

COMPREHENSIVE HOTEL MARKET FEASIBILITY STUDY FINANCIAL PROFORMA

Prepared For:

PREPARED FOR

FREEPORT, TEXAS

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 Expenses
Projected Return on Investment



TAKING THE FIRST STEP TO DEVELOP A NEW HOTEL IN YOUR COMMUNITY

Cobblestone Hotel & Suites

Freeport, TX

Number of Units:

88

Building Specifications: 88 unit, four (4) story, Main Street Style Cobblestone Hotel & Suites, with an expanded guest wine & beer bar, standard (king & queen/queen) rooms, 2-room extended stay suites, free hot breakfast for all guests, guest fitness room, guest laundry room, meeting room, a pool, and two elevators.

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

per room

\$15,341

Raw Land (TBD)

\$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

\$12,330,000

per room

\$140,114

Fixtures, Furnishings, and Equipment

\$1,795,000

per room

\$20,398

Indirect/Soft Costs

\$1,522,000

per room

\$17,295

Appraisal

\$7,000

Architectural / Engineering

\$150,000

Cobblestone Franchise Fee

\$45,000

Surveys

\$15,000

Pre-Opening Services

\$40,000

Working Capital

\$500,000

Legal and Accounting Fees

\$15,000

Construction Period Interest / Loan Fees / Closing

\$500,000

Insurance & Taxes During Construction

\$50,000

Project Contingency

\$200,000

Total Project Costs:

\$16,997,000

per room

\$193,148

Requested Loan Amount:

\$11,897,900 70.0%

Expected Cash Injection:

\$5,099,100 30.0%

Sources of Funding

Bank Loan	11,897,900	Debt Interest:	7.50%
Expected Cash Injection	5,099,100	Debt Terms:	25
Total:	\$16,997,000	Debt Service:	\$1,055,093

NOTE: Development cost breakdown and price structure is valid for 90 days, and could be subject to change before due to any economic changes in the community or region. Brimark Builders, LLC and it's representatives make no projected financial representations based on this specific or any other markets as it relates to this hotel and or development cost.

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 %	62.3%	66.8%	73.3%	67.4%	67.8%	69.6%	70.0%	67.6%	66.1%	66.6%	62.6%	58.9%	66.6%
Total Occ. Rooms	1,701	1,647	2,001	1,779	1,849	1,838	1,909	1,844	1,746	1,816	1,654	1,607	21,391
Average Daily Rate	\$141.23	\$142.69	\$145.79	\$145.16	\$142.46	\$143.83	\$147.19	\$144.91	\$141.98	\$141.60	\$140.20	\$136.77	\$142.95
Revenue Per Available Room (REVPAR)	\$88.04	\$95.36	\$106.92	\$97.84	\$96.58	\$100.16	\$102.98	\$97.98	\$93.91	\$94.28	\$87.83	\$80.56	\$95.20
Revenue:													
Guest Room Revenue	240,160	234,968	291,675	258,298	263,470	264,420	280,918	267,280	247,920	257,198	231,859	219,780	3,057,945
Meeting Room Revenue	850	823	1,000	890	925	919	954	922	873	908	827	803	10,696
Marketplace/Lounge	8,503	8,234	10,004	8,897	9,247	9,192	9,543	9,222	8,731	9,082	8,269	8,034	106,956
TOTAL HOTEL REVENUE	249,513	244,025	302,679	268,084	273,641	274,531	291,416	277,424	257,524	267,188	240,955	228,618	3,175,597
Hotel Payroll Expenses:													
Hotel Manager	6,667	6,667	6,667	6,667	6,667	6,667	6,667	6,667	6,667	6,667	6,667	6,667	80,000
Housekeeping/Maintenance	11,904	11,527	14,005	12,456	12,946	12,869	13,360	12,911	12,223	12,714	11,576	11,248	149,739
Front Desk	7,440	10,800	11,160	10,800	11,160	10,800	11,160	11,160	10,800	11,160	10,800	7,440	124,680
Workers Comp Insurance	650	725	796	748	769	758	780	768	742	764	726	634	8,860
Payroll Tax	3,333	3,715	4,078	3,834	3,943	3,887	3,996	3,938	3,804	3,913	3,721	3,249	45,410
TOTAL HOTEL PAYROLL	29,993	33,434	36,706	34,504	35,484	34,981	35,962	35,444	34,236	35,218	33,490	29,237	408,690
Hotel Operating Expenses:													
Cleaning Supplies	935	906	1,100	979	1,017	1,011	1,050	1,014	960	999	910	884	11,765
Laundry Supplies	850	823	1,000	890	925	919	954	922	873	908	827	803	10,696
Linens	1,275	1,235	1,501	1,335	1,387	1,379	1,431	1,383	1,310	1,362	1,240	1,205	16,043
Guest Supplies	1,701	1,647	2,001	1,779	1,849	1,838	1,909	1,844	1,746	1,816	1,654	1,607	21,391
Operating Supplies	1,445	1,400	1,701	1,512	1,572	1,563	1,622	1,568	1,484	1,544	1,406	1,366	18,183
Repairs & Maintenance	2,402	2,350	2,917	2,583	2,635	2,644	2,809	2,673	2,479	2,572	2,319	2,198	30,579
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	835	835	835	835	835	835	835	835	835	835	835	835	10,020
PMS Fee	622	622	622	622	622	622	622	622	622	622	622	622	7,462
Complimentary Breakfast	5,952	5,764	7,003	6,228	6,473	6,434	6,680	6,455	6,112	6,357	5,788	5,624	74,870
Travel Agent Fees	12,008	11,748	14,584	12,915	13,173	13,221	14,046	13,364	12,396	12,860	11,593	10,989	152,897
Vending Expense	4,251	4,117	5,002	4,448	4,623	4,596	4,771	4,611	4,365	4,541	4,134	4,017	53,478
Marketing / Advertising	1,201	1,175	1,458	1,291	1,317	1,322	1,405	1,336	1,240	1,286	1,159	1,099	15,290
Utilities	6,238	6,101	7,567	6,702	6,841	6,863	7,285	6,936	6,438	6,680	6,024	5,715	79,390
Cable/Internet/Phone	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
Credit Card Expense	5,614	5,491	6,810	6,032	6,157	6,177	6,557	6,242	5,794	6,012	5,421	5,144	71,451
Management Fee	14,971	14,642	18,161	16,085	16,418	16,472	17,485	16,645	15,451	16,031	14,457	13,717	190,536
TOTAL OPERATING EXPENSES	76,137	73,239	88,098	79,590	81,683	81,250	85,299	82,289	77,459	80,262	73,742	71,663	950,711
Income Before Fixed Expenses	143,382	137,353	177,875	153,991	156,474	158,300	170,155	159,691	145,828	151,708	133,722	127,718	1,816,197
Gross Operating Profit (GOP)	57.46%	56.29%	58.77%	57.44%	57.18%	57.66%	58.39%	57.56%	56.63%	56.78%	55.50%	55.87%	57.19%
Reserves & Fixed Expenses:													
Debt Service	87,924	87,924	87,924	87,924	87,924	87,924	87,924	87,924	87,924	87,924	87,924	87,924	1,055,093
Real Estate Taxes (Estimates)	19,155	19,155	19,155	19,155	19,155	19,155	19,155	19,155	19,155	19,155	19,155	19,155	229,857
Insurance	3,743	3,660	4,540	4,021	4,105	4,118	4,371	4,161	3,863	4,008	3,614	3,429	47,634
Reserves For Replacement	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL RESERVES & FIXED	110,822	110,740	111,619	111,100	111,184	111,197	111,450	111,241	110,942	111,087	110,694	110,508	1,332,584
NET OPERATING INCOME (NOI)	120,485	114,538	154,181	130,815	133,215	135,027	146,629	136,375	122,811	128,545	110,953	105,133	1,538,706
NET CASH FLOW	32,561	26,613	66,256	42,890	45,290	47,103	58,704	48,450	34,886	40,621	23,029	17,209	483,613

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 %	66.6%		69.9%		71.3%		72.8%		73.5%	
Total Occ. Rooms	21,391		22,461		22,910		23,368		23,602	
Average Daily Rate	\$142.95		\$147.24		\$151.66		\$156.21		\$157.77	
REVENUE:										
Guest Room Revenue	3,057,945	96.3%	3,307,168	96.4%	3,474,511	96.5%	3,650,321	96.6%	3,723,692	96.6%
Meeting Room Revenue	10,696	0.3%	11,230	0.3%	11,455	0.3%	11,684	0.3%	11,801	0.3%
Marketplace/Lounge	106,956	3.4%	112,304	3.3%	114,550	3.2%	116,841	3.1%	118,010	3.1%
=====			=====		=====		=====		=====	
TOTAL HOTEL REVENUE	3,175,597	100.0	3,430,703	100.0	3,600,516	100.0	3,778,846	100.0	3,853,503	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. Any financial proforma prepared by Core Distinction Group, LLC represents more than 25 years of proprietary research and development. This work is confidential and protected by intellectual property rights. Any reproduction, distribution, or use of this proforma, in whole or in part, without the express written consent of Core Distinction Group, LLC is strictly prohibited.

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 %	66.6%		69.9%		71.3%		72.8%		73.5%	
Total Occ. Rooms	21,391		22,461		22,910		23,368		23,602	
Average Daily Rate	\$142.95		\$147.24		\$151.66		\$156.21		\$157.77	
Revenue Per Available Room (REVPAR)	\$95.20		\$102.96		\$108.17		\$113.65		\$115.93	
Revenue:										
Guest Room Revenue	3,057,945		3,307,168		3,474,511		3,650,321		3,723,692	
Meeting Room Revenue	10,696		11,230		11,455		11,684		11,801	
Marketplace/Lounge	106,956		112,304		114,550		116,841		118,010	
TOTAL HOTEL REVENUE	3,175,597	100%	3,430,703	100%	3,600,516	100%	3,778,846	100%	3,853,503	100%
Hotel Payroll Expenses:										
Hotel Manager	80,000		81,200		82,418		83,654		84,909	
Housekeeping/Maintenance	160,435		168,456		171,826		175,262		177,015	
Front Desk	124,680		128,420		132,273		136,241		140,328	
Workers Comp Insurance	9,128		9,452		9,663		9,879		10,056	
Payroll Tax	46,780		48,441		49,522		50,630		51,539	
TOTAL HOTEL PAYROLL	421,023	13.26%	435,970	12.71%	445,702	12.38%	455,666	12.06%	463,847	12.04%
Hotel Operating Expenses:										
Cleaning Supplies	11,765		12,353		12,601		12,853		12,981	
Laundry Supplies	10,696		11,230		11,455		11,684		11,801	
Linens	16,043		16,846		17,183		17,526		17,701	
Guest Supplies	21,391		22,461		22,910		23,368		23,602	
Operating Supplies	18,183		19,092		19,474		19,863		20,062	
Repairs & Maintenance	30,579		33,072		43,431		45,629		55,855	
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	10,020		10,020		10,020		10,020		10,020	
PMS Fee	7,462		7,462		7,462		7,462		7,462	
Complimentary Breakfast	74,870		78,613		80,185		81,789		82,607	
Travel Agent Fees	152,897		165,358		173,726		182,516		186,185	
Vending Expense	53,478		56,152		57,275		58,421		59,005	
Marketing / Advertising	15,290		16,536		17,373		18,252		18,618	
Utilities	79,390		85,768		90,013		94,471		96,338	
Cable/Internet/Phone	32,120		33,084		34,076		35,098		36,151	
Credit Card Expense	71,451		77,191		81,012		85,024		86,704	
Management Fee	190,536		205,842		216,031		226,731		231,210	
TOTAL OPERATING EXPENSES	950,711	29.94%	1,007,119	29.36%	1,051,990	29.22%	1,090,455	28.86%	1,118,332	29.02%
Income Before Fixed Expenses	1,803,864		1,987,614		2,102,824		2,232,725		2,271,324	
Gross Operating Profit (GOP)										
Reserves & Fixed Expenses:										
Real Estate Taxes (Estimates)	229,857		229,857		229,857		229,857		229,857	
Insurance	47,634		51,461		54,008		56,683		57,803	
Reserves For Replacement	0		68,614		108,015		151,154		154,140	
NET OPERATING INCOME (NOI)	1,526,373	48.07%	1,637,682	47.74%	1,710,944	47.52%	1,795,031	47.50%	1,829,524	47.48%
Loan (Interest Payment)	886,629		873,551		859,457		844,270		827,903	
Loan (Principal Reduction)	168,464		181,542		195,636		210,823		227,190	
NET CASH FLOW	\$471,279	14.84%	\$582,589	16.98%	\$655,851	18.22%	\$739,938	19.58%	\$774,431	20.10%
RETURN ON INVESTMENT (ROI) %	9.24%		11.43%		12.86%		14.51%		15.19%	
ROI % (Including Principal Reduction)	12.55%		14.99%		16.70%		18.65%		19.64%	

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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 %	52.1%		52.2%		51.7%		51.0%		50.9%	
Total Occ. Rooms	16,736		16,755		16,594		16,383		16,352	
Average Daily Rate	\$142.95		\$147.24		\$151.66		\$156.21		\$157.77	
Revenue Per Available Room (REVPAR)	\$74.48		\$76.81		\$78.35		\$79.68		\$80.32	
Revenue:										
Guest Room Revenue	2,392,458		2,467,029		2,516,623		2,559,161		2,579,862	
Meeting Room Revenue	8,368		8,378		8,297		8,192		8,176	
Marketplace/Lounge	83,680		83,775		82,970		81,915		81,760	
TOTAL HOTEL REVENUE	2,484,506	100%	2,559,181	100%	2,607,890	100%	2,649,268	100%	2,669,798	100%
Hotel Payroll Expenses:										
Hotel Manager	80,000		82,400		84,872		87,418		90,041	
Housekeeping/Maintenance	125,520		125,663		124,455		122,873		122,640	
Front Desk	90,000		92,700		95,481		98,345		101,296	
Workers Comp Insurance	7,388		7,519		7,620		7,716		7,849	
Payroll Tax	37,864		38,535		39,054		39,544		40,228	
TOTAL HOTEL PAYROLL	340,772	13.72%	346,817	13.55%	351,482	13.48%	355,896	13.43%	362,054	13.56%
Hotel Operating Expenses:										
Cleaning Supplies	9,205		9,215		9,127		9,011		8,994	
Laundry Supplies	8,368		8,378		8,297		8,192		8,176	
Linens	12,552		12,566		12,446		12,287		12,264	
Guest Supplies	16,736		16,755		16,594		16,383		16,352	
Operating Supplies	14,226		14,242		14,105		13,926		13,899	
Repairs & Maintenance	23,925		24,670		31,458		31,990		38,698	
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	10,020		10,020		10,020		10,020		10,020	
PMS Fee	7,462		7,462		7,462		7,462		7,462	
Complimentary Breakfast	66,944		67,020		66,376		65,532		65,408	
Travel Agent Fees	119,623		123,351		125,831		127,958		128,993	
Vending Expense	41,840		41,888		41,485		40,958		40,880	
Marketing / Advertising	11,962		12,335		12,583		12,796		12,899	
Utilities	86,958		89,571		91,276		92,724		93,443	
Cable/Internet/Phone	32,120		33,084		34,076		35,098		36,151	
Credit Card Expense	55,901		57,582		58,678		59,609		60,070	
Management Fee	149,070		153,551		156,473		158,956		160,188	
TOTAL OPERATING EXPENSES	821,451	33.06%	837,729	32.73%	854,051	32.75%	862,649	32.56%	875,927	32.81%
Income Before Fixed Expenses	1,322,283		1,374,635		1,402,357		1,430,723		1,431,817	
Gross Operating Profit (GOP)										
Reserves & Fixed Expenses:										
Real Estate Taxes (Estimates)	229,857		229,857		229,857		229,857		229,857	
Insurance	37,268		38,388		39,118		39,739		40,047	
Reserves For Replacement	0		51,184		78,237		105,971		106,792	
NET OPERATING INCOME (NOI)	1,055,158	42.47%	1,055,207	41.23%	1,055,145	40.46%	1,055,157	39.83%	1,055,121	39.52%
Loan (Interest Payment)	886,629		873,551		859,457		844,270		827,903	
Loan (Principal Reduction)	168,464		181,542		195,636		210,823		227,190	
NET CASH FLOW	\$65		\$114		\$52		\$63		\$27	

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Lodging Demand Analysis

1st Quarter (Jan-Mar)	January	February	March	
Lodging Rooms Available	2,728	2,464	2,728	
Lodging Occupancy %	62.3%	66.8%	73.3%	
Total Occ. Rooms	1,701	1,647	2,001	
Average Daily Rate	141.23	142.69	145.79	
Total Revenue	\$240,160	\$234,968	\$291,675	
2nd Quarter (Apr-June)	April	May	June	
Lodging Rooms Available	2,640	2,728	2,640	
Lodging Occupancy %	67.4%	67.8%	69.6%	
Total Occ. Rooms	1,779	1,849	1,838	
Average Daily Rate	145.16	142.46	143.83	
Total Revenue	\$258,298	\$263,470	\$264,420	
3rd Quarter (July-Sept)	July	August	September	
Lodging Rooms Available	2,728	2,728	2,640	
Lodging Occupancy %	70.0%	67.6%	66.1%	
Total Occ. Rooms	1,909	1,844	1,746	
Average Daily Rate	147.19	144.91	141.98	
Total Revenue	\$280,918	\$267,280	\$247,920	
4th Quarter (Oct-Dec)	October	November	December	TOTAL
Lodging Rooms Available	2,728	2,640	2,728	32,120
Lodging Occupancy %	66.6%	62.6%	58.9%	66.6%
Total Occ. Rooms	1,816	1,654	1,607	21,391
Average Daily Rate	141.60	140.20	136.77	\$142.95
Total Revenue	\$257,198	\$231,859	\$219,780	3,057,945

** 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

1-5 Year Projections:

OCC%	ADR:	REVPAR	Room Revenue:	YEAR 1
66.6%	\$142.95	\$95.20	\$3,057,945	
OCC%	ADR:	REVPAR	Room Revenue:	YEAR 2
69.9%	\$147.24	\$102.96	\$3,307,168	
OCC%	ADR:	REVPAR	Room Revenue:	YEAR 3
71.3%	\$151.66	\$108.17	\$3,474,511	
OCC%	ADR:	REVPAR	Room Revenue:	YEAR 4
72.8%	\$156.21	\$113.65	\$3,650,321	
OCC%	ADR:	REVPAR	Room Revenue:	YEAR 5
73.5%	\$157.77	\$115.93	\$3,723,692	

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 Freeport, TX. 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 Freeport, TX	
Total Estimated Costs	\$16,997,000

Hotel Construction/Development Costs in Freeport, TX		
Total Estimated Costs	\$193,148	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 projections.

Five Year Projected Hotel Development Revenue	
Year 1	
	\$3,175,597.42
Year 2	
	\$3,430,702.57
Year 3	
	\$3,600,515.96
Year 4	
	\$3,778,846.30
Year 5	
	\$3,853,503.00

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	
	\$421,022.93
Year 2	
	\$435,969.89
Year 3	
	\$445,701.97
Year 4	
	\$455,666.09
Year 5	
	\$463,847.14

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	
	\$950,710.79
Year 2	
	\$1,007,118.96
Year 3	
	\$1,051,989.91
Year 4	
	\$1,090,455.29
Year 5	
	\$1,118,331.99

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	
	\$277,491.05
Year 2	
	\$349,931.68
Year 3	
	\$391,880.31
Year 4	
	\$437,693.64
Year 5	
	\$441,799.76

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	
	\$886,629
Year 2	
	\$873,551
Year 3	
	\$859,457
Year 4	
	\$844,270
Year 5	
	\$827,903

Five Year Projected Hotel Development Total Principal Reduction	
Year 1	
	\$168,464
Year 2	
	\$181,542
Year 3	
	\$195,636
Year 4	
	\$210,823
Year 5	
	\$227,190

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	
	9.24%
Year 2	
	11.43%
Year 3	
	12.86%
Year 4	
	14.51%
Year 5	
	15.19%
Five Year Projected - ROI % (Including Principal Reduction)	
Year 1	
	12.55%
Year 2	
	14.99%
Year 3	
	16.70%
Year 4	
	18.65%
Year 5	
	19.64%