



*Core* DISTINCTION GROUP

# HOTEL MARKET FEASIBILITY STUDY FINANCIAL PROFORMA

**PREPARED FOR**

**COLUMBIA, TENNESSEE**

**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**

## Courtyard Columbia, TN

Number of Units: **100**

<b>Building Construction</b>	<b>\$13,555,000</b>	
<i>per room</i>	<i>\$135,550</i>	
<b>Fixtures, Furnishings, and Equipment</b>	<b>\$1,500,000</b>	
<i>per room</i>	<i>\$15,000</i>	
<b>Indirect/Soft Costs</b>	<b>\$2,897,900</b>	
<i>per room</i>	<i>\$28,979</i>	
Initial Franchise Application Fee	\$90,000	
Pre-Opening Training, Revenue Mngmnt., Marketing Support & Related Services	\$62,250	
Property Mngmnt. Reservation, Yield Mngmnt. Opportunity, and Other Systems	\$93,750	
Technology Hardware & Software, Network Infrastructure	\$141,250	
Operating Supplies	\$288,800	
Professional Design Services	\$608,000	
Opening Advertising	\$37,500	
Kitchen and Laundry Equipment	\$470,000	
Advertising	\$50,000	
Start Up Costs	\$290,000	
Opening Inventory	\$288,800	
Additional Funds	\$400,000	
Market Feasibility Study	\$16,250	
Insurance	\$61,300	
<b>Total Project Costs:</b>	<b>\$17,952,900</b>	
<i>per room</i>	<i>\$179,529</i>	
Requested Loan Amount:	\$12,552,900	20477.8%
Expected Cash Injection:	\$5,400,000	8809.1%
<b>Sources of Funding</b>		
Bank Loan	12,552,900	<b>Debt Interest:</b> 6.00%
Expected Cash Injection	5,400,000	<b>Debt Terms:</b> 25
<b>Total:</b>	<b>\$17,952,900</b>	<b>Debt Service:</b> \$970,548



Ramp Up Year													Rooms: 100
	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
Lodging Rooms Available	3,100	2,800	3,100	3,000	3,100	3,000	3,100	3,100	3,000	3,100	3,000	3,100	36,500
Lodging Occupancy %	43.5%	51.4%	63.9%	66.0%	66.8%	72.0%	72.6%	61.0%	67.5%	72.6%	60.0%	52.3%	62.5%
Total Occ. Rooms	1,350	1,440	1,980	1,980	2,070	2,160	2,250	1,890	2,025	2,250	1,800	1,620	22,815
Average Daily Rate	\$124.83	\$129.62	\$142.84	\$154.21	\$155.80	\$158.88	\$146.80	\$135.18	\$146.00	\$148.44	\$136.88	\$132.30	\$143.99
Revenue Per Available Room (REVPAR)	\$54.36	\$66.66	\$91.23	\$101.78	\$104.03	\$114.39	\$106.55	\$82.42	\$98.55	\$107.74	\$82.13	\$69.14	\$90.01
<b>Revenue:</b>													
Guest Room Revenue	168,516	186,651	282,824	305,344	322,498	343,180	330,302	255,498	295,658	333,991	246,387	214,333	3,285,183
Meeting Room Revenue	675	720	990	990	1,035	1,080	1,125	945	1,013	1,125	900	810	11,408
Bistro Revenue	13,500	14,400	19,800	19,800	20,700	21,600	22,500	18,900	20,250	22,500	18,000	16,200	228,150
Vending Revenue	3,375	3,600	4,950	4,950	5,175	5,400	5,625	4,725	5,063	5,625	4,500	4,050	57,038
<b>TOTAL HOTEL REVENUE</b>	<b>186,066</b>	<b>205,371</b>	<b>308,564</b>	<b>331,084</b>	<b>349,408</b>	<b>371,260</b>	<b>359,552</b>	<b>280,068</b>	<b>321,983</b>	<b>363,241</b>	<b>269,787</b>	<b>235,393</b>	<b>3,581,778</b>
<b>Hotel Payroll Expenses:</b>													
Hotel Manager	5,833	5,833	5,833	5,833	5,833	5,833	5,833	5,833	5,833	5,833	5,833	5,833	70,000
Maintenance	2,791	3,081	4,628	4,966	5,241	5,569	5,393	4,201	4,830	5,449	4,047	3,531	53,727
Housekeeping	10,125	10,800	14,850	14,850	15,525	16,200	16,875	14,175	15,188	16,875	13,500	12,150	171,113
Front Desk	13,481	14,932	22,626	24,428	25,800	27,454	26,424	20,440	23,653	26,719	19,711	17,147	262,815
Bistro	4,050	4,320	5,940	5,940	6,210	6,480	6,750	5,670	6,075	6,750	5,400	4,860	68,445
Workers Comp Insurance	907	974	1,347	1,400	1,465	1,538	1,532	1,258	1,389	1,541	1,212	1,088	15,652
Payroll Tax	4,535	4,871	6,735	7,002	7,326	7,692	7,659	6,290	6,947	7,703	6,061	5,440	78,262
<b>TOTAL HOTEL PAYROLL</b>	<b>41,723</b>	<b>44,811</b>	<b>61,959</b>	<b>64,420</b>	<b>67,401</b>	<b>70,767</b>	<b>70,467</b>	<b>57,867</b>	<b>63,915</b>	<b>70,870</b>	<b>55,765</b>	<b>50,049</b>	<b>720,014</b>
<b>Hotel Operating Expenses:</b>													
Cleaning Supplies	743	792	1,089	1,089	1,139	1,188	1,238	1,040	1,114	1,238	990	891	12,548
Laundry Supplies	675	720	990	990	1,035	1,080	1,125	945	1,013	1,125	900	810	11,408
Linens	1,013	1,080	1,485	1,485	1,553	1,620	1,688	1,418	1,519	1,688	1,350	1,215	17,111
Guest Supplies	1,350	1,440	1,980	1,980	2,070	2,160	2,250	1,890	2,025	2,250	1,800	1,620	22,815
Operating Supplies	1,148	1,224	1,683	1,683	1,760	1,836	1,913	1,607	1,721	1,913	1,530	1,377	19,393
Uniforms Expense	135	144	198	198	207	216	225	189	203	225	180	162	2,282
Repairs & Maintenance	843	933	1,414	1,527	1,612	1,716	1,652	1,277	1,478	1,670	1,232	1,072	16,426
Swimming Pool Maintenance	833	833	833	833	833	833	833	833	833	833	833	833	10,000
Franchise Fees	10,111	11,199	16,969	18,321	19,350	20,591	19,818	15,330	17,740	20,039	14,783	12,860	197,111
Marketing Funds Fee	6,479	7,086	10,308	11,062	11,637	12,330	11,898	9,393	10,738	12,022	9,087	8,013	110,887
Reservation Expense	850	850	850	850	850	850	850	850	850	850	850	850	10,200
Bistro Food Cost	5,400	5,760	7,920	7,920	8,280	8,640	9,000	7,560	8,100	9,000	7,200	6,480	91,260
Travel Agent Fees	11,796	13,066	19,798	21,374	22,575	24,023	23,121	17,885	20,696	23,379	17,247	15,003	229,963
Vending Expense	1,688	1,800	2,475	2,475	2,588	2,700	2,813	2,363	2,531	2,813	2,250	2,025	28,519
Marketing / Advertising	1,685	1,867	2,828	3,053	3,225	3,432	3,303	2,555	2,957	3,340	2,464	2,143	32,852
Utilities	7,443	8,215	12,343	13,243	13,976	14,850	14,382	11,203	12,879	14,530	10,791	9,416	143,271
Cable/Internet/Phone	3,100	2,800	3,100	3,000	3,100	3,000	3,100	3,100	3,000	3,100	3,000	3,100	36,500
Credit Card Expense	4,186	4,621	6,943	7,449	7,862	8,353	8,090	6,302	7,245	8,173	6,070	5,296	80,590
Management Fee	7,443	8,215	12,343	13,243	13,976	14,850	14,382	11,203	12,879	14,530	10,791	9,416	143,271
<b>TOTAL OPERATING EXPENSES</b>	<b>66,918</b>	<b>72,644</b>	<b>105,548</b>	<b>111,777</b>	<b>117,627</b>	<b>124,268</b>	<b>121,680</b>	<b>96,940</b>	<b>109,520</b>	<b>122,716</b>	<b>93,350</b>	<b>82,583</b>	<b>1,225,572</b>
Income Before Fixed Expenses	77,425	87,916	141,056	154,888	164,381	176,224	167,405	125,261	148,548	169,655	120,672	102,761	1,636,192
Gross Operating Profit (GOP)	41.61%	42.81%	45.71%	46.78%	47.05%	47.47%	46.56%	44.73%	46.14%	46.71%	44.73%	43.66%	45.68%
<b>Reserves &amp; Fixed Expenses:</b>													
Debt Service	80,879	80,879	80,879	80,879	80,879	80,879	80,879	80,879	80,879	80,879	80,879	80,879	970,548
Real Estate Taxes (Estimates)	7,794	7,794	7,794	7,794	7,794	7,794	7,794	7,794	7,794	7,794	7,794	7,794	93,530
Insurance	2,791	3,081	4,628	4,966	5,241	5,569	5,393	4,201	4,830	5,449	4,047	3,531	53,727
Reserves For Replacement	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL RESERVES &amp; FIXED</b>	<b>91,464</b>	<b>91,754</b>	<b>93,302</b>	<b>93,639</b>	<b>93,914</b>	<b>94,242</b>	<b>94,066</b>	<b>92,874</b>	<b>93,503</b>	<b>94,122</b>	<b>92,720</b>	<b>92,204</b>	<b>1,117,804</b>
<b>NET OPERATING INCOME (NOI)</b>	<b>66,839</b>	<b>77,041</b>	<b>128,633</b>	<b>142,127</b>	<b>151,345</b>	<b>162,861</b>	<b>154,218</b>	<b>113,266</b>	<b>135,925</b>	<b>156,412</b>	<b>108,832</b>	<b>91,436</b>	<b>1,488,936</b>
<b>NET CASH FLOW</b>	<b>(14,040)</b>	<b>(3,838)</b>	<b>47,754</b>	<b>61,248</b>	<b>70,466</b>	<b>81,982</b>	<b>73,339</b>	<b>32,387</b>	<b>55,046</b>	<b>75,533</b>	<b>27,953</b>	<b>10,557</b>	<b>518,388</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 ranges 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: 100
	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
Lodging Rooms Available	3,100	2,800	3,100	3,000	3,100	3,000	3,100	3,100	3,000	3,100	3,000	3,100	36,500
Lodging Occupancy %	48.4%	57.1%	71.0%	73.3%	74.2%	80.0%	80.6%	67.7%	75.0%	80.6%	66.7%	58.1%	69.5%
Total Occ. Rooms	1,500	1,600	2,200	2,200	2,300	2,400	2,500	2,100	2,250	2,500	2,000	1,800	25,350
Average Daily Rate	\$131.40	\$136.44	\$150.36	\$162.33	\$164.00	\$167.24	\$154.53	\$142.30	\$153.69	\$156.25	\$144.09	\$139.27	\$151.57
Revenue Per Available Room (REVPAR)	\$63.58	\$77.97	\$106.71	\$119.04	\$121.67	\$133.79	\$124.62	\$96.40	\$115.27	\$126.01	\$96.06	\$80.87	\$105.27
<b>Revenue:</b>													
Guest Room Revenue	197,094	218,305	330,788	357,128	377,191	401,380	386,318	298,829	345,799	390,633	288,172	250,682	3,842,320
Meeting Room Revenue	750	800	1,100	1,100	1,150	1,200	1,250	1,050	1,125	1,250	1,000	900	12,675
Bistro Revenue	15,000	16,000	22,000	22,000	23,000	24,000	25,000	21,000	22,500	25,000	20,000	18,000	253,500
Vending Revenue	3,750	4,000	5,500	5,500	5,750	6,000	6,250	5,250	5,625	6,250	5,000	4,500	63,375
<b>TOTAL HOTEL REVENUE</b>	<b>216,594</b>	<b>239,105</b>	<b>359,388</b>	<b>385,728</b>	<b>407,091</b>	<b>432,580</b>	<b>418,818</b>	<b>326,129</b>	<b>375,049</b>	<b>423,133</b>	<b>314,172</b>	<b>274,082</b>	<b>4,171,870</b>
<b>Hotel Payroll Expenses:</b>													
Hotel Manager	5,833	5,833	5,833	5,833	5,833	5,833	5,833	5,833	5,833	5,833	5,833	5,833	70,000
Maintenance	3,249	3,587	5,391	5,786	6,106	6,489	6,282	4,892	5,626	6,347	4,713	4,111	62,578
Housekeeping	11,250	12,000	16,500	16,500	17,250	18,000	18,750	15,750	16,875	18,750	15,000	13,500	190,125
Front Desk	11,826	13,098	19,847	21,428	22,631	24,083	23,179	17,930	20,748	23,438	17,290	15,041	230,539
Bistro	4,500	4,800	6,600	6,600	6,900	7,200	7,500	6,300	6,750	7,500	6,000	5,400	76,050
Workers Comp Insurance	916	983	1,354	1,404	1,468	1,540	1,539	1,268	1,396	1,547	1,221	1,097	15,732
Payroll Tax	4,582	4,915	6,771	7,018	7,340	7,701	7,693	6,338	6,979	7,734	6,105	5,486	78,662
<b>TOTAL HOTEL PAYROLL</b>	<b>42,157</b>	<b>45,216</b>	<b>62,297</b>	<b>64,569</b>	<b>67,529</b>	<b>70,846</b>	<b>70,776</b>	<b>58,311</b>	<b>64,207</b>	<b>71,149</b>	<b>56,162</b>	<b>50,468</b>	<b>723,686</b>
<b>Hotel Operating Expenses:</b>													
Cleaning Supplies	825	880	1,210	1,210	1,265	1,320	1,375	1,155	1,238	1,375	1,100	990	13,943
Laundry Supplies	750	800	1,100	1,100	1,150	1,200	1,250	1,050	1,125	1,250	1,000	900	12,675
Linens	1,125	1,200	1,650	1,650	1,725	1,800	1,875	1,575	1,688	1,875	1,500	1,350	19,013
Guest Supplies	1,500	1,600	2,200	2,200	2,300	2,400	2,500	2,100	2,250	2,500	2,000	1,800	25,350
Operating Supplies	1,275	1,360	1,870	1,870	1,955	2,040	2,125	1,785	1,913	2,125	1,700	1,530	21,548
Repairs & Maintenance	985	1,092	1,654	1,786	1,886	2,007	1,932	1,494	1,729	1,953	1,441	1,253	19,212
Swimming Pool Maintenance	833	833	833	833	833	833	833	833	833	833	833	833	10,000
Franchise Fees	11,826	13,098	19,847	21,428	22,631	24,083	23,179	17,930	20,748	23,438	17,290	15,041	230,539
Marketing Funds Fee	7,436	8,147	11,915	12,797	13,469	14,280	13,775	10,844	12,418	13,920	10,487	9,231	129,551
Reservation Expense	850	850	850	850	850	850	850	850	850	850	850	850	10,200
Bistro Food Cost	6,000	6,400	8,800	8,800	9,200	9,600	10,000	8,400	9,000	10,000	8,000	7,200	101,400
Travel Agent Fees	13,797	15,281	23,155	24,999	26,403	28,097	27,042	20,918	24,206	27,344	20,172	17,548	268,962
Vending Expense	1,875	2,000	2,750	2,750	2,875	3,000	3,125	2,625	2,813	3,125	2,500	2,250	31,688
Marketing / Advertising	1,971	2,183	3,308	3,571	3,772	4,014	3,863	2,988	3,458	3,906	2,882	2,507	38,423
Utilities	8,664	9,564	14,376	15,429	16,284	17,303	16,753	13,045	15,002	16,925	12,567	10,963	166,875
Cable/Internet/Phone	3,100	2,800	3,100	3,000	3,100	3,000	3,100	3,100	3,000	3,100	3,000	3,100	36,500
Credit Card Expense	4,873	5,380	8,086	8,679	9,160	9,733	9,423	7,338	8,439	9,520	7,069	6,167	93,867
Management Fee	8,664	9,564	14,376	15,429	16,284	17,303	16,753	13,045	15,002	16,925	12,567	10,963	166,875
<b>TOTAL OPERATING EXPENSES</b>	<b>76,349</b>	<b>83,032</b>	<b>121,080</b>	<b>128,381</b>	<b>135,142</b>	<b>142,862</b>	<b>139,753</b>	<b>111,076</b>	<b>125,709</b>	<b>140,966</b>	<b>106,958</b>	<b>94,477</b>	<b>1,396,619</b>
Income Before Fixed Expenses	98,089	110,857	176,011	192,778	204,420	218,872	208,289	156,742	185,133	211,019	151,052	129,137	2,051,564
Gross Operating Profit (GOP)	45.29%	46.36%	48.98%	49.98%	50.21%	50.60%	49.73%	48.06%	49.36%	49.87%	48.08%	47.12%	49.18%
<b>Reserves &amp; Fixed Expenses:</b>													
Debt Service	80,879	80,879	80,879	80,879	80,879	80,879	80,879	80,879	80,879	80,879	80,879	80,879	970,548
Real Estate Taxes (Estimates)	7,794	7,794	7,794	7,794	7,794	7,794	7,794	7,794	7,794	7,794	7,794	7,794	93,530
Insurance	3,249	3,587	5,391	5,786	6,106	6,489	6,282	4,892	5,626	6,347	4,713	4,111	62,578
Reserves For Replacement	4,332	4,782	7,188	7,715	8,142	8,652	8,376	6,523	7,501	8,463	6,283	5,482	83,437
<b>TOTAL RESERVES &amp; FIXED</b>	<b>96,254</b>	<b>97,042</b>	<b>101,252</b>	<b>102,174</b>	<b>102,921</b>	<b>103,813</b>	<b>103,332</b>	<b>100,088</b>	<b>101,800</b>	<b>103,483</b>	<b>99,669</b>	<b>98,266</b>	<b>1,210,093</b>
<b>NET OPERATING INCOME (NOI)</b>	<b>82,714</b>	<b>94,694</b>	<b>155,638</b>	<b>171,483</b>	<b>182,377</b>	<b>195,937</b>	<b>185,836</b>	<b>137,533</b>	<b>164,212</b>	<b>188,415</b>	<b>132,262</b>	<b>111,750</b>	<b>1,812,020</b>
<b>NET CASH FLOW</b>	<b>1,835</b>	<b>13,815</b>	<b>74,759</b>	<b>90,604</b>	<b>101,498</b>	<b>115,058</b>	<b>104,957</b>	<b>56,654</b>	<b>83,333</b>	<b>107,536</b>	<b>51,383</b>	<b>30,871</b>	<b>841,472</b>

Five Year Numbers Projected Summary										
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5					
	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT					
Lodging Rooms Available	36,500	36,500	36,500	36,500	36,500					
Lodging Occupancy %	69.5%	71.5%	73.0%	74.4%	75.9%					
Total Occ. Rooms	25,350	26,111	26,633	27,165	27,709					
Average Daily Rate	\$151.57	\$156.12	\$160.80	\$164.02	\$165.66					
<b>REVENUE:</b>										
Guest Room Revenue	3,842,320	92.1%	4,076,317	92.3%	4,282,578	92.5%	4,455,595	92.7%	4,590,154	92.7%
Meeting Room Revenue	12,675	0.3%	13,055	0.3%	13,316	0.3%	13,583	0.3%	13,854	0.3%
Bistro Revenue	253,500	6.1%	261,105	5.9%	266,327	5.8%	271,654	5.6%	277,087	5.6%
Vending / Bar Revenue	63,375	1.5%	65,276	1.5%	66,582	1.4%	67,913	1.4%	69,272	1.4%
<b>TOTAL HOTEL REVENUE</b>	<b>4,171,870</b>	<b>100.0</b>	<b>4,415,753</b>	<b>100.0</b>	<b>4,628,804</b>	<b>100.0</b>	<b>4,808,744</b>	<b>100.0</b>	<b>4,950,366</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>					<b>Rooms: 100</b>
	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Lodging Rooms Available	36,500	36,500	36,500	36,500	36,500
Lodging Occupancy %	69.5%	71.5%	73.0%	74.4%	75.9%
Total Occ. Rooms	25,350	26,111	26,633	27,165	27,709
Average Daily Rate	\$151.57	\$156.12	\$160.80	\$164.02	\$165.66
Revenue Per Available Room (REVPAR)	\$105.27	\$111.68	\$117.33	\$122.07	\$125.76
<b>Revenue:</b>					
Guest Room Revenue	3,842,320	4,076,317	4,282,578	4,455,595	4,590,154
Meeting Room Revenue	12,675	13,055	13,316	13,583	13,854
Bistro Revenue	253,500	261,105	266,327	271,654	277,087
Vending Revenue	63,375	65,276	66,582	67,913	69,272
<b>TOTAL HOTEL REVENUE</b>	<b>4,171,870</b>	<b>4,415,753</b>	<b>4,628,804</b>	<b>4,808,744</b>	<b>4,950,366</b>
<b>Hotel Payroll Expenses:</b>					
Hotel Manager	70,000	71,050	72,116	73,197	74,295
Maintenance	62,578	61,145	85,652	89,112	91,803
Housekeeping	190,125	195,829	199,745	203,740	207,815
Front Desk	230,539	237,455	244,579	251,916	259,474
Bistro	76,050	78,332	79,898	81,496	83,126
Workers Comp Insurance	15,732	16,095	17,050	17,487	17,913
Payroll Tax	78,662	80,476	85,249	87,433	89,564
<b>TOTAL HOTEL PAYROLL</b>	<b>723,686</b>	<b>740,382</b>	<b>784,288</b>	<b>804,381</b>	<b>823,990</b>
<b>Hotel Operating Expenses:</b>					
Cleaning Supplies	13,943	14,361	14,648	14,941	15,240
Laundry Supplies	12,675	13,055	13,316	13,583	13,854
Linens	19,013	19,583	19,975	20,374	20,782
Guest Supplies	25,350	26,111	26,633	27,165	27,709
Operating Supplies	21,548	22,194	22,638	23,091	23,552
Repairs & Maintenance	19,212	26,496	32,119	37,873	43,606
Swimming Pool Maintenance	10,000	11,500	13,225	15,209	17,490
Franchise Fees	230,539	244,579	256,955	267,336	275,409
Marketing Funds Fee	129,551	137,390	144,300	150,096	154,603
Reservation Expense	10,200	10,200	10,200	10,200	10,200
Bistro Food Cost	101,400	104,442	106,531	108,661	110,835
Travel Agent Fees	268,962	285,342	299,780	311,892	321,311
Vending Expense	31,688	32,638	33,291	33,957	34,636
Marketing / Advertising	38,423	40,763	42,826	44,556	45,902
Utilities	166,875	176,630	185,152	192,350	198,015
Cable/Internet/Phone	36,500	37,595	38,723	39,885	41,081
Credit Card Expense	93,867	99,354	104,148	108,197	111,383
Management Fee	166,875	176,630	185,152	192,350	198,015
<b>TOTAL OPERATING EXPENSES</b>	<b>1,396,619</b>	<b>1,478,864</b>	<b>1,549,611</b>	<b>1,611,713</b>	<b>1,663,622</b>
Income Before Fixed Expenses	<b>2,051,564</b>	<b>2,196,508</b>	<b>2,294,904</b>	<b>2,392,650</b>	<b>2,462,754</b>
Gross Operating Profit (GOP)					
<b>Reserves &amp; Fixed Expenses:</b>					
Real Estate Taxes (Estimates)	93,530	93,530	93,530	93,530	93,530
Insurance	62,578	66,236	69,432	72,131	74,255
Reserves For Replacement	83,437	132,473	138,864	192,350	198,015
<b>NET OPERATING INCOME (NOI)</b>	<b>1,812,020</b>	<b>1,904,269</b>	<b>1,993,078</b>	<b>2,034,640</b>	<b>2,096,954</b>
Loan (Interest Payment)	747,096	733,314	718,682	703,148	686,656
Loan (Principal Reduction)	223,452	237,234	251,866	267,400	283,892
<b>NET CASH FLOW</b>	<b>\$841,472</b>	<b>\$933,721</b>	<b>\$1,022,530</b>	<b>\$1,064,092</b>	<b>\$1,126,406</b>
<b>RETURN ON INVESTMENT (ROI) %</b>	<b>15.58%</b>	<b>17.29%</b>	<b>18.94%</b>	<b>19.71%</b>	<b>20.86%</b>
<b>ROI % (Including Principal Reduction)</b>	<b>19.72%</b>	<b>21.68%</b>	<b>23.60%</b>	<b>24.66%</b>	<b>26.12%</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>					<b>Rooms: 100</b>
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Lodging Rooms Available	36,500	36,500	36,500	36,500	36,500
Lodging Occupancy %	39.3%	39.0%	38.4%	39.0%	38.9%
Total Occ. Rooms	14,336	14,218	14,009	14,224	14,194
Average Daily Rate	\$151.57	\$156.12	\$160.80	\$164.02	\$165.66
Revenue Per Available Room (REVPAR)	\$59.53	\$60.81	\$61.72	\$63.92	\$64.42
<b>Revenue:</b>					
Guest Room Revenue	2,172,919	2,219,685	2,252,668	2,332,985	2,351,345
Meeting Room Revenue	7,168	7,109	7,005	7,112	7,097
Bistro Revenue	143,360	142,180	140,090	142,240	141,940
Vending Revenue	35,840	35,545	35,023	35,560	35,485
<b>TOTAL HOTEL REVENUE</b>	<b>2,359,287</b>	<b>2,404,519</b>	<b>2,434,785</b>	<b>2,517,897</b>	<b>2,535,867</b>
<b>Hotel Payroll Expenses:</b>					
Hotel Manager	70,000	72,100	74,263	76,491	78,786
Maintenance	35,389	33,295	45,053	58,325	58,784
Housekeeping	107,520	106,635	105,068	106,680	106,455
Front Desk	90,000	92,700	95,481	98,345	101,296
Bistro	43,008	42,654	42,027	42,672	42,582
Workers Comp Insurance	8,648	8,685	9,047	9,563	9,698
Payroll Tax	43,240	43,423	45,236	47,814	48,488
<b>TOTAL HOTEL PAYROLL</b>	<b>397,805</b>	<b>399,492</b>	<b>416,176</b>	<b>439,890</b>	<b>446,087</b>
<b>Hotel Operating Expenses:</b>					
Cleaning Supplies	7,885	7,820	7,705	7,823	7,807
Laundry Supplies	7,168	7,109	7,005	7,112	7,097
Linens	10,752	10,664	10,507	10,668	10,646
Guest Supplies	14,336	14,218	14,009	14,224	14,194
Operating Supplies	12,186	12,085	11,908	12,090	12,065
Repairs & Maintenance	10,865	14,428	16,895	19,830	22,338
Swimming Pool Maintenance	10,000	11,500	13,225	15,209	17,490
Franchise Fees	130,375	133,181	135,160	139,979	141,081
Marketing Funds Fee	73,626	75,193	76,298	78,988	79,603
Reservation Expense	10,200	10,200	10,200	10,200	10,200
Bistro Food Cost	57,344	56,872	56,036	56,896	56,776
Travel Agent Fees	152,104	155,378	157,687	163,309	164,594
Vending Expense	17,920	17,773	17,511	17,780	17,743
Marketing / Advertising	21,729	22,197	22,527	23,330	23,513
Utilities	94,371	96,181	97,391	100,716	101,435
Cable/Internet/Phone	36,500	37,595	38,723	39,885	41,081
Credit Card Expense	53,084	54,102	54,783	56,653	57,057
Management Fee	94,371	96,181	97,391	100,716	101,435
<b>TOTAL OPERATING EXPENSES</b>	<b>814,817</b>	<b>832,675</b>	<b>844,960</b>	<b>875,408</b>	<b>886,154</b>
Income Before Fixed Expenses	<b>1,146,665</b>	<b>1,172,352</b>	<b>1,173,649</b>	<b>1,202,599</b>	<b>1,203,626</b>
Gross Operating Profit (GOP)					
<b>Reserves &amp; Fixed Expenses:</b>					
Real Estate Taxes (Estimates)	93,530	93,530	93,530	93,530	93,530
Insurance	35,389	36,068	36,522	37,768	38,038
Reserves For Replacement	47,186	72,136	73,044	100,716	101,435
<b>NET OPERATING INCOME (NOI)</b>	<b>970,561</b>	<b>970,619</b>	<b>970,555</b>	<b>970,585</b>	<b>970,624</b>
Loan (Interest Payment)	747,096	733,314	718,682	703,148	686,656
Loan (Principal Reduction)	223,452	237,234	251,866	267,400	283,892
<b>NET CASH FLOW</b>	<b>\$13</b>	<b>\$71</b>	<b>\$7</b>	<b>\$37</b>	<b>\$76</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.



**This lodging demand analysis** is based on general observations of the surrounding market area and the overall Columbia, TN market area.

1st Quarter (Jan-Mar)	January	February	March	
Lodging Rooms Available	3,100	2,800	3,100	
Lodging Occupancy %	48.4%	57.1%	71.0%	
Total Occ. Rooms	1,500	1,600	2,200	
Average Daily Rate	131.40	136.44	150.36	
<b>Total Revenue</b>	<b>\$197,094</b>	<b>\$218,305</b>	<b>\$330,788</b>	
2nd Quarter (Apr-June)	April	May	June	
Lodging Rooms Available	3,000	3,100	3,000	
Lodging Occupancy %	73.3%	74.2%	80.0%	
Total Occ. Rooms	2,200	2,300	2,400	
Average Daily Rate	162.33	164.00	167.24	
<b>Total Revenue</b>	<b>\$357,128</b>	<b>\$377,191</b>	<b>\$401,380</b>	
3rd Quarter (July-Sept)	July	August	September	
Lodging Rooms Available	3,100	3,100	3,000	
Lodging Occupancy %	80.6%	67.7%	75.0%	
Total Occ. Rooms	2,500	2,100	2,250	
Average Daily Rate	154.53	142.30	153.69	
<b>Total Revenue</b>	<b>\$386,318</b>	<b>\$298,829</b>	<b>\$345,799</b>	
4th Quarter (Oct-Dec)	October	November	December	TOTAL
Lodging Rooms Available	3,100	3,000	3,100	36,500
Lodging Occupancy %	80.6%	66.7%	58.1%	69.5%
Total Occ. Rooms	2,500	2,000	1,800	25,350
Average Daily Rate	156.25	144.09	139.27	\$151.57
<b>Total Revenue</b>	<b>\$390,633</b>	<b>\$288,172</b>	<b>\$250,682</b>	<b>3,842,320</b>

*\* The above forecasts represent projections for occupancy, ADR, and revenue of a developed 100 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 100 Guestroom Lodging Options:**

OCC%	ADR:	REVPAR	Room Revenue:
62.5%	\$143.99	\$90.01	\$3,285,183

**1-5 Year Projections:**

OCC%	ADR:	REVPAR	Room Revenue:	<b>YEAR 1</b>
69.5%	\$151.57	\$105.27	\$3,842,320	
OCC%	ADR:	REVPAR	Room Revenue:	<b>YEAR 2</b>
71.5%	\$156.12	\$111.68	\$4,076,317	
OCC%	ADR:	REVPAR	Room Revenue:	<b>YEAR 3</b>
73.0%	\$160.80	\$117.33	\$4,282,578	
OCC%	ADR:	REVPAR	Room Revenue:	<b>YEAR 4</b>
74.4%	\$164.02	\$122.07	\$4,455,595	
OCC%	ADR:	REVPAR	Room Revenue:	<b>YEAR 5</b>
75.9%	\$165.66	\$125.76	\$4,590,154	

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 1100 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 Columbia, TN. 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 Columbia, TN	
Total Estimated Costs	\$17,952,900

Hotel Construction/Development Costs in Columbia, TN		
Total Estimated Costs	\$179,529	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	
<b>Year 1</b>	
	\$4,171,869.55
<b>Year 2</b>	
	\$4,415,753.31
<b>Year 3</b>	
	\$4,628,803.67
<b>Year 4</b>	
	\$4,808,744.34
<b>Year 5</b>	
	\$4,950,366.29

## 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>	
	\$723,686.05
<b>Year 2</b>	
	\$740,381.90
<b>Year 3</b>	
	\$784,288.25
<b>Year 4</b>	
	\$804,381.39
<b>Year 5</b>	
	\$823,990.46



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## 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.



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## 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>	
	\$1,396,619.00
<b>Year 2</b>	
	\$1,478,863.52
<b>Year 3</b>	
	\$1,549,611.38
<b>Year 4</b>	
	\$1,611,712.87
<b>Year 5</b>	
	\$1,663,622.29



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## 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>
\$239,544.93
<b>Year 2</b>
\$292,238.40
<b>Year 3</b>
\$301,825.67
<b>Year 4</b>
\$358,010.44
<b>Year 5</b>
\$365,799.65



## 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 6% 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	
<b>Year 1</b>	
	\$747,096
<b>Year 2</b>	
	\$733,314
<b>Year 3</b>	
	\$718,682
<b>Year 4</b>	
	\$703,148
<b>Year 5</b>	
	\$686,656

Five Year Projected Hotel Development Total Principal Reduction	
<b>Year 1</b>	
	\$223,452
<b>Year 2</b>	
	\$237,234
<b>Year 3</b>	
	\$251,866
<b>Year 4</b>	
	\$267,400
<b>Year 5</b>	
	\$283,892





## 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)	
<b>Year 1</b>	
	15.58%
<b>Year 2</b>	
	17.29%
<b>Year 3</b>	
	18.94%
<b>Year 4</b>	
	19.71%
<b>Year 5</b>	
	20.86%

Five Year Projected Hotel Development Total Net Operating Income (NOI)	
<b>Year 1</b>	
	19.72%
<b>Year 2</b>	
	21.68%
<b>Year 3</b>	
	23.60%
<b>Year 4</b>	
	24.66%
<b>Year 5</b>	
	26.12%

