



Core DISTINCTION GROUP

COMPREHENSIVE HOTEL MARKET FEASIBILITY FINANCIAL PROFORMA

PREPARED FOR

CHARDON, OHIO

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 Inn & Suites Upper Midscale Chardon, OH

Number of Units: **80**

Total Land & Prep (TBD)	\$0	
<i>per room</i>	<i>\$0</i>	
 Building Construction	 \$7,750,000	
<i>per room</i>	<i>\$96,875</i>	
 Fixtures, Furnishings, and Equipment	 \$1,237,500	
<i>per room</i>	<i>\$15,469</i>	
 Indirect/Soft Costs	 \$2,249,485	
<i>per room</i>	<i>\$28,119</i>	
Inventory & Operational Equipment	\$140,000	
Design and Engineering	\$275,000	
Application Fee	\$75,000	
Signage	\$45,300	
PMS Hardware, Installation, & Equipment	\$79,095	
Guest Internet Access	\$58,000	
ADA Consultant Fee	\$11,250	
Organizational Expenses	\$79,590	
Permits, Licenses, and Governmental Expenses	\$112,500	
Misc. Pre-Opening and Project Management Expenses	\$287,500	
Pre Opening Training	\$11,250	
Additional Funds	\$300,000	
Project Contingency	\$775,000	
 Total Project Costs:	 \$11,236,985	
<i>per room</i>	<i>\$140,462</i>	
 Requested Loan Amount:	 \$7,861,985	70.0%
Expected Cash Injection:	\$3,375,000	30.0%
 Sources of Funding		
Bank Loan	7,861,985	Debt Interest: 7.50%
Expected Cash Injection	3,375,000	Debt Terms: 25
Total:	\$11,236,985	Debt Service: \$697,188

Ramp Up Year													Rooms: 80
	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
Lodging Rooms Available	2,480	2,240	2,480	2,400	2,480	2,400	2,480	2,480	2,400	2,480	2,400	2,480	29,200
Lodging Occupancy %	43.0%	51.5%	53.3%	58.7%	62.7%	72.3%	73.2%	71.9%	69.5%	68.3%	56.5%	46.2%	60.7%
Total Occ. Rooms	1,082	1,154	1,321	1,409	1,555	1,736	1,817	1,784	1,669	1,695	1,356	1,145	17,723
Average Daily Rate	\$122.05	\$133.35	\$123.01	\$127.56	\$137.51	\$145.10	\$153.42	\$147.83	\$143.58	\$142.21	\$131.15	\$126.44	\$137.66
Revenue Per Available Room (REVPAR)	\$53.27	\$68.72	\$65.54	\$74.88	\$86.24	\$104.98	\$112.38	\$106.36	\$99.84	\$97.18	\$74.09	\$58.36	\$83.55
Revenue:													
Guest Room Revenue	132,105	153,931	162,539	179,702	213,867	251,947	278,706	263,772	239,612	240,998	177,816	144,732	2,439,726
Meeting Room Revenue	541	577	661	704	778	868	908	892	834	847	678	572	8,862
Vending Revenue	2,706	2,886	3,303	3,522	3,888	4,341	4,541	4,461	4,172	4,237	3,390	2,862	44,308
TOTAL HOTEL REVENUE	135,352	157,394	166,503	183,928	218,533	257,156	284,156	269,124	244,618	246,082	181,883	148,166	2,492,896
Hotel Payroll Expenses:													
Hotel Manager	7,083	7,083	7,083	7,083	7,083	7,083	7,083	7,083	7,083	7,083	7,083	7,083	85,000
Ast.Manager/Sales Manager	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	50,000
Maintenance	2,030	2,361	2,498	2,759	3,278	3,857	4,262	4,037	3,669	3,691	2,728	2,222	37,393
Housekeeping	8,118	8,658	9,910	10,566	11,665	13,022	13,624	13,382	12,517	12,710	10,169	8,585	132,925
Front Desk	7,926	9,236	9,752	10,782	12,832	15,117	16,722	15,826	14,377	14,460	10,669	8,684	146,384
Workers Comp Insurance	733	788	835	884	976	1,081	1,146	1,112	1,045	1,053	870	769	11,293
Payroll Tax	3,666	3,938	4,176	4,420	4,878	5,406	5,732	5,562	5,227	5,264	4,352	3,843	56,463
TOTAL HOTEL PAYROLL	33,723	36,230	38,422	40,661	44,878	49,733	52,738	51,169	48,084	48,428	40,038	35,353	519,458
Hotel Operating Expenses:													
Cleaning Supplies	595	635	727	775	855	955	999	981	918	932	746	630	9,748
Laundry Supplies	541	577	661	704	778	868	908	892	834	847	678	572	8,862
Linens	812	866	991	1,057	1,166	1,302	1,362	1,338	1,252	1,271	1,017	859	13,293
Guest Supplies	1,082	1,154	1,321	1,409	1,555	1,736	1,817	1,784	1,669	1,695	1,356	1,145	17,723
Operating Supplies	920	981	1,123	1,197	1,322	1,476	1,544	1,517	1,419	1,440	1,152	973	15,065
Uniforms Expense	108	115	132	141	156	174	182	178	167	169	136	114	1,772
Repairs & Maintenance	991	1,154	1,219	1,348	1,604	1,890	2,090	1,978	1,797	1,807	1,334	1,085	18,298
Swimming Pool Maintenance	833	833	833	833	833	833	833	833	833	833	833	833	10,000
Marketing Royalty & Program Fees	15,390	17,933	18,936	20,935	24,916	29,352	32,469	30,729	27,915	28,076	20,716	16,861	284,228
OnQ Connectivity & Maintenance	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000
Complimentary Breakfast	5,412	5,772	6,607	7,044	7,776	8,682	9,083	8,921	8,344	8,473	6,779	5,723	88,617
Travel Agent Fees	6,605	7,697	8,127	8,985	10,693	12,597	13,935	13,189	11,981	12,050	8,891	7,237	121,986
Vending Expense	1,353	1,443	1,652	1,761	1,944	2,170	2,271	2,230	2,086	2,118	1,695	1,431	22,154
Marketing / Advertising	1,321	1,539	1,625	1,797	2,139	2,519	2,787	2,638	2,396	2,410	1,778	1,447	24,397
Utilities	5,414	6,296	6,660	7,357	8,741	10,286	11,366	10,765	9,785	9,843	7,275	5,927	99,716
Cable/Internet/Phone	2,480	2,240	2,480	2,400	2,480	2,400	2,480	2,480	2,400	2,480	2,400	2,480	29,200
Credit Card Expense	3,045	3,541	3,746	4,138	4,917	5,786	6,394	6,055	5,504	5,537	4,092	3,334	56,090
Management Fee	8,121	9,444	9,990	11,036	13,112	15,429	17,049	16,147	14,677	14,765	10,913	8,890	149,574
TOTAL OPERATING EXPENSES	57,525	64,721	69,331	75,418	87,488	100,956	110,070	105,157	96,476	97,248	74,290	62,041	1,000,723
Income Before Fixed Expenses	44,104	56,443	58,750	67,850	86,167	106,466	121,348	112,798	100,057	100,406	67,555	50,772	972,716
Gross Operating Profit (GOP)	32.58%	35.86%	35.28%	36.89%	39.43%	41.40%	42.70%	41.91%	40.90%	40.80%	37.14%	34.27%	39.02%
Reserves & Fixed Expenses:													
Debt Service	58,099	58,099	58,099	58,099	58,099	58,099	58,099	58,099	58,099	58,099	58,099	58,099	697,188
Real Estate Taxes (Estimates)	5,661	5,661	5,661	5,661	5,661	5,661	5,661	5,661	5,661	5,661	5,661	5,661	67,937
Insurance	2,030	2,361	2,498	2,759	3,278	3,857	4,262	4,037	3,669	3,691	2,728	2,222	37,393
Reserves For Replacement	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL RESERVES & FIXED	65,791	66,121	66,258	66,519	67,038	67,618	68,023	67,797	67,430	67,452	66,489	65,983	802,518
NET OPERATING INCOME (NOI)	36,413	48,420	50,591	59,430	77,227	96,947	111,424	103,100	90,727	91,053	59,165	42,888	867,386
NET CASH FLOW	(21,686)	(9,679)	(7,508)	1,331	19,128	38,848	53,325	45,001	32,628	32,954	1,066	(15,211)	170,198

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.

First Full Year Open													Rooms: 80
	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
Lodging Rooms Available	2,480	2,240	2,480	2,400	2,480	2,400	2,480	2,480	2,400	2,480	2,400	2,480	29,200
Lodging Occupancy %	48.5%	57.3%	59.2%	65.2%	69.7%	80.4%	81.4%	79.9%	77.3%	75.9%	62.8%	51.3%	67.5%
Total Occ. Rooms	1,200	1,250	1,500	1,550	1,750	1,925	2,025	2,000	1,850	1,900	1,500	1,250	19,700
Average Daily Rate	\$128.48	\$140.36	\$129.48	\$134.27	\$144.75	\$152.74	\$161.50	\$155.62	\$151.13	\$149.70	\$138.05	\$133.09	\$144.93
Revenue Per Available Room (REVPAR)	\$62.17	\$78.33	\$78.32	\$86.72	\$102.14	\$122.51	\$131.87	\$125.50	\$116.50	\$114.69	\$86.28	\$67.08	\$97.78
Revenue:													
Guest Room Revenue	154,171	175,455	194,222	208,120	253,307	294,028	327,034	311,231	279,596	284,423	207,080	166,365	2,855,032
Meeting Room Revenue	600	625	750	775	875	963	1,013	1,000	925	950	750	625	9,850
Vending Room Revenue	3,000	3,125	3,750	3,875	4,375	4,813	5,063	5,000	4,625	4,750	3,750	3,125	49,250
TOTAL HOTEL REVENUE	157,771	179,205	198,722	212,770	258,557	299,803	333,109	317,231	285,146	290,123	211,580	170,115	2,914,132
Hotel Payroll Expenses:													
Hotel Manager	7,083	7,083	7,083	7,083	7,083	7,083	7,083	7,083	7,083	7,083	7,083	7,083	85,000
Ast.Manager/Sales Manager	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	50,000
Maintenance	2,367	2,688	2,981	3,192	3,878	4,497	4,997	4,758	4,277	4,352	3,174	2,552	43,712
Housekeeping	9,000	9,375	11,250	11,625	13,125	14,438	15,188	15,000	13,875	14,250	11,250	9,375	147,750
Front Desk	8,479	9,650	10,682	11,447	13,932	16,172	17,987	17,118	15,378	15,643	11,389	9,150	157,027
Workers Comp Insurance	777	824	904	938	1,055	1,159	1,236	1,203	1,119	1,137	927	808	12,087
Payroll Tax	3,984	4,223	4,633	4,806	5,405	5,939	6,332	6,166	5,737	5,829	4,749	4,142	61,947
TOTAL HOTEL PAYROLL	35,858	38,011	41,700	43,257	48,645	53,454	56,989	55,496	51,637	52,462	42,738	37,277	557,523
Hotel Operating Expenses:													
Cleaning Supplies	660	688	825	853	963	1,059	1,114	1,100	1,018	1,045	825	688	10,835
Laundry Supplies	600	625	750	775	875	963	1,013	1,000	925	950	750	625	9,850
Linens	900	938	1,125	1,163	1,313	1,444	1,519	1,500	1,388	1,425	1,125	938	14,775
Guest Supplies	1,200	1,250	1,500	1,550	1,750	1,925	2,025	2,000	1,850	1,900	1,500	1,250	19,700
Operating Supplies	1,020	1,063	1,275	1,318	1,488	1,636	1,721	1,700	1,573	1,615	1,275	1,063	16,745
Repairs & Maintenance	1,156	1,316	1,457	1,561	1,900	2,205	2,453	2,334	2,097	2,133	1,553	1,248	21,413
Swimming Pool Maintenance	833	833	833	833	833	833	833	833	833	833	833	833	10,000
Marketing Royalty & Program Fees	17,961	20,440	22,627	24,246	29,510	34,254	38,099	36,258	32,573	33,135	24,125	19,381	332,611
OnQ Connectivity & Maintenance	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000
Complimentary Breakfast	6,000	6,250	7,500	7,750	8,750	9,625	10,125	10,000	9,250	9,500	7,500	6,250	98,500
Travel Agent Fees	7,709	8,773	9,711	10,406	12,665	14,701	16,352	15,562	13,980	14,221	10,354	8,318	142,752
Vending Expense	1,500	1,563	1,875	1,938	2,188	2,406	2,531	2,500	2,313	2,375	1,875	1,563	24,625
Marketing / Advertising	1,542	1,755	1,942	2,081	2,533	2,940	3,270	3,112	2,796	2,844	2,071	1,664	28,550
Utilities	6,311	7,168	7,949	8,511	10,342	11,992	13,324	12,689	11,406	11,605	8,463	6,805	116,565
Cable/Internet/Phone	2,480	2,240	2,480	2,400	2,480	2,400	2,480	2,480	2,400	2,480	2,400	2,480	29,200
Credit Card Expense	3,550	4,032	4,471	4,787	5,818	6,746	7,495	7,138	6,416	6,528	4,761	3,828	65,568
Management Fee	9,466	10,752	11,923	12,766	15,513	17,988	19,987	19,034	17,109	17,407	12,695	10,207	174,848
TOTAL OPERATING EXPENSES	65,388	72,185	80,744	85,437	101,420	115,618	126,841	121,741	110,424	112,497	84,605	69,639	1,146,537
Income Before Fixed Expenses	56,526	69,010	76,278	84,076	108,492	130,731	149,280	139,995	123,085	125,164	84,237	63,199	1,210,072
Gross Operating Profit (GOP)	35.83%	38.51%	38.38%	39.51%	41.96%	43.61%	44.81%	44.13%	43.17%	43.14%	39.81%	37.15%	41.52%
Reserves & Fixed Expenses:													
Debt Service	58,099	58,099	58,099	58,099	58,099	58,099	58,099	58,099	58,099	58,099	58,099	58,099	697,188
Real Estate Taxes (Estimates)	5,661	5,661	5,661	5,661	5,661	5,661	5,661	5,661	5,661	5,661	5,661	5,661	67,937
Insurance	2,367	2,688	2,981	3,192	3,878	4,497	4,997	4,758	4,277	4,352	3,174	2,552	43,712
Reserves For Replacement	3,155	3,584	3,974	4,255	5,171	5,996	6,662	6,345	5,703	5,802	4,232	3,402	58,283
TOTAL RESERVES & FIXED	69,282	70,033	70,716	71,207	72,810	74,253	75,419	74,863	73,740	73,915	71,166	69,714	867,119
NET OPERATING INCOME (NOI)	45,343	57,076	63,661	70,967	93,781	114,576	131,959	123,231	107,443	109,348	71,170	51,584	1,040,141
NET CASH FLOW	(12,756)	(1,023)	5,562	12,868	35,682	56,477	73,860	65,132	49,344	51,249	13,071	(6,515)	342,953

Five Year Numbers Projected Summary										
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5					
	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT					
Lodging Rooms Available	29,200	29,200	29,200	29,200	29,200					
Lodging Occupancy %	67.5%	68.8%	70.2%	71.6%	73.0%					
Total Occ. Rooms	19,700	20,094	20,496	20,906	21,324					
Average Daily Rate	\$144.93	\$149.27	\$153.75	\$156.83	\$159.96					
REVENUE:										
Guest Room Revenue	2,855,032	98.0%	2,999,496	98.0%	3,151,271	98.1%	3,278,582	98.1%	3,411,037	98.2%
Meeting Room Revenue	9,850	0.3%	10,047	0.3%	10,248	0.3%	10,453	0.3%	10,662	0.3%
Vending / Bar Revenue	49,250	1.7%	50,235	1.6%	51,240	1.6%	52,264	1.6%	53,310	1.5%
TOTAL HOTEL REVENUE	2,914,132	100.0	3,059,778	100.0	3,212,758	100.0	3,341,299	100.0	3,475,008	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: 80
	Year 1	Year 2	Year 3	Year 4	Year 5			
Lodging Rooms Available	29,200	29,200	29,200	29,200	29,200			
Lodging Occupancy %	67.5%	68.8%	70.2%	71.6%	73.0%			
Total Occ. Rooms	19,700	20,094	20,496	20,906	21,324			
Average Daily Rate	\$144.93	\$149.27	\$153.75	\$156.83	\$159.96			
Revenue Per Available Room (REVPAR)	\$97.78	\$102.72	\$107.92	\$112.28	\$116.82			
Revenue:								
Guest Room Revenue	2,855,032	2,999,496	3,151,271	3,278,582	3,411,037			
Meeting Room Revenue	9,850	10,047	10,248	10,453	10,662			
Vending Revenue	49,250	50,235	51,240	52,264	53,310			
TOTAL HOTEL REVENUE	2,914,132	3,059,778	3,212,758	3,341,299	3,475,008			
Hotel Payroll Expenses:								
Hotel Manager	85,000	86,275	87,569	88,883	90,216			
Ast. Manager/Sales Manager	50,000	50,750	51,511	52,284	53,068			
Maintenance	43,712	44,992	63,025	65,572	68,221			
Housekeeping	147,750	150,705	153,719	156,793	159,929			
Front Desk	157,027	161,738	166,590	171,587	176,735			
Workers Comp Insurance	12,087	12,361	13,060	13,378	13,704			
Payroll Tax	61,947	63,353	66,934	68,562	70,234			
TOTAL HOTEL PAYROLL	557,523	570,174	602,409	617,059	632,108			
Hotel Operating Expenses:								
Cleaning Supplies	10,835	11,052	11,273	11,498	11,728			
Laundry Supplies	9,850	10,047	10,248	10,453	10,662			
Linens	14,775	15,071	15,372	15,679	15,993			
Guest Supplies	19,700	20,094	20,496	20,906	21,324			
Operating Supplies	16,745	17,080	17,421	17,770	18,125			
Repairs & Maintenance	21,413	25,496	29,937	31,147	32,405			
Swimming Pool Maintenance	10,000	11,500	13,225	15,209	17,490			
Marketing Royalty & Program Fees	332,611	349,441	367,123	381,955	397,386			
OnQ Connectivity & Maintenance	30,000	30,000	30,000	30,000	30,000			
Complimentary Breakfast	98,500	100,470	102,479	104,529	106,620			
Travel Agent Fees	142,752	149,975	157,564	163,929	170,552			
Vending Expense	24,625	25,118	25,620	26,132	26,655			
Marketing / Advertising	28,550	29,995	31,513	32,786	34,110			
Utilities	116,565	122,391	128,510	133,652	139,000			
Cable/Internet/Phone	29,200	30,076	30,978	31,908	32,865			
Credit Card Expense	65,568	68,845	72,287	75,179	78,188			
Management Fee	174,848	183,587	192,765	200,478	208,501			
TOTAL OPERATING EXPENSES	1,146,537	1,200,236	1,256,812	1,303,209	1,351,603			
Income Before Fixed Expenses	1,210,072	1,289,368	1,353,537	1,421,031	1,491,298			
Gross Operating Profit (GOP)								
Reserves & Fixed Expenses:								
Real Estate Taxes (Estimates)	67,937	67,937	67,937	67,937	67,937			
Insurance	43,712	45,897	48,191	50,119	52,125			
Reserves For Replacement	58,283	91,793	96,383	133,652	139,000			
NET OPERATING INCOME (NOI)	1,040,141	1,083,741	1,141,027	1,169,323	1,232,236			
Loan (Interest Payment)	585,874	577,232	567,919	557,883	547,068			
Loan (Principal Reduction)	111,314	119,956	129,269	139,305	150,120			
NET CASH FLOW	\$342,953	\$386,553	\$443,839	\$472,135	\$535,048			
RETURN ON INVESTMENT (ROI) %	10.16%	11.45%	13.15%	13.99%	15.85%			
ROI % (Including Principal Reduction)	13.46%	15.01%	16.98%	18.12%	20.30%			

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: 80	
	Year 1		Year 2		Year 3		Year 4		Year 5
Lodging Rooms Available	29,200		29,200		29,200		29,200		29,200
Lodging Occupancy %	48.7%		48.4%		47.8%		48.6%		47.9%
Total Occ. Rooms	14,232		14,139		13,945		14,177		13,977
Average Daily Rate	\$144.93		\$149.27		\$153.75		\$156.83		\$159.96
Revenue Per Available Room (REVPAR)	\$70.64		\$72.28		\$73.43		\$76.14		\$76.57
Revenue:									
Guest Room Revenue	2,062,579		2,110,574		2,144,064		2,223,329		2,235,803
Meeting Room Revenue	7,116		7,070		6,973		7,089		6,989
Vending Revenue	35,580		35,348		34,863		35,443		34,943
TOTAL HOTEL REVENUE	2,105,275		2,152,991		2,185,899		2,265,860		2,277,734
Hotel Payroll Expenses:									
Hotel Manager	85,000		87,550		90,177		92,882		95,668
Ast. Manager/Sales Manager	50,000		50,750		51,511		52,284		53,068
Maintenance	31,579		31,659		42,881		55,583		55,895
Housekeeping	106,740		106,043		104,588		106,328		104,828
Front Desk	90,000		92,700		95,481		98,345		101,296
Workers Comp Insurance	9,083		9,218		9,616		10,136		10,269
Payroll Tax	46,550		47,240		49,282		51,945		52,628
TOTAL HOTEL PAYROLL	418,952		425,158		443,535		467,502		473,652
Hotel Operating Expenses:									
Cleaning Supplies	7,828		7,776		7,670		7,797		7,687
Laundry Supplies	7,116		7,070		6,973		7,089		6,989
Linens	10,674		10,604		10,459		10,633		10,483
Guest Supplies	14,232		14,139		13,945		14,177		13,977
Operating Supplies	12,097		12,018		11,853		12,050		11,880
Repairs & Maintenance	15,469		17,940		20,369		21,122		21,240
Swimming Pool Maintenance	10,000		11,500		13,225		15,209		17,490
Marketing Royalty & Program Fees	240,290		245,882		249,783		259,018		260,471
OnQ Connectivity & Maintenance	30,000		30,000		30,000		30,000		30,000
Complimentary Breakfast	71,160		70,695		69,725		70,885		69,885
Travel Agent Fees	103,129		105,529		107,203		111,166		111,790
Vending Expense	17,790		17,674		17,431		17,721		17,471
Marketing / Advertising	20,626		21,106		21,441		22,233		22,358
Utilities	84,211		86,120		87,436		90,634		91,109
Cable/Internet/Phone	29,200		30,076		30,978		31,908		32,865
Credit Card Expense	47,369		48,442		49,183		50,982		51,249
Management Fee	126,317		129,179		131,154		135,952		136,664
TOTAL OPERATING EXPENSES	847,508		865,750		878,827		908,576		913,609
Income Before Fixed Expenses	838,815		862,083		863,536		889,782		890,473
Gross Operating Profit (GOP)									
Reserves & Fixed Expenses:									
Real Estate Taxes (Estimates)	67,937		67,937		67,937		67,937		67,937
Insurance	31,579		32,295		32,788		33,988		34,166
Reserves For Replacement	42,106		64,590		65,577		90,634		91,109
NET OPERATING INCOME (NOI)	697,194		697,262		697,234		697,223		697,261
Loan (Interest Payment)	585,874		577,232		567,919		557,883		547,068
Loan (Principal Reduction)	111,314		119,956		129,269		139,305		150,120
NET CASH FLOW	\$6		\$74		\$46		\$35		\$73

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.

This lodging demand analysis is based on general observations of the surrounding market area and the overall Chardon, OH market area.

1st Quarter (Jan-Mar)	January	February	March	
Lodging Rooms Available	2,480	2,240	2,480	
Lodging Occupancy %	48.4%	55.8%	60.5%	
Total Occ. Rooms	1,200	1,250	1,500	
Average Daily Rate	128.48	140.36	129.48	
Total Revenue	\$154,171	\$175,455	\$194,222	
2nd Quarter (Apr-June)	April	May	June	
Lodging Rooms Available	2,400	2,480	2,400	
Lodging Occupancy %	64.6%	70.6%	80.2%	
Total Occ. Rooms	1,550	1,750	1,925	
Average Daily Rate	134.27	144.75	152.74	
Total Revenue	\$208,120	\$253,307	\$294,028	
3rd Quarter (July-Sept)	July	August	September	
Lodging Rooms Available	2,480	2,480	2,400	
Lodging Occupancy %	81.7%	80.6%	77.1%	
Total Occ. Rooms	2,025	2,000	1,850	
Average Daily Rate	161.50	155.62	151.13	
Total Revenue	\$327,034	\$311,231	\$279,596	
4th Quarter (Oct-Dec)	October	November	December	TOTAL
Lodging Rooms Available	2,480	2,400	2,480	29,200
Lodging Occupancy %	76.6%	62.5%	50.4%	67.5%
Total Occ. Rooms	1,900	1,500	1,250	19,700
Average Daily Rate	149.70	138.05	133.09	\$144.93
Total Revenue	\$284,423	\$207,080	\$166,365	2,855,032

** The above forecasts represent projections for occupancy, ADR, and revenue of a developed 80 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

First Year Ramp Up Projections of 80 Guestroom Lodging Options:

OCC%	ADR:	REVPAR	Room Revenue:
60.7%	\$137.66	\$83.55	\$2,439,726

1-5 Year Projections:

OCC%	ADR:	REVPAR	Room Revenue:	YEAR 1
67.5%	\$144.93	\$97.78	\$2,855,032	
OCC%	ADR:	REVPAR	Room Revenue:	YEAR 2
68.8%	\$149.27	\$102.72	\$2,999,496	
OCC%	ADR:	REVPAR	Room Revenue:	YEAR 3
70.2%	\$153.75	\$107.92	\$3,151,271	
OCC%	ADR:	REVPAR	Room Revenue:	YEAR 4
71.6%	\$156.83	\$112.28	\$3,278,582	
OCC%	ADR:	REVPAR	Room Revenue:	YEAR 5
73.0%	\$159.96	\$116.82	\$3,411,037	

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 Chardon, OH. 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 Chardon, OH	
Total Estimated Costs	\$11,236,985

Hotel Construction/Development Costs in Chardon, OH		
Total Estimated Costs	\$140,462	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. Following the stabilized year, the proposed subject hotel's average rate is projected to increase along with the underlying rate of inflation. 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	
	\$2,914,131.52
Year 2	
	\$3,059,778.12
Year 3	
	\$3,212,758.26
Year 4	
	\$3,341,299.35
Year 5	
	\$3,475,008.41

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	
	\$557,522.91
Year 2	
	\$570,174.16
Year 3	
	\$602,409.28
Year 4	
	\$617,059.16
Year 5	
	\$632,107.54

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	
	\$1,146,536.91
Year 2	
	\$1,200,236.20
Year 3	
	\$1,256,811.71
Year 4	
	\$1,303,209.19
Year 5	
	\$1,351,603.01

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	
	\$169,931.10
Year 2	
	\$205,626.52
Year 3	
	\$212,510.62
Year 4	
	\$251,707.96
Year 5	
	\$259,061.96

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
\$585,874
Year 2
\$577,232
Year 3
\$567,919
Year 4
\$557,883
Year 5
\$547,068

Five Year Projected Hotel Development Total Principal Reduction
Year 1
\$111,314
Year 2
\$119,956
Year 3
\$129,269
Year 4
\$139,305
Year 5
\$150,120

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.

Net Operating Income (NOI) is a calculation used to analyze the profitability of income-generating real estate investments. NOI equals all revenue from the property, minus all reasonably necessary operating expenses.

The projected hotel development Return On Investment (ROI) and Net Operating Income (NOI) for the proposed property are as follows:

Five Year Projected Hotel Development Total Return On Investment (ROI)	
Year 1	
	10.16%
Year 2	
	11.45%
Year 3	
	13.15%
Year 4	
	13.99%
Year 5	
	15.85%

Five Year Projected Hotel Development Total Net Operating Income (NOI)	
Year 1	
	13.46%
Year 2	
	15.01%
Year 3	
	16.98%
Year 4	
	18.12%
Year 5	
	20.30%