
Year 4	
	\$977,355.48
Year 5	
	\$1,023,476.12



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	
	\$183,357.88
Year 2	
	\$246,588.44
Year 3	
	\$285,077.10
Year 4	
	\$327,791.59
Year 5	
	\$337,136.30



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	
	\$504,648
Year 2	
	\$497,205
Year 3	
	\$489,183
Year 4	
	\$480,538
Year 5	
	\$471,311

Five Year Projected Hotel Development Total Principal Reduction	
Year 1	
	\$477,861
Year 2	
	\$485,304
Year 3	
	\$493,326
Year 4	
	\$501,971
Year 5	
	\$511,198



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	9.58%
Year 2	10.87%
Year 3	12.68%
Year 4	14.73%
Year 5	16.90%
Five Year Projected - ROI % (Including Principal Reduction)	
Year 1	19.58%
Year 2	21.03%
Year 3	23.01%
Year 4	25.24%
Year 5	27.60%

