

# COMPREHENSIVE HOTEL MARKET FEASIBILITY STUDY FINANCIAL PROFORMA



## PREPARED FOR

# AURORA, NEBRASKA

## PREPARED BY

Core Distinction Group, LLC

Lisa Pennau - Founding Partner

[l.pennau@coredistinctiongroup.com](mailto:l.pennau@coredistinctiongroup.com)

Jessica Junker - Managing Partner

[j.junker@coredistinctiongroup.com](mailto: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

## Cobblestone Hotel & Suites Aurora, NE

Number of Units: **54**

Building Specifications: 54 unit, three (3) story, Center load 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*

\$21,296

Raw Land (TBD)

\$0

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

\$500,000

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

\$650,000

**Building Construction**

**\$6,385,000**

*per room*

\$118,241

**Fixtures, Furnishings, and Equipment**

**\$929,500**

*per room*

\$17,213

**Indirect/Soft Costs**

**\$1,321,000**

*per room*

\$24,463

Appraisal

\$6,000

Architectural / Engineering

\$120,000

Cobblestone Franchise Fee

\$40,000

Surveys

\$15,000

Development Services

\$485,000

Pre-Opening Services

\$40,000

Working Capital

\$170,000

Legal and Accounting Fees

\$15,000

Construction Period Interest / Loan Fees / Closing

\$250,000

Insurance & Taxes During Construction

\$30,000

Project Contingency

\$150,000

**Total Project Costs:**

**\$9,785,500**

*per room*

\$181,213

Requested Loan Amount:

\$6,849,850 70.0%

Expected Cash Injection:

\$2,935,650 30.0%

**Sources of Funding**

<b>Bank Loan</b>	6,849,850
<b>Expected Cash Injection</b>	2,935,650
<b>Total:</b>	<b>\$9,785,500</b>

<b>Debt Interest:</b>	7.50%
<b>Debt Terms:</b>	25
<b>Debt Service:</b>	\$607,437

**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 as shown above.



First Full Year Open													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 %	47.5%	54.7%	70.0%	68.0%	73.1%	87.5%	82.8%	79.2%	76.2%	68.8%	57.8%	47.9%	67.9%
Total Occ. Rooms	794	827	1,172	1,101	1,224	1,418	1,386	1,326	1,235	1,152	936	802	13,374
Average Daily Rate	\$117.60	\$125.80	\$134.77	\$128.40	\$133.96	\$158.87	\$152.00	\$144.48	\$146.27	\$132.70	\$124.81	\$119.34	\$137.16
Revenue Per Available Room (REVPAR)	\$55.81	\$68.82	\$94.36	\$87.30	\$97.96	\$139.09	\$125.88	\$114.44	\$111.48	\$91.31	\$72.12	\$57.16	\$93.07
<b>Revenue:</b>													
Guest Room Revenue	93,430	104,061	157,952	141,431	163,992	225,333	210,715	191,569	180,603	152,845	116,836	95,680	1,834,447
Meeting Room Revenue	397	414	586	551	612	709	693	663	617	576	468	401	6,687
Marketplace/Lounge	3,972	4,136	5,860	5,507	6,121	7,092	6,931	6,630	6,174	5,759	4,680	4,009	66,871
<b>TOTAL HOTEL REVENUE</b>	<b>97,800</b>	<b>108,610</b>	<b>164,398</b>	<b>147,489</b>	<b>170,725</b>	<b>233,133</b>	<b>218,340</b>	<b>198,861</b>	<b>187,394</b>	<b>159,180</b>	<b>121,984</b>	<b>100,090</b>	<b>1,908,005</b>
<b>Hotel Payroll Expenses:</b>													
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	5,959	6,204	8,790	8,261	9,181	10,637	10,397	9,944	9,261	8,638	7,021	6,013	100,307
Front Desk	7,440	6,960	9,300	9,000	9,300	10,800	11,160	11,160	9,000	9,300	7,200	7,440	108,060
Workers Comp Insurance	460	454	577	557	587	661	664	653	582	573	481	461	6,709
Payroll Tax	2,357	2,327	2,958	2,852	3,009	3,387	3,403	3,345	2,980	2,939	2,463	2,364	34,385
<b>TOTAL HOTEL PAYROLL</b>	<b>21,216</b>	<b>20,945</b>	<b>26,626</b>	<b>25,670</b>	<b>27,077</b>	<b>30,485</b>	<b>30,624</b>	<b>30,102</b>	<b>26,822</b>	<b>26,451</b>	<b>22,164</b>	<b>21,279</b>	<b>309,461</b>
<b>Hotel Operating Expenses:</b>													
Cleaning Supplies	437	455	645	606	673	780	762	729	679	633	515	441	7,356
Laundry Supplies	397	414	586	551	612	709	693	663	617	576	468	401	6,687
Linens	596	620	879	826	918	1,064	1,040	994	926	864	702	601	10,031
Guest Supplies	794	827	1,172	1,101	1,224	1,418	1,386	1,326	1,235	1,152	936	802	13,374
Operating Supplies	675	703	996	936	1,041	1,206	1,178	1,127	1,050	979	796	681	11,368
Repairs & Maintenance	934	1,041	1,580	1,414	1,640	2,253	2,107	1,916	1,806	1,528	1,168	957	18,344
Swimming Pool Maintenance	833	833	833	833	833	833	833	833	833	833	833	833	10,000
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
Complimentary Breakfast	2,781	2,895	4,102	3,855	4,285	4,964	4,852	4,641	4,322	4,031	3,276	2,806	46,810
Travel Agent Fees	3,737	4,162	6,318	5,657	6,560	9,013	8,429	7,663	7,224	6,114	4,673	3,827	73,378
Vending Expense	1,986	2,068	2,930	2,754	3,060	3,546	3,466	3,315	3,087	2,879	2,340	2,004	33,436
<b>Marketing / Advertising</b>	<b>467</b>	<b>520</b>	<b>790</b>	<b>707</b>	<b>820</b>	<b>1,127</b>	<b>1,054</b>	<b>958</b>	<b>903</b>	<b>764</b>	<b>584</b>	<b>478</b>	<b>9,172</b>
<b>Utilities</b>	<b>2,445</b>	<b>2,715</b>	<b>4,110</b>	<b>3,687</b>	<b>4,268</b>	<b>5,828</b>	<b>5,458</b>	<b>4,972</b>	<b>4,685</b>	<b>3,979</b>	<b>3,050</b>	<b>2,502</b>	<b>47,700</b>
<b>Cable/Internet/Phone</b>	<b>1,674</b>	<b>1,512</b>	<b>1,674</b>	<b>1,620</b>	<b>1,674</b>	<b>1,620</b>	<b>1,674</b>	<b>1,674</b>	<b>1,620</b>	<b>1,674</b>	<b>1,620</b>	<b>1,674</b>	<b>19,710</b>
Credit Card Expense	2,200	2,444	3,699	3,319	3,841	5,246	4,913	4,474	4,216	3,582	2,745	2,252	42,930
Management Fee	5,868	6,517	9,864	8,849	10,244	13,988	13,100	11,932	11,244	9,551	7,319	6,005	114,480
<b>TOTAL OPERATING EXPENSES</b>	<b>34,572</b>	<b>35,744</b>	<b>48,924</b>	<b>45,219</b>	<b>50,439</b>	<b>62,098</b>	<b>59,692</b>	<b>55,962</b>	<b>52,950</b>	<b>47,886</b>	<b>39,529</b>	<b>35,012</b>	<b>568,028</b>
Income Before Fixed Expenses	42,012	51,921	88,848	76,600	93,209	140,550	128,025	112,797	107,622	84,843	60,292	43,798	1,030,516
Gross Operating Profit (GOP)	42.96%	47.80%	54.04%	51.94%	54.60%	60.29%	58.64%	56.72%	57.43%	53.30%	49.43%	43.76%	54.01%
<b>Reserves &amp; Fixed Expenses:</b>													
Debt Service	50,620	50,620	50,620	50,620	50,620	50,620	50,620	50,620	50,620	50,620	50,620	50,620	607,437
Real Estate Taxes (Estimates)	7,743	7,743	7,743	7,743	7,743	7,743	7,743	7,743	7,743	7,743	7,743	7,743	92,921
Insurance	1,467	1,629	2,466	2,212	2,561	3,497	3,275	2,983	2,811	2,388	1,830	1,501	28,620
Reserves For Replacement	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL RESERVES &amp; FIXED</b>	<b>59,830</b>	<b>59,992</b>	<b>60,829</b>	<b>60,576</b>	<b>60,924</b>	<b>61,860</b>	<b>61,638</b>	<b>61,346</b>	<b>61,174</b>	<b>60,751</b>	<b>60,193</b>	<b>59,865</b>	<b>728,978</b>
<b>NET OPERATING INCOME (NOI)</b>	<b>32,801</b>	<b>42,549</b>	<b>78,639</b>	<b>66,644</b>	<b>82,905</b>	<b>129,309</b>	<b>117,006</b>	<b>102,071</b>	<b>97,067</b>	<b>74,712</b>	<b>50,719</b>	<b>34,554</b>	<b>908,976</b>
<b>NET CASH FLOW</b>	<b>(17,819)</b>	<b>(8,071)</b>	<b>28,019</b>	<b>16,024</b>	<b>32,285</b>	<b>78,690</b>	<b>66,386</b>	<b>51,451</b>	<b>46,448</b>	<b>24,092</b>	<b>99</b>	<b>(16,066)</b>	<b>301,538</b>

### Five Year Numbers Projected Summary

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5					
	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT					
Lodging Rooms Available	19,710	19,710	19,710	19,710	19,710					
Lodging Occupancy %	67.9%	69.9%	72.0%	73.4%	74.9%					
Total Occ. Rooms	13,374	13,776	14,189	14,473	14,762					
Average Daily Rate	\$137.16	\$141.28	\$145.52	\$149.88	\$152.88					
<b>REVENUE:</b>										
Guest Room Revenue	1,834,447	96.1%	1,946,164	96.3%	2,064,686	96.4%	2,169,159	96.5%	2,256,793	96.5%
Meeting Room Revenue	6,687	0.4%	6,888	0.3%	7,094	0.3%	7,236	0.3%	7,381	0.3%
Marketplace/Lounge	66,871	3.5%	68,878	3.4%	70,944	3.3%	72,363	3.2%	73,810	3.2%
=====	=====	=====	=====	=====	=====					
<b>TOTAL HOTEL REVENUE</b>	<b>1,908,005</b>	<b>100.0</b>	<b>2,021,930</b>	<b>100.0</b>	<b>2,142,724</b>	<b>100.0</b>	<b>2,248,758</b>	<b>100.0</b>	<b>2,337,984</b>	<b>100.0</b>

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.



<b>5 Year Projection</b>									Rooms: 54
	<u>Year 1</u>		<u>Year 2</u>		<u>Year 3</u>		<u>Year 4</u>		<u>Year 5</u>
Lodging Rooms Available	19,710		19,710		19,710		19,710		19,710
Lodging Occupancy %	67.9%		69.9%		72.0%		73.4%		74.9%
Total Occ. Rooms	13,374		13,776		14,189		14,473		14,762
Average Daily Rate	\$137.16		\$141.28		\$145.52		\$149.88		\$152.88
Revenue Per Available Room (REVPAR)	\$93.07		\$98.74		\$104.75		\$110.05		\$114.50
<b>Revenue:</b>									
Guest Room Revenue	1,834,447		1,946,164		2,064,686		2,169,159		2,256,793
Meeting Room Revenue	6,687		6,888		7,094		7,236		7,381
Marketplace/Lounge	66,871		68,878		70,944		72,363		73,810
<b>TOTAL HOTEL REVENUE</b>	<b>1,908,005</b>		<b>2,021,930</b>		<b>2,142,724</b>		<b>2,248,758</b>		<b>2,337,984</b>
<b>Hotel Payroll Expenses:</b>									
Hotel Manager	60,000		60,900		61,814		62,741		63,682
Housekeeping/Maintenance	100,307		103,316		106,416		108,544		110,715
Front Desk	108,060		111,302		114,641		118,080		121,622
Workers Comp Insurance	6,709		6,888		7,072		7,234		7,400
Payroll Tax	34,385		35,301		36,243		37,075		37,927
<b>TOTAL HOTEL PAYROLL</b>	<b>309,461</b>		<b>317,707</b>		<b>326,185</b>		<b>333,674</b>		<b>341,347</b>
<b>Hotel Operating Expenses:</b>									
Cleaning Supplies	7,356		7,577		7,804		7,960		8,119
Laundry Supplies	6,687		6,888		7,094		7,236		7,381
Linens	10,031		10,332		10,642		10,854		11,071
Guest Supplies	13,374		13,776		14,189		14,473		14,762
Operating Supplies	11,368		11,709		12,060		12,302		12,548
Repairs & Maintenance	18,344		19,462		25,809		27,114		33,852
Swimming Pool Maintenance	10,000		11,500		13,225		15,209		17,490
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	9,300		9,300		9,300		9,300		9,300
PMS Fee	5,256		5,256		5,256		5,256		5,256
Complimentary Breakfast	46,810		48,214		49,661		50,654		51,667
Travel Agent Fees	73,378		77,847		82,587		86,766		90,272
Vending Expense	33,436		34,439		35,472		36,181		36,905
Marketing / Advertising	9,172		9,731		10,323		10,846		11,284
Utilities	47,700		50,548		53,568		56,219		58,450
Cable/Internet/Phone	19,710		20,301		20,910		21,538		22,184
Credit Card Expense	42,930		45,493		48,211		50,597		52,605
Management Fee	114,480		121,316		128,563		134,925		140,279
<b>TOTAL OPERATING EXPENSES</b>	<b>568,028</b>		<b>592,382</b>		<b>623,370</b>		<b>646,126</b>		<b>672,119</b>
<b>Income Before Fixed Expenses</b>	<b>1,030,516</b>		<b>1,111,841</b>		<b>1,193,169</b>		<b>1,268,958</b>		<b>1,324,518</b>
<b>Gross Operating Profit (GOP)</b>									
<b>Reserves &amp; Fixed Expenses:</b>									
Real Estate Taxes (Estimates)	92,921		92,921		92,921		92,921		92,921
Insurance	28,620		30,329		32,141		33,731		35,070
Reserves For Replacement	0		40,439		64,282		89,950		93,519
<b>NET OPERATING INCOME (NOI)</b>	<b>908,976</b>		<b>948,152</b>		<b>1,003,826</b>		<b>1,052,356</b>		<b>1,103,008</b>
Loan (Interest Payment)	510,450		502,920		494,806		486,063		476,640
Loan (Principal Reduction)	96,987		104,517		112,631		121,374		130,797
<b>NET CASH FLOW</b>	<b>\$301,538</b>		<b>\$340,715</b>		<b>\$396,388</b>		<b>\$444,918</b>		<b>\$495,570</b>
<b>RETURN ON INVESTMENT (ROI) %</b>	<b>10.27%</b>		<b>11.61%</b>		<b>13.50%</b>		<b>15.16%</b>		<b>16.88%</b>
<b>ROI % (Including Principal Reduction)</b>	<b>13.58%</b>		<b>15.17%</b>		<b>17.34%</b>		<b>19.29%</b>		<b>21.34%</b>

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.

<b>5 Year Break Even</b>									Rooms: 54
	<u>Year 1</u>		<u>Year 2</u>		<u>Year 3</u>		<u>Year 4</u>		<u>Year 5</u>
Lodging Rooms Available	19,710		19,710		19,710		19,710		19,710
Lodging Occupancy %	52.4%		52.6%		52.2%		51.6%		51.1%
Total Occ. Rooms	10,330		10,362		10,284		10,176		10,069
Average Daily Rate	\$137.16		\$141.28		\$145.52		\$149.88		\$152.88
Revenue Per Available Room (REVPAR)	\$71.89		\$74.27		\$75.93		\$77.38		\$78.10
<b>Revenue:</b>									
Guest Room Revenue	1,416,887		1,463,915		1,496,482		1,525,189		1,539,335
Meeting Room Revenue	5,165		5,181		5,142		5,088		5,035
Marketplace/Lounge	51,650		51,810		51,420		50,880		50,345
<b>TOTAL HOTEL REVENUE</b>	<b>1,473,702</b>		<b>1,520,906</b>		<b>1,553,044</b>		<b>1,581,157</b>		<b>1,594,714</b>
<b>Hotel Payroll Expenses:</b>									
Hotel Manager	60,000		61,800		63,654		65,564		67,531
Housekeeping/Maintenance	77,475		77,715		77,130		76,320		75,518
Front Desk	90,000		92,700		95,481		98,345		101,296
Workers Comp Insurance	5,687		5,805		5,907		6,006		6,109
Payroll Tax	29,145		29,753		30,271		30,779		31,307
<b>TOTAL HOTEL PAYROLL</b>	<b>262,307</b>		<b>267,773</b>		<b>272,443</b>		<b>277,014</b>		<b>281,759</b>
<b>Hotel Operating Expenses:</b>									
Cleaning Supplies	5,682		5,699		5,656		5,597		5,538
Laundry Supplies	5,165		5,181		5,142		5,088		5,035
Linens	7,748		7,772		7,713		7,632		7,552
Guest Supplies	10,330		10,362		10,284		10,176		10,069
Operating Supplies	8,781		8,808		8,741		8,650		8,559
Repairs & Maintenance	14,169		14,639		18,706		19,065		23,090
Swimming Pool Maintenance	10,000		11,500		13,225		15,209		17,490
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	9,300		9,300		9,300		9,300		9,300
PMS Fee	5,256		5,256		5,256		5,256		5,256
Complimentary Breakfast	41,320		41,448		41,136		40,704		40,276
Travel Agent Fees	56,675		58,557		59,859		61,008		61,573
Vending Expense	25,825		25,905		25,710		25,440		25,173
Marketing / Advertising	7,084		7,320		7,482		7,626		7,697
Utilities	51,580		53,232		54,357		55,340		55,815
Cable/Internet/Phone	19,710		20,301		20,910		21,538		22,184
Credit Card Expense	33,158		34,220		34,943		35,576		35,881
Management Fee	88,422		91,254		93,183		94,869		95,683
<b>TOTAL OPERATING EXPENSES</b>	<b>488,899</b>		<b>499,448</b>		<b>510,299</b>		<b>516,768</b>		<b>524,864</b>
<b>Income Before Fixed Expenses</b>	<b>722,496</b>		<b>753,684</b>		<b>770,301</b>		<b>787,375</b>		<b>788,091</b>
<b>Gross Operating Profit (GOP)</b>									
<b>Reserves &amp; Fixed Expenses:</b>									
Real Estate Taxes (Estimates)	92,921		92,921		92,921		92,921		92,921
Insurance	22,106		22,814		23,296		23,717		23,921
Reserves For Replacement	0		30,418		46,591		63,246		63,789
<b>NET OPERATING INCOME (NOI)</b>	<b>607,469</b>		<b>607,532</b>		<b>607,494</b>		<b>607,490</b>		<b>607,461</b>
Loan (Interest Payment)	510,450		502,920		494,806		486,063		476,640
Loan (Principal Reduction)	96,987		104,517		112,631		121,374		130,797
<b>NET CASH FLOW</b>	<b>\$32</b>		<b>\$94</b>		<b>\$56</b>		<b>\$53</b>		<b>\$23</b>

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.

## Projections Summary

**Lodging Demand Analysis**

<b>1st Quarter (Jan-Mar)</b>	<b>January</b>	<b>February</b>	<b>March</b>	
Lodging Rooms Available	1,674	1,512	1,674	
Lodging Occupancy %	47.5%	54.7%	70.0%	
Total Occ. Rooms	794	827	1,172	
Average Daily Rate	117.60	125.80	134.77	
<b>Total Revenue</b>	<b>\$93,430</b>	<b>\$104,061</b>	<b>\$157,952</b>	
<b>2nd Quarter (Apr-June)</b>	<b>April</b>	<b>May</b>	<b>June</b>	
Lodging Rooms Available	1,620	1,674	1,620	
Lodging Occupancy %	68.0%	73.1%	87.5%	
Total Occ. Rooms	1,101	1,224	1,418	
Average Daily Rate	128.40	133.96	158.87	
<b>Total Revenue</b>	<b>\$141,431</b>	<b>\$163,992</b>	<b>\$225,333</b>	
<b>3rd Quarter (July-Sept)</b>	<b>July</b>	<b>August</b>	<b>September</b>	
Lodging Rooms Available	1,674	1,674	1,620	
Lodging Occupancy %	82.8%	79.2%	76.2%	
Total Occ. Rooms	1,386	1,326	1,235	
Average Daily Rate	152.00	144.48	146.27	
<b>Total Revenue</b>	<b>\$210,715</b>	<b>\$191,569</b>	<b>\$180,603</b>	
<b>4th Quarter (Oct-Dec)</b>	<b>October</b>	<b>November</b>	<b>December</b>	<b>TOTAL</b>
Lodging Rooms Available	1,674	1,620	1,674	19,710
Lodging Occupancy %	68.8%	57.8%	47.9%	67.9%
Total Occ. Rooms	1,152	936	802	13,374
Average Daily Rate	132.70	124.81	119.34	\$137.16
<b>Total Revenue</b>	<b>\$152,845</b>	<b>\$116,836</b>	<b>\$95,680</b>	<b>1,834,447</b>

*\* The above forecasts represent projections for occupancy, ADR, and revenue of a developed 54 unit lodging option. Financial Returns projected based on specific brand chosen for development. Development costs and FDD required by each brand for financial projection estimates.*

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

*Source: Core Distinction Group LLC*



Projections Summary

**1-5 Year Projections:**

OCC%	ADR:	REVPAR	Room Revenue:	<b>YEAR 1</b>
67.9%	\$137.16	\$93.07	\$1,834,447	
OCC%	ADR:	REVPAR	Room Revenue:	<b>YEAR 2</b>
69.9%	\$141.28	\$98.74	\$1,946,164	
OCC%	ADR:	REVPAR	Room Revenue:	<b>YEAR 3</b>
72.0%	\$145.52	\$104.75	\$2,064,686	
OCC%	ADR:	REVPAR	Room Revenue:	<b>YEAR 4</b>
73.4%	\$149.88	\$110.05	\$2,169,159	
OCC%	ADR:	REVPAR	Room Revenue:	<b>YEAR 5</b>
74.9%	\$152.88	\$114.50	\$2,256,793	

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 Aurora, NE. 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 Aurora, NE	
Total Estimated Costs	\$9,785,500

Hotel Construction/Development Costs in Aurora, NE		
Total Estimated Costs	\$181,213	per room/key





## Projected Hotel Development Revenue

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

Five Year Projected Hotel Development Revenue	
<b>Year 1</b>	
	\$1,908,005.06
<b>Year 2</b>	
	\$2,021,929.61
<b>Year 3</b>	
	\$2,142,723.97

## 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	
<b>Year 1</b>	
	\$309,460.74
<b>Year 2</b>	
	\$317,706.75
<b>Year 3</b>	
	\$326,184.58



## **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	
<b>Year 1</b>	
	\$568,027.83
<b>Year 2</b>	
	\$592,382.35
<b>Year 3</b>	
	\$623,370.18
<b>Year 4</b>	
	\$646,125.52
<b>Year 5</b>	
	\$672,118.89



## 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:

<b>Five Year Projected Hotel Development Total Reserves and Fixed Expenses</b>	
<b>Year 1</b>	
	\$121,540.98
<b>Year 2</b>	
	\$163,688.44
<b>Year 3</b>	
	\$189,343.48
<b>Year 4</b>	
	\$216,602.59
<b>Year 5</b>	
	\$221,510.02



## 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:

<b>Five Year Projected Hotel Development Total Interest Payment</b>	
<b>Year 1</b>	
	\$510,450
<b>Year 2</b>	
	\$502,920
<b>Year 3</b>	
	\$494,806
<b>Year 4</b>	
	\$486,063
<b>Year 5</b>	
	\$476,640

<b>Five Year Projected Hotel Development Total Principal Reduction</b>	
<b>Year 1</b>	
	\$96,987
<b>Year 2</b>	
	\$104,517
<b>Year 3</b>	
	\$112,631
<b>Year 4</b>	
	\$121,374
<b>Year 5</b>	
	\$130,797



## 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)	
<b>Year 1</b>	10.27%
<b>Year 2</b>	11.61%
<b>Year 3</b>	13.50%
<b>Year 4</b>	15.16%
<b>Year 5</b>	16.88%
Five Year Projected - ROI % (Including Principal Reduction)	
<b>Year 1</b>	13.58%
<b>Year 2</b>	15.17%
<b>Year 3</b>	17.34%
<b>Year 4</b>	19.29%
<b>Year 5</b>	21.34%

