

COMPREHENSIVE HOTEL MARKET FEASIBILITY STUDY FINANCIAL PROFORMA



PREPARED FOR

SPENCER, 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 Spencer, IA

Number of Units: **54**

Building Specifications: 54 unit, four (4) story, Main Street 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 an elevator.

Total Land & Prep \$1,150,000

per room

Raw Land **(TBD)**

\$21,296

\$0

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

\$450,000

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

\$700,000

Building Construction \$6,970,000

per room

Fixtures, Furnishings, and Equipment \$1,017,500

per room

\$18,843

Indirect/Soft Costs \$1,151,000

per room

\$21,315

Appraisal

\$6,000

Architectural / Engineering

\$150,000

Cobblestone Franchise Fee

\$45,000

Surveys

\$15,000

Pre-Opening Services

\$40,000

Working Capital

\$300,000

Legal and Accounting Fees

\$15,000

Construction Period Interest / Loan Fees / Closing

\$450,000

Insurance & Taxes During Construction

\$30,000

Project Contingency

\$100,000

Total Project Costs: \$10,288,500

per room

\$190,528

Requested Loan Amount: \$7,201,950 70.0%

Expected Cash Injection: \$3,086,550 30.0%

Sources of Funding

Bank Loan	7,201,950	Debt Interest:	7.50%
Expected Cash Injection	3,086,550	Debt Terms:	25
Total:	\$10,288,500	Debt Service:	\$638,661

NOTE: Development cost breakdown and price structure is valid for 30 days, and could be subject to change before due to any economic changes in the community or region. Brimark Builders, LLC and its representatives make no projected financial representations based on this specific or any other markets as it relates to this hotel and or development cost.

Ramp Up Year (Base)

	January	February	March	April	May	June	July	August	September	October	November	December	Rooms: 54
Lodging Rooms Available	1,674	1,512	1,674	1,620	1,674	1,620	1,674	1,674	1,620	1,674	1,620	1,674	19,710
Lodging Occupancy %	33.6%	32.2%	37.6%	44.1%	51.0%	64.9%	87.0%	77.1%	69.1%	59.6%	41.3%	29.8%	52.4%
Total Occupied Rooms	562	487	630	715	854	1,051	1,456	1,291	1,119	997	669	499	10,331
Average Daily Rate	\$120.57	\$121.67	\$120.57	\$125.72	\$140.96	\$173.37	\$188.53	\$180.80	\$164.26	\$132.43	\$129.65	\$119.77	\$150.48
Revenue Per Available Room (REVPAR)	\$40.51	\$39.20	\$45.37	\$55.45	\$71.89	\$112.53	\$164.00	\$139.48	\$113.44	\$78.86	\$53.54	\$35.71	\$79.44
Revenue:													
Guest Room Revenue	67,812	59,271	75,951	89,825	120,352	182,296	274,530	233,493	183,766	132,016	86,733	59,785	1,565,830
Meeting Room Revenue	281	244	315	357	427	526	728	646	559	498	334	250	5,165
Market/Lounge Revenue	1,406	1,218	1,575	1,786	2,134	2,629	3,640	3,229	2,797	2,492	1,672	1,248	25,827
TOTAL HOTEL REVENUE	69,500	60,732	77,841	91,968	122,913	185,451	278,899	237,368	187,122	135,007	88,740	61,282	1,596,822
Hotel Payroll Expenses:													
Hotel Manager	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	60,000
Housekeeping/Maintenance	4,500	3,897	5,040	5,716	6,830	8,412	11,649	10,332	8,950	7,975	5,352	3,993	82,646
Front Desk	9,486	8,874	9,486	9,190	9,486	12,240	12,648	12,648	12,240	12,648	9,180	9,486	127,612
Workers Comp Insurance	385	385	385	385	385	385	385	385	385	385	385	385	4,620
Payroll Tax	1,899	1,777	1,953	1,991	2,132	2,565	2,930	2,798	2,619	2,562	1,953	1,848	27,026
TOTAL HOTEL PAYROLL	21,269	19,933	21,863	22,282	23,833	28,602	32,612	31,163	29,194	28,570	21,870	20,712	301,904
Hotel Operating Expenses:													
Cleaning Supplies	309	268	346	393	470	578	801	710	615	548	368	275	5,682
Laundry Supplies	281	244	315	357	427	526	728	646	559	498	334	250	5,165
Linens	422	365	472	536	640	789	1,092	969	839	748	502	374	7,748
Guest Supplies	562	487	630	715	854	1,051	1,456	1,291	1,119	997	669	499	10,331
Operating Supplies	478	414	535	607	726	894	1,238	1,098	951	847	569	424	8,781
Repairs & Maintenance	339	296	380	449	602	911	1,373	1,167	919	660	434	299	7,829
Franchise Fees	6,278	5,670	6,278	6,075	6,278	6,075	6,278	6,278	6,075	6,278	6,075	6,278	73,913
Marketing Funds Fee	1,256	1,134	1,256	1,215	1,256	1,215	1,256	1,256	1,215	1,256	1,215	1,256	14,783
Reservation Expense	775	775	775	775	775	775	775	775	775	775	775	775	9,300
PMS Fee	438	438	438	438	438	438	438	438	438	438	438	438	5,256
Training Expense	417	417	417	417	417	417	417	417	417	417	417	417	5,000
Complimentary Breakfast	2,531	2,192	2,835	3,215	3,842	4,732	6,553	5,812	5,034	4,486	3,010	2,246	46,488
Travel Agent Fees	3,391	2,964	3,798	4,491	6,018	9,115	13,727	11,675	9,188	6,601	4,337	2,989	78,291
Vending Expense	703	609	787	893	1,067	1,314	1,820	1,614	1,398	1,246	836	624	12,913
Marketing / Advertising	678	593	760	898	1,204	1,823	2,745	2,335	1,838	1,320	867	598	15,658
Utilities	2,085	1,822	2,335	2,759	3,687	5,564	8,367	7,121	5,614	4,050	2,662	1,838	47,905
Cable/Internet/Phone	1,674	1,512	1,674	1,620	1,674	1,620	1,674	1,674	1,620	1,674	1,620	1,674	19,710
Credit Card Expense	1,564	1,366	1,751	2,069	2,766	4,173	6,275	5,341	4,210	3,038	1,997	1,379	35,928
Management Fee	4,170	3,644	4,670	5,518	7,375	11,127	16,734	14,242	11,227	8,100	5,324	3,677	95,809
TOTAL OPERATING EXPENSES	28,350	25,210	30,452	33,441	40,513	53,136	73,745	64,857	54,052	43,977	32,449	26,309	506,491
Income Before Fixed Expenses	19,880	15,589	25,526	36,245	58,567	103,713	172,542	141,348	103,876	62,460	34,421	14,261	788,427
Gross Operating Profit (GOP)	28.60%	25.67%	32.79%	39.41%	47.65%	55.92%	61.87%	59.55%	55.51%	46.26%	38.79%	23.27%	49.37%
Reserves & Fixed Expenses:													
Debt Service	53,222	53,222	53,222	53,222	53,222	53,222	53,222	53,222	53,222	53,222	53,222	53,222	638,661
Real Estate Taxes (Estimates)	7,202	7,202	7,202	7,202	7,202	7,202	7,202	7,202	7,202	7,202	7,202	7,202	86,428
Insurance	1,042	911	1,168	1,380	1,844	2,782	4,183	3,561	2,807	2,025	1,331	919	23,952
Reserves For Replacement	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL RESERVES & FIXED	61,467	61,335	61,592	61,804	62,268	63,206	64,608	63,985	63,231	62,449	61,755	61,343	749,042
NET OPERATING INCOME (NOI)	11,635	7,476	17,156	27,664	49,521	93,729	161,156	130,585	93,867	53,232	25,887	6,139	678,047
NET CASH FLOW	(41,586)	(45,746)	(36,066)	(25,558)	(3,701)	40,507	107,934	77,363	40,645	11	(27,334)	(47,083)	39,385

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.

First Full Year Open (Base)

Rooms:
54

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
Lodging Rooms Available	1,674	1,512	1,674	1,620	1,674	1,620	1,674	1,674	1,620	1,674	1,620	1,674	19,710
Lodging Occupancy %	41.6%	40.2%	45.6%	52.1%	59.0%	72.9%	95.0%	85.1%	77.1%	67.6%	49.3%	37.8%	60.4%
Total Occupied Rooms	696	608	764	844	988	1,181	1,590	1,425	1,248	1,131	799	633	11,908
Average Daily Rate	\$126.91	\$128.07	\$126.91	\$132.33	\$148.38	\$182.50	\$198.46	\$190.31	\$172.90	\$139.40	\$136.47	\$126.07	\$158.40
Revenue Per Available Room (REVPAR)	\$52.79	\$51.51	\$57.91	\$68.95	\$87.55	\$133.05	\$188.50	\$162.05	\$133.24	\$94.17	\$67.27	\$47.68	\$95.69
Revenue:													
Guest Room Revenue	88,377	77,882	96,944	111,702	146,557	215,543	315,556	271,269	215,846	157,633	108,984	79,815	1,886,109
Meeting Room Revenue	348	304	382	422	494	591	795	713	624	565	399	317	5,954
Marketplace/Lounge	1,741	1,520	1,910	2,110	2,469	2,953	3,975	3,563	3,121	2,827	1,996	1,583	29,769
TOTAL HOTEL REVENUE	90,466	79,706	99,236	114,235	149,520	219,086	320,327	275,545	219,591	161,025	111,380	81,714	1,921,831
Hotel Payroll Expenses:													
Hotel Manager	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	60,000
Housekeeping/Maintenance	4,875	4,257	5,347	5,909	6,914	8,267	11,130	9,978	8,739	7,916	5,590	4,432	83,353
Front Desk	9,486	8,874	9,486	9,190	12,648	12,240	12,648	12,648	12,240	12,648	9,180	9,486	130,774
Workers Comp Insurance	385	385	385	385	385	385	385	385	385	385	385	385	4,620
Payroll Tax	1,975	1,852	2,022	2,048	2,495	2,589	2,916	2,801	2,636	2,595	2,016	1,930	27,875
TOTAL HOTEL PAYROLL	21,720	20,367	22,240	22,532	27,442	28,482	32,080	30,812	29,000	28,543	22,171	21,233	306,621
Hotel Operating Expenses:													
Clearing Supplies	383	334	420	464	543	650	875	784	687	622	439	348	6,549
Laundry Supplies	348	304	382	422	494	591	795	713	624	565	399	317	5,954
Linens	522	456	573	633	741	886	1,193	1,069	936	848	599	475	8,931
Guest Supplies	696	608	764	844	988	1,181	1,590	1,425	1,248	1,131	799	633	11,908
Operating Supplies	592	517	649	717	840	1,004	1,352	1,212	1,061	961	679	538	10,121
Repairs & Maintenance	442	389	485	559	733	1,078	1,578	1,356	1,079	788	545	399	9,431
Franchise Fees	6,278	5,670	6,278	6,075	6,278	6,075	6,278	6,278	6,075	6,278	6,075	6,278	73,913
Marketing Funds Fee	1,256	1,134	1,256	1,215	1,256	1,215	1,256	1,256	1,215	1,256	1,215	1,256	14,783
Reservation Expense	835	835	835	835	835	835	835	835	835	835	835	835	10,020
PMS Fee	457	457	457	457	457	457	457	457	457	457	457	457	5,483
Complimentary Breakfast	2,437	2,128	2,674	2,954	3,457	4,134	5,565	4,989	4,369	3,958	2,795	2,216	41,676
Travel Agent Fees	3,535	3,115	3,878	4,468	5,862	8,622	12,622	10,851	8,634	6,305	4,359	3,193	75,444
Vending Expense	870	760	955	1,055	1,235	1,476	1,988	1,782	1,560	1,413	998	791	14,884
Marketing / Advertising	442	389	485	559	733	1,078	1,578	1,356	1,079	788	545	399	9,431
Utilities	2,262	1,993	2,481	2,856	3,738	5,477	8,008	6,889	5,490	4,026	2,785	2,043	48,046
Cable/Internet/Phone	1,674	1,512	1,674	1,620	1,674	1,620	1,674	1,674	1,620	1,674	1,620	1,674	19,710
Credit Card Expense	2,035	1,793	2,233	2,570	3,364	4,929	7,207	6,200	4,941	3,623	2,506	1,839	43,241
Management Fee	5,428	4,782	5,954	6,854	8,971	13,145	19,220	16,533	13,175	9,662	6,683	4,903	115,310
TOTAL OPERATING EXPENSES	30,492	27,179	32,431	35,158	42,197	54,452	74,068	65,657	55,087	45,189	34,333	28,592	524,833
Income Before Fixed Expenses	38,254	32,160	44,566	56,545	79,881	136,153	214,179	179,077	135,505	87,292	54,877	31,889	1,090,376
Gross Operating Profit (GOP)	42.29%	40.35%	44.91%	49.50%	53.43%	62.15%	66.86%	64.99%	61.71%	54.21%	49.27%	39.03%	56.74%
Reserves & Fixed Expenses:													
Debt Service	53,222	53,222	53,222	53,222	53,222	53,222	53,222	53,222	53,222	53,222	53,222	53,222	638,661
Real Estate Taxes (Estimates)	7,202	7,202	7,202	7,202	7,202	7,202	7,202	7,202	7,202	7,202	7,202	7,202	86,428
Insurance	1,357	1,196	1,489	1,714	2,243	3,286	4,805	4,133	3,294	2,415	1,671	1,226	28,827
Reserves For Replacement	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL RESERVES & FIXED	61,781	61,620	61,913	62,138	62,667	63,710	65,229	64,557	63,718	62,839	62,095	61,650	753,917
NET OPERATING INCOME (NOI)	29,694	23,762	35,875	47,629	70,436	125,664	202,171	167,741	125,009	77,675	46,004	23,461	975,121
NET CASH FLOW	(23,527)	(29,460)	(17,347)	(5,593)	17,214	72,442	148,949	114,520	71,787	24,453	(7,218)	(29,761)	336,459

Five Year Numbers Projected Summary

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 data 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 (Conservative)										Rooms: 54
	Year 1	%	Year 2	%	Year 3	%	Year 4	%	Year 5	
Lodging Rooms Available	19,710		19,710		19,710		19,710		19,710	
Lodging Occupancy %	57.4%		59.1%		60.3%		61.5%		62.1%	
Total Occupied Rooms	11,312		11,652		11,885		12,122		12,243	
Average Daily Rate	\$150.48		\$154.99		\$159.64		\$164.43		\$166.07	
Revenue Per Available Room (REVPAR)	\$86.36		\$91.62		\$96.26		\$101.13		\$103.16	
Revenue:										
Guest Room Revenue	1,702,213		1,805,878		1,897,255		1,993,256		2,033,321	
Meeting Room Revenue	5,656		5,826		5,942		6,061		6,122	
Marketplace/Lounge	28,280		29,129		29,711		30,306		30,609	
TOTAL HOTEL REVENUE	1,736,150	100%	1,840,832	100%	1,932,909	100%	2,029,623	100%	2,070,051	100%
Hotel Payroll Expenses:										
Hotel Manager	60,000		60,900		61,814		62,741		63,682	
Housekeeping/Maintenance	84,841		87,386		89,134		90,917		91,826	
Front Desk	130,774		134,697		138,738		142,900		147,187	
Workers Comp Insurance	4,620		4,759		4,901		5,048		5,200	
Payroll Tax	28,024		28,774		29,459		30,161		30,790	
TOTAL HOTEL PAYROLL	308,259	17.76%	316,517	17.19%	324,046	16.76%	331,767	16.35%	338,685	16.36%
Hotel Operating Expenses:										
Cleaning Supplies	6,222		6,408		6,537		6,667		6,734	
Laundry Supplies	5,656		5,826		5,942		6,061		6,122	
Linens	8,484		8,739		8,913		9,092		9,183	
Guest Supplies	11,312		11,652		11,885		12,122		12,243	
Operating Supplies	9,615		9,904		10,102		10,304		10,407	
Repairs & Maintenance	8,511		13,544		18,973		21,926		23,383	
Franchise Fees	73,913		73,913		73,913		73,913		73,913	
Marketing Funds Fee	14,783		14,783		14,783		14,783		14,783	
Reservation Expense	10,020		10,020		10,020		10,020		10,020	
PMS Fee	5,483		5,483		5,483		5,483		5,483	
Complimentary Breakfast	39,593		40,780		41,596		42,428		42,852	
Travel Agent Fees	68,089		72,235		75,890		79,730		81,333	
Vending Expense	14,140		14,564		14,856		15,153		15,304	
Marketing / Advertising	8,511		9,029		9,486		9,966		10,167	
Utilities	43,404		46,021		48,323		50,741		51,751	
Cable/Internet/Phone	19,710		20,301		20,910		21,538		22,184	
Credit Card Expense	39,063		41,419		43,490		45,667		46,576	
Management Fee	104,169		110,450		115,975		121,777		124,203	
TOTAL OPERATING EXPENSES	490,677	28.26%	515,070	27.98%	537,075	27.79%	557,369	27.46%	566,640	27.37%
Income Before Fixed Expenses	937,214		1,009,246		1,071,788		1,140,487		1,164,727	
Gross Operating Profit (GOP)										
Reserves & Fixed Expenses:										
Real Estate Taxes (Estimates)	86,428		86,428		86,428		86,428		86,428	
Insurance	26,042		27,612		28,994		30,444		31,051	
Reserves For Replacement	0		36,817		57,987		81,185		82,802	
NET OPERATING INCOME (NOI)	824,744	47.50%	858,389	46.63%	898,379	46.48%	942,430	46.43%	964,446	46.59%
Loan (Interest Payment)	536,688		528,772		520,241		511,048		501,141	
Loan (Principal Reduction)	101,973		109,890		118,421		127,614		137,521	
NET CASH FLOW	\$186,082	10.72%	\$219,727	11.94%	\$259,718	13.44%	\$303,768	14.97%	\$325,785	15.74%
RETURN ON INVESTMENT (ROI) %	6.03%		7.12%		8.41%		9.84%		10.55%	
ROI % (Including Principal Reduction)	9.33%		10.68%		12.25%		13.98%		15.01%	

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5 Year Projection (Base)										Rooms: 54
	Year 1	%	Year 2	%	Year 3	%	Year 4	%	Year 5	
Lodging Rooms Available	19,710		19,710		19,710		19,710		19,710	
Lodging Occupancy %	60.4%		62.2%		63.5%		64.7%		65.4%	
Total Occupied Rooms	11,908		12,265		12,510		12,760		12,888	
Average Daily Rate	\$158.40		\$163.15		\$168.04		\$173.08		\$174.81	
Revenue Per Available Room (REVPAR)	\$95.69		\$101.52		\$106.66		\$112.05		\$114.31	
Revenue:										
Guest Room Revenue	1,886,109		2,000,973		2,102,222		2,208,594		2,252,987	
Meeting Room Revenue	5,954		6,132		6,255		6,380		6,444	
Marketplace/Lounge	29,769		30,662		31,275		31,901		32,220	
TOTAL HOTEL REVENUE	1,921,831	100%	2,037,767	100%	2,139,752	100%	2,246,875	100%	2,291,651	100%
Hotel Payroll Expenses:										
Hotel Manager	60,000		60,900		61,814		62,741		63,682	
Housekeeping/Maintenance	89,307		91,986		93,825		95,702		96,659	
Front Desk	130,774		134,697		138,738		142,900		147,187	
Workers Comp Insurance	4,620		4,759		4,901		5,048		5,200	
Payroll Tax	28,470		29,234		29,928		30,639		31,273	
TOTAL HOTEL PAYROLL	313,171	16.30%	321,576	15.78%	329,206	15.39%	337,031	15.00%	344,001	15.01%
Hotel Operating Expenses:										
Cleaning Supplies	6,549		6,746		6,881		7,018		7,088	
Laundry Supplies	5,954		6,132		6,255		6,380		6,444	
Linens	8,931		9,199		9,383		9,570		9,666	
Guest Supplies	11,908		12,265		12,510		12,760		12,888	
Operating Supplies	10,121		10,425		10,634		10,846		10,955	
Repairs & Maintenance	9,431		15,007		21,022		24,295		25,909	
Franchise Fees	73,913		73,913		73,913		73,913		73,913	
Marketing Funds Fee	14,783		14,783		14,783		14,783		14,783	
Reservation Expense	10,020		10,020		10,020		10,020		10,020	
PMS Fee	5,483		5,483		5,483		5,483		5,483	
Complimentary Breakfast	41,676		42,927		43,785		44,661		45,108	
Travel Agent Fees	75,444		80,039		84,089		88,344		90,119	
Vending Expense	14,884		15,331		15,638		15,950		16,110	
Marketing / Advertising	9,431		10,005		10,511		11,043		11,265	
Utilities	48,046		50,944		53,494		56,172		57,291	
Cable/Internet/Phone	19,710		20,301		20,910		21,538		22,184	
Credit Card Expense	43,241		45,850		48,144		50,555		51,562	
Management Fee	115,310		122,266		128,385		134,813		137,499	
TOTAL OPERATING EXPENSES	524,833	27.31%	551,634	27.07%	575,838	26.91%	598,142	26.62%	608,286	26.54%
Income Before Fixed Expenses	1,083,827		1,164,557		1,234,707		1,311,703		1,339,364	
Gross Operating Profit (GOP)										
Reserves & Fixed Expenses:										
Real Estate Taxes (Estimates)	86,428		86,428		86,428		86,428		86,428	
Insurance	28,827		30,567		32,096		33,703		34,375	
Reserves For Replacement	0		40,755		64,193		89,875		91,666	
NET OPERATING INCOME (NOI)	968,572	50.40%	1,006,807	49.41%	1,051,991	49.16%	1,101,696	49.03%	1,126,895	49.17%
Loan (Interest Payment)	536,688		528,772		520,241		511,048		501,141	
Loan (Principal Reduction)	101,973		109,890		118,421		127,614		137,521	
NET CASH FLOW	\$329,910	17.17%	\$368,146	18.07%	\$413,329	19.32%	\$463,035	20.61%	\$488,234	21.30%
RETURN ON INVESTMENT (ROI) %	10.69%		11.93%		13.39%		15.00%		15.82%	
ROI % (Including Principal Reduction)	13.99%		15.49%		17.23%		19.14%		20.27%	

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5 Year Projection (Optimistic)										Rooms: 54
	Year 1	%	Year 2	%	Year 3	%	Year 4	%	Year 5	
Lodging Rooms Available	19,710		19,710		19,710		19,710		19,710	
Lodging Occupancy %	63.4%		65.3%		66.6%		68.0%		68.7%	
Total Occupied Rooms	12,503		12,878		13,136		13,398		13,532	
Average Daily Rate	\$166.32		\$171.31		\$176.44		\$181.74		\$183.56	
Revenue Per Available Room (REVPAR)	\$105.50		\$111.93		\$117.59		\$123.54		\$126.02	
Revenue:										
Guest Room Revenue	2,079,435		2,206,072		2,317,700		2,434,975		2,483,918	
Meeting Room Revenue	6,251		6,439		6,568		6,699		6,766	
Marketplace/Lounge	31,257		32,195		32,839		33,496		33,831	
TOTAL HOTEL REVENUE	2,116,944	100%	2,244,706	100%	2,357,106	100%	2,475,170	100%	2,524,515	100%
Hotel Payroll Expenses:										
Hotel Manager	60,000		60,900		61,814		62,741		63,682	
Housekeeping/Maintenance	93,772		96,585		98,517		100,487		101,492	
Front Desk	130,774		134,697		138,738		142,900		147,187	
Workers Comp Insurance	4,620		4,759		4,901		5,048		5,200	
Payroll Tax	28,917		29,694		30,397		31,118		31,756	
TOTAL HOTEL PAYROLL	318,082	15.03%	326,635	14.55%	334,367	14.19%	342,294	13.83%	349,317	13.84%
Hotel Operating Expenses:										
Cleaning Supplies	6,877		7,083		7,225		7,369		7,443	
Laundry Supplies	6,251		6,439		6,568		6,699		6,766	
Linens	9,377		9,659		9,852		10,049		10,149	
Guest Supplies	12,503		12,878		13,136		13,398		13,532	
Operating Supplies	10,627		10,946		11,165		11,389		11,502	
Repairs & Maintenance	10,397		16,546		23,177		26,785		28,565	
Franchise Fees	73,913		73,913		73,913		73,913		73,913	
Marketing Funds Fee	14,783		14,783		14,783		14,783		14,783	
Reservation Expense	10,020		10,020		10,020		10,020		10,020	
PMS Fee	5,483		5,483		5,483		5,483		5,483	
Complimentary Breakfast	43,760		45,073		45,974		46,894		47,363	
Travel Agent Fees	83,177		88,243		92,708		97,399		99,357	
Vending Expense	15,629		16,098		16,419		16,748		16,915	
Marketing / Advertising	10,397		11,030		11,588		12,175		12,420	
Utilities	52,924		56,118		58,928		61,879		63,113	
Cable/Internet/Phone	19,710		20,301		20,910		21,538		22,184	
Credit Card Expense	47,631		50,506		53,035		55,691		56,802	
Management Fee	127,017		134,682		141,426		148,510		151,471	
TOTAL OPERATING EXPENSES	560,476	26.48%	589,799	26.28%	616,309	26.15%	640,720	25.89%	651,779	25.82%
Income Before Fixed Expenses	1,238,386		1,328,272		1,406,430		1,492,156		1,523,419	
Gross Operating Profit (GOP)										
Reserves & Fixed Expenses:										
Real Estate Taxes (Estimates)	86,428		86,428		86,428		86,428		86,428	
Insurance	31,754		33,671		35,357		37,128		37,868	
Reserves For Replacement	0		44,894		70,713		99,007		100,981	
NET OPERATING INCOME (NOI)	1,120,203	52.92%	1,163,280	51.82%	1,213,932	51.50%	1,269,593	51.29%	1,298,142	51.42%
Loan (Interest Payment)	536,688		528,772		520,241		511,048		501,141	
Loan (Principal Reduction)	101,973		109,890		118,421		127,614		137,521	
NET CASH FLOW	\$481,542	22.75%	\$524,618	23.37%	\$575,271	24.41%	\$630,932	25.49%	\$659,481	26.12%
RETURN ON INVESTMENT (ROI) %	15.60%		17.00%		18.64%		20.44%		21.37%	
ROI % (Including Principal Reduction)	18.91%		20.56%		22.47%		24.58%		25.82%	

NOTE: The above information is a forward-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 Break Even (Base)										Rooms: 54
	Year 1	%	Year 2	%	Year 3	%	Year 4	%	Year 5	
Lodging Rooms Available	19,710		19,710		19,710		19,710		19,710	
Lodging Occupancy %	47.5%		47.6%		47.2%		46.7%		46.6%	
Total Occupied Rooms	9,369		9,387		9,307		9,198		9,191	
Average Daily Rate	\$158.40		\$163.15		\$168.04		\$173.08		\$174.81	
Revenue Per Available Room (REVPAR)	\$75.29		\$77.70		\$79.35		\$80.77		\$81.52	
Revenue:										
Guest Room Revenue	1,484,013		1,531,470		1,563,971		1,592,024		1,606,721	
Meeting Room Revenue	4,685		4,694		4,654		4,599		4,596	
Marketplace/Lounge	23,423		23,468		23,268		22,995		22,978	
TOTAL HOTEL REVENUE	1,512,120	100%	1,559,631	100%	1,591,892	100%	1,619,618	100%	1,634,294	100%
Hotel Payroll Expenses:										
Hotel Manager	60,000		61,800		63,654		65,564		67,531	
Housekeeping/Maintenance	70,268		70,403		69,803		68,985		68,933	
Front Desk	115,000		118,450		122,004		125,664		129,434	
Workers Comp Insurance	6,132		6,266		6,387		6,505		6,647	
Payroll Tax	31,425		32,115		32,731		33,340		34,068	
TOTAL HOTEL PAYROLL	282,824	18.70%	289,034	18.53%	294,577	18.50%	300,057	18.53%	306,612	18.76%
Hotel Operating Expenses:										
Cleaning Supplies	5,153		5,163		5,119		5,059		5,055	
Laundry Supplies	4,685		4,694		4,654		4,599		4,596	
Linens	7,027		7,040		6,980		6,899		6,893	
Guest Supplies	9,369		9,387		9,307		9,198		9,191	
Operating Supplies	7,964		7,979		7,911		7,818		7,812	
Repairs & Maintenance	14,840		15,315		19,550		19,900		24,101	
Franchise Fees	73,913		73,913		73,913		73,913		73,913	
Marketing Funds Fee	14,783		14,783		14,783		14,783		14,783	
Reservation Expense	10,020		10,020		10,020		10,020		10,020	
PMS Fee	5,483		5,483		5,483		5,483		5,483	
Complimentary Breakfast	37,476		37,548		37,228		36,792		36,764	
Travel Agent Fees	74,201		76,574		78,199		79,601		80,336	
Vending Expense	11,711		11,734		11,634		11,498		11,489	
Marketing / Advertising	7,420		7,657		7,820		7,960		8,034	
Utilities	52,924		54,587		55,716		56,687		57,200	
Cable/Internet/Phone	19,710		20,301		20,910		21,538		22,184	
Credit Card Expense	34,023		35,092		35,818		36,441		36,772	
Management Fee	90,727		93,578		95,514		97,177		98,058	
TOTAL OPERATING EXPENSES	481,427	31.84%	490,846	31.47%	500,556	31.44%	505,364	31.20%	512,681	31.37%
Income Before Fixed Expenses	747,869		779,752		796,759		814,196		815,000	
Gross Operating Profit (GOP)										
Reserves & Fixed Expenses:										
Real Estate Taxes (Estimates)	86,428		86,428		86,428		86,428		86,428	
Insurance	22,682		23,394		23,878		24,294		24,514	
Reserves For Replacement	0		31,193		47,757		64,785		65,372	
NET OPERATING INCOME (NOI)	638,759	42.24%	638,737	40.95%	638,696	40.12%	638,689	39.43%	638,686	39.08%
Loan (Interest Payment)	536,688		528,772		520,241		511,048		501,141	
Loan (Principal Reduction)	101,973		109,890		118,421		127,614		137,521	
NET CASH FLOW	\$98		\$76		\$34		\$28		\$25	

NOTE: The above information is a forward-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 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. Therefore, 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.

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 Spencer, IA	
Total Estimated Costs	\$10,288,500

Hotel Construction/Development Costs in Spencer, IA		
Total Estimated Costs	\$190,528	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	\$1,921,831.27
Year 2	\$2,037,766.96
Year 3	\$2,139,752.06
Year 4	\$2,246,875.09
Year 5	\$2,291,650.65

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	\$313,170.63
Year 2	\$321,575.75
Year 3	\$329,206.33
Year 4	\$337,030.52
Year 5	\$344,000.77

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

\$524,833.46

Year 2

\$551,634.18

Year 3

\$575,838.24

Year 4

\$598,142.04

Year 5

\$608,285.89

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	\$115,255.47
Year 2	\$157,749.84
Year 3	\$182,716.84
Year 4	\$210,006.13
Year 5	\$212,468.79

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	\$536,688
Year 2	\$528,772
Year 3	\$520,241
Year 4	\$511,048
Year 5	\$501,141

Five Year Projected Hotel Development Total Principal Reduction	
Year 1	\$101,973
Year 2	\$109,890
Year 3	\$118,421
Year 4	\$127,614
Year 5	\$137,521

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	10.69%
Year 2	11.93%
Year 3	13.39%
Year 4	15.00%
Year 5	15.82%

Five Year Projected - ROI % (Including Principal Reduction)	
Year 1	13.99%
Year 2	15.49%
Year 3	17.23%
Year 4	19.14%
Year 5	20.27%