



Core DISTINCTION GROUP

COMPREHENSIVE HOTEL MARKET FEASIBILITY STUDY PROFORMA

PREPARED FOR

THOMASVILLE, NORTH CAROLINA

PREPARED BY

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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

Upper-Midscale, Limited-Service Hotel Development Thomasville, NC

Number of Units: 74

Total Project Costs:			\$12,328,252	
<i>per room</i>			<i>\$166,598</i>	
Requested Loan Amount:			\$8,628,252	70.0%
Expected Cash Injection:			\$3,700,000	30.0%
Sources of Funding				
Bank Loan	8,628,252	Debt Interest:	5.00%	
Expected Cash Injection	3,700,000	Debt Terms:	25	
Total:	\$12,328,252	Debt Service:	\$600,894	

* Pricing noted above valid for 90 days from document date shown

RAMP UP YEAR: Rooms: 74

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
Lodging Rooms Available	2,294	2,072	2,294	2,220	2,294	2,220	2,294	2,294	2,220	2,294	2,220	2,294	27,010
Lodging Occupancy %	41.8%	59.1%	62.5%	75.2%	60.9%	67.3%	62.7%	58.9%	57.7%	73.8%	53.8%	43.5%	59.7%
Total Occ. Rooms	959	1,225	1,433	1,670	1,398	1,493	1,439	1,351	1,282	1,692	1,194	999	16,135
Average Daily Rate	\$100.83	\$107.26	\$108.37	\$165.32	\$112.45	\$114.60	\$111.94	\$113.17	\$117.56	\$166.63	\$114.42	\$110.27	\$122.79
Revenue Per Available Room (REVPAR)	\$42.17	\$63.40	\$67.68	\$124.37	\$68.53	\$77.07	\$70.21	\$66.66	\$67.89	\$122.90	\$61.52	\$48.02	\$73.35
Revenue:													
Guest Room Revenue	96,741	131,356	155,263	276,108	157,197	171,106	161,071	152,928	150,709	281,927	136,564	110,164	1,981,133
Meeting Room Revenue	480	612	716	835	699	747	719	676	641	846	597	499	8,067
Vending Revenue	2,399	3,062	3,582	4,175	3,495	3,733	3,597	3,378	3,205	4,230	2,984	2,498	40,337
TOTAL HOTEL REVENUE	99,619	135,031	159,562	281,118	161,391	175,585	165,387	156,982	154,555	287,002	140,144	113,161	2,029,537
Hotel Payroll Expenses:													
Hotel Manager	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	75,000
AsstGM/Sales	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	7,196	9,185	10,746	12,526	10,485	11,198	10,792	10,135	9,615	12,689	8,952	7,492	121,010
Front Desk	6,772	9,195	10,868	19,328	11,004	11,977	11,275	10,705	10,550	19,735	9,559	7,711	138,679
Workers Comp Insurance	630	741	822	1,078	818	861	833	802	785	1,092	744	661	9,867
Payroll Tax	3,152	3,704	4,108	5,388	4,092	4,303	4,165	4,011	3,927	5,459	3,720	3,307	49,336
TOTAL HOTEL PAYROLL	29,000	34,075	37,794	49,569	37,649	39,589	38,314	36,903	36,127	50,225	34,225	30,422	453,893
Hotel Operating Expenses:													
Cleaning Supplies	528	674	788	919	769	821	791	743	705	931	656	549	8,874
Laundry Supplies	480	612	716	835	699	747	719	676	641	846	597	499	8,067
Linens	959	1,225	1,433	1,670	1,398	1,493	1,439	1,351	1,282	1,692	1,194	999	16,135
Guest Supplies	1,439	1,837	2,149	2,505	2,097	2,240	2,158	2,027	1,923	2,538	1,790	1,499	24,202
Operating Supplies	816	1,041	1,218	1,420	1,188	1,269	1,223	1,149	1,090	1,438	1,015	849	13,714
Uniforms Expense	96	122	143	167	140	149	144	135	128	169	119	100	1,613
Repairs & Maintenance	484	657	776	1,381	786	856	805	765	754	1,410	683	551	9,906
Swimming Pool	833	833	833	833	833	833	833	833	833	833	833	833	10,000
Grounds/Landscaping	750	750	750	500	250	250	250	250	250	250	500	750	5,500
Marketing Royalty & Program Fees	11,606	15,731	18,589	32,750	18,802	20,456	19,268	18,288	18,006	33,436	16,327	13,183	236,441
Training Expense	417	417	417	417	417	417	417	417	417	417	417	417	5,000
Complimentary Breakfast	4,797	6,124	7,164	8,350	6,990	7,465	7,195	6,756	6,410	8,460	5,968	4,995	80,673
Travel Agent Fees	3,870	5,254	6,211	11,044	6,288	6,844	6,443	6,117	6,028	11,277	5,463	4,407	79,245
OnQ Connectivity	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000
Vending Expense	1,199	1,531	1,791	2,088	1,747	1,866	1,799	1,689	1,602	2,115	1,492	1,249	20,168
Marketing / Advertising	726	985	1,164	2,071	1,179	1,283	1,208	1,147	1,130	2,114	1,024	826	14,858
Utilities	3,985	5,401	6,382	11,245	6,456	7,023	6,615	6,279	6,182	11,480	5,606	4,526	81,181
Cable/Internet/Phone	2,294	2,072	2,294	2,220	2,294	2,220	2,294	2,294	2,220	2,294	2,220	2,294	27,010
Credit Card Expense	2,241	3,038	3,590	6,325	3,631	3,951	3,721	3,532	3,477	6,458	3,153	2,546	45,665
Management Fee	3,985	5,401	6,382	11,245	6,456	7,023	6,615	6,279	6,182	11,480	5,606	4,526	81,181
Accounting Services	400	400	400	400	400	400	400	400	400	400	400	400	4,800
TOTAL OPERATING EXPENSES	44,403	56,606	65,692	100,884	65,319	70,107	66,838	63,628	62,161	102,537	57,562	48,499	804,236
Income Before Fixed Expenses	26,216	44,350	56,076	130,665	58,422	65,889	60,235	56,451	56,267	134,240	48,357	34,240	771,408
Gross Operating Profit (GOP)	26.32%	32.84%	35.14%	46.48%	36.20%	37.53%	36.42%	35.96%	36.41%	46.77%	34.51%	30.26%	38.01%
Reserves & Fixed Expenses:													
Debt Service	50,075	50,075	50,075	50,075	50,075	50,075	50,075	50,075	50,075	50,075	50,075	50,075	600,894
Real Estate Taxes (Estimates)	5,417	5,417	5,417	5,417	5,417	5,417	5,417	5,417	5,417	5,417	5,417	5,417	65,000
Insurance	1,494	2,025	2,393	4,217	2,421	2,634	2,481	2,355	2,318	4,305	2,102	1,697	30,443
Reserves For Replacement	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL RESERVES & FIXED	56,985	57,517	57,885	59,708	57,912	58,125	57,972	57,846	57,810	59,796	57,593	57,189	696,337
NET OPERATING INCOME (NOI)	19,305	36,908	48,266	121,032	50,584	57,838	52,337	48,680	48,532	124,518	40,839	27,126	675,965
NET CASH FLOW	(30,770)	(13,166)	(1,808)	70,957	510	7,764	2,263	(1,395)	(1,542)	74,444	(9,236)	(22,949)	75,071

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

5 Year Projection

The following statistics are preliminary projections based on assumed costs of a prototypical hotel.

Rooms:

74

	Year 1	%	Year 2	%	Year 3	%	Year 4	%	Year 5	%
Lodging Rooms Available	27,010		27,010		27,010		27,010		27,010	
Lodging Occupancy %	65.9%	65.9%	67.9%	67.9%	69.9%	69.9%	72.0%	72.0%	72.0%	72.0%
Total Occ. Rooms	17,800		18,334		18,884		19,451		19,451	
Average Daily Rate	\$129.06		\$132.93		\$136.92		\$139.66		\$141.05	
Revenue Per Available Room (REVPAR)	\$85.05		\$90.23		\$95.73		\$100.57		\$101.58	
Revenue:										
Guest Room Revenue	2,297,259	97.73%	2,437,162	97.79%	2,585,586	97.86%	2,716,416	97.90%	2,743,580	97.92%
Meeting Room Revenue	8,900	0.38%	9,167	0.37%	9,442	0.36%	9,725	0.35%	9,725	0.35%
Vending Revenue	44,500	1.89%	45,835	1.84%	47,210	1.79%	48,626	1.75%	48,626	1.74%
TOTAL HOTEL REVENUE	2,350,659	100%	2,492,164	100%	2,642,238	100%	2,774,768	100%	2,801,932	100%
Hotel Payroll Expenses:										
Hotel Manager	70,000	2.98%	71,050	2.85%	72,116	2.73%	73,197	2.64%	74,295	2.65%
AstGM/Sales	50,000	2.13%	50,750	2.04%	51,511	1.95%	52,284	1.88%	53,068	1.89%
Maintenance	35,260	1.50%	36,557	1.47%	37,712	1.42%	38,828	1.39%	39,906	1.42%
Housekeeping	133,500	5.68%	137,505	5.52%	141,630	5.36%	145,879	5.26%	145,879	5.21%
Front Desk	125,168	5.32%	128,923	5.17%	132,791	5.03%	136,774	4.93%	140,877	5.03%
Workers Comp Insurance	10,348	0.44%	10,620	0.43%	11,244	0.43%	11,562	0.42%	11,725	0.42%
Payroll Tax	53,034	2.26%	54,426	2.18%	57,625	2.18%	59,253	2.14%	60,090	2.14%
TOTAL HOTEL PAYROLL	477,310	20.31%	489,831	19.65%	518,629	19.63%	533,278	19.22%	540,806	19.30%
Hotel Operating Expenses:										
Cleaning Supplies	9,790	0.42%	10,084	0.40%	10,386	0.39%	10,698	0.39%	10,698	0.38%
Laundry Supplies	8,900	0.38%	9,167	0.37%	9,442	0.36%	9,725	0.35%	9,725	0.35%
Linens	17,800	0.76%	18,334	0.74%	18,884	0.71%	19,451	0.70%	19,451	0.69%
Guest Supplies	26,700	1.14%	27,501	1.10%	28,326	1.07%	29,176	1.05%	29,176	1.04%
Operating Supplies	15,130	0.64%	15,584	0.63%	16,051	0.61%	16,533	0.60%	16,533	0.59%
Repairs & Maintenance	11,486	0.49%	15,842	0.64%	19,392	0.73%	23,090	0.83%	26,064	0.93%
Swimming Pool	10,000	0.43%	11,500	0.46%	13,225	0.50%	15,209	0.55%	17,490	0.62%
Grounds/ Landscape	8,500	0.36%	8,755	0.35%	9,018	0.34%	9,288	0.33%	9,567	0.34%
Marketing Royalty & Program Fees	273,852	11.65%	290,337	11.65%	307,821	11.65%	323,260	11.65%	326,425	11.65%
Complimentary Breakfast	89,000	3.79%	91,670	3.68%	94,420	3.57%	97,253	3.50%	97,253	3.47%
Travel Agent Fees	91,890	3.91%	97,486	3.91%	103,423	3.91%	108,657	3.92%	109,743	3.92%
OnQ Connectivity	30,000	1.28%	30,600	1.23%	31,212	1.18%	31,836	1.15%	32,473	1.16%
Vending Expense	22,250	0.95%	22,918	0.92%	23,605	0.89%	24,313	0.88%	24,313	0.87%
Marketing / Advertising	17,229	0.73%	18,279	0.73%	19,392	0.73%	20,373	0.73%	20,577	0.73%
Utilities	70,520	3.00%	74,765	3.00%	79,267	3.00%	83,243	3.00%	84,058	3.00%
Cable/Internet/Phone	27,010	1.15%	27,820	1.12%	28,655	1.08%	29,515	1.06%	30,400	1.08%
Credit Card Expense	52,890	2.25%	56,074	2.25%	59,450	2.25%	62,432	2.25%	63,043	2.25%
Management Fee	94,026	4.00%	99,687	4.00%	105,690	4.00%	110,991	4.00%	112,077	4.00%
Accounting Services	4,800	0.20%	5,089	0.20%	5,395	0.20%	5,666	0.20%	5,721	0.20%
TOTAL OPERATING EXPENSES	881,774	37.51%	931,490	37.38%	983,055	37.21%	1,030,708	37.15%	1,044,787	37.29%
Income Before Fixed Expenses	991,575	42.18%	1,070,843	42.97%	1,140,554	43.17%	1,210,782	43.64%	1,216,338	43.41%
Gross Operating Profit (GOP)										
Reserves & Fixed Expenses:										
Real Estate Taxes (Estimates)	65,000	2.77%	65,000	2.61%	65,000	2.46%	65,000	2.34%	65,000	2.32%
Insurance	35,260	1.50%	37,382	1.50%	39,634	1.50%	41,622	1.50%	42,029	1.50%
Reserves For Replacement	47,013	2.00%	74,765	3.00%	79,267	3.00%	110,991	4.00%	112,077	4.00%
NET OPERATING INCOME (NOI)	844,302	35.92%	893,696	35.86%	956,653	36.21%	993,170	35.79%	997,232	35.59%
Loan (Interest Payment)	424,277	18.05%	415,240	16.66%	405,742	15.36%	395,758	14.26%	385,263	13.75%
Loan (Principal Reduction)	176,617	7.51%	185,654	7.45%	195,152	7.39%	205,136	7.39%	215,631	7.70%
NET CASH FLOW	\$243,408	10.35%	\$292,802	11.75%	\$355,759	13.46%	\$392,276	14.14%	\$396,338	14.15%
RETURN ON INVESTMENT (ROI) %	6.58%		7.91%		9.62%		10.60%		10.71%	
ROI % (Including Principal Reduction)	11.35%		12.93%		14.89%		16.15%		16.54%	

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.

5 Year Break Even

Rooms:

74

The following statistics are preliminary projections based on assumed costs of a prototypical hotel.

	Year 1	%	Year 2	%	Year 3	%	Year 4	%	Year 5	%
Lodging Rooms Available	27,010		27,010		27,010		27,010		27,010	
Lodging Occupancy %	55.3%	55.3%	52.7%	52.7%	52.0%	52.0%	53.0%	53.0%	53.0%	53.0%
Total Occ. Rooms	14,947		14,234		14,042		14,308		14,318	
Average Daily Rate	\$129.06		\$132.93		\$136.92		\$139.66		\$141.05	
Revenue Per Available Room (REVPAR)	\$71.42		\$70.05		\$71.18		\$73.98		\$74.77	
Revenue:										
Guest Room Revenue	1,929,052	97.73%	1,892,144	97.79%	1,922,620	97.86%	1,998,221	97.90%	2,019,614	97.92%
Meeting Room Revenue	7,474	0.38%	7,117	0.37%	7,021	0.36%	7,154	0.35%	7,159	0.35%
Vending Revenue	37,368	1.89%	35,585	1.84%	35,105	1.79%	35,770	1.75%	35,795	1.74%
TOTAL HOTEL REVENUE	1,973,893	100%	1,934,846	100%	1,964,746	100%	2,041,145	100%	2,062,568	100%
Hotel Payroll Expenses:										
Hotel Manager	70,000	3.55%	72,100	3.73%	74,263	3.78%	76,491	3.75%	78,786	3.82%
AstGM/Sales	50,000	2.53%	50,750	2.62%	51,511	2.62%	52,284	2.56%	53,068	2.57%
Maintenance	29,608	1.50%	28,382	1.47%	28,452	1.96%	49,956	2.45%	50,490	2.45%
Housekeeping	112,103	5.68%	106,755	5.52%	105,315	5.36%	107,310	5.26%	107,385	5.21%
Front Desk	100,000	5.07%	103,000	5.32%	106,090	5.40%	109,273	5.35%	112,551	5.46%
Workers Comp Insurance	9,043	0.46%	9,025	0.47%	9,391	0.48%	9,883	0.48%	10,057	0.49%
Payroll Tax	46,344	2.35%	46,251	2.39%	48,128	2.45%	50,649	2.48%	51,542	2.50%
TOTAL HOTEL PAYROLL	417,098	21.13%	416,263	21.51%	433,150	22.05%	455,845	22.33%	463,879	22.49%
Hotel Operating Expenses:										
Cleaning Supplies	8,221	0.42%	7,829	0.40%	7,723	0.39%	7,869	0.39%	7,875	0.38%
Laundry Supplies	7,474	0.38%	7,117	0.37%	7,021	0.36%	7,154	0.35%	7,159	0.35%
Linens	14,947	0.76%	14,234	0.74%	14,042	0.71%	14,308	0.70%	14,318	0.69%
Guest Supplies	22,421	1.14%	21,351	1.10%	21,063	1.07%	21,462	1.05%	21,477	1.04%
Operating Supplies	12,705	0.64%	12,099	0.63%	11,936	0.61%	12,162	0.60%	12,170	0.59%
Repairs & Maintenance	9,645	0.49%	12,299	0.64%	14,420	0.73%	16,985	0.83%	19,186	0.93%
Swimming Pool	10,000	0.51%	11,500	0.59%	13,225	0.67%	15,209	0.75%	17,490	0.85%
Grounds/ Landscape	8,500	0.43%	8,755	0.45%	9,018	0.46%	9,288	0.46%	9,567	0.46%
Marketing Royalty & Program Fees	273,852	13.87%	225,410	11.65%	228,893	11.65%	237,793	11.65%	240,289	11.65%
Complimentary Breakfast	74,735	3.79%	71,170	3.68%	70,210	3.57%	71,540	3.50%	71,590	3.47%
Travel Agent Fees	77,162	3.91%	75,686	3.91%	76,905	3.91%	79,929	3.92%	80,785	3.92%
Reservations Expense	30,000	1.52%	30,600	1.58%	31,212	1.59%	31,836	1.56%	32,473	1.57%
Vending Expense	18,684	0.95%	17,793	0.92%	17,553	0.89%	17,885	0.88%	17,898	0.87%
Marketing / Advertising	19,291	0.98%	18,921	0.98%	19,226	0.98%	19,982	0.98%	20,196	0.98%
Utilities	78,956	4.00%	77,394	4.00%	78,590	4.00%	81,646	4.00%	82,503	4.00%
Cable/Internet/Phone	27,010	1.37%	27,820	1.44%	28,655	1.46%	29,515	1.45%	30,400	1.47%
Credit Card Expense	44,413	2.25%	43,534	2.25%	44,207	2.25%	45,926	2.25%	46,408	2.25%
Management Fee	78,956	4.00%	77,394	4.00%	78,590	4.00%	81,646	4.00%	82,503	4.00%
Accounting Services	4,800	0.24%	4,705	0.24%	4,778	0.24%	4,964	0.24%	5,016	0.24%
TOTAL OPERATING EXPENSES	821,769	41.63%	765,610	39.57%	777,265	39.56%	807,098	39.54%	819,302	39.72%
Income Before Fixed Expenses	735,026		752,973		754,331		778,202		779,387	
Gross Operating Profit (GOP)										
Reserves & Fixed Expenses:										
Real Estate Taxes (Estimates)	65,000	3.29%	65,000	3.36%	65,000	3.31%	65,000	3.18%	65,000	3.15%
Insurance	29,608	1.50%	29,023	1.50%	29,471	1.50%	30,617	1.50%	30,939	1.50%
Reserves For Replacement	39,478	2.00%	58,045	3.00%	58,942	3.00%	81,646	4.00%	82,503	4.00%
NET OPERATING INCOME (NOI)	600,940	30.44%	600,905	31.06%	600,917	30.58%	600,939	29.44%	600,946	29.14%
Loan (Interest Payment)	424,277	21.49%	415,240	21.46%	405,742	20.65%	395,758	19.39%	385,263	18.68%
Loan (Principal Reduction)	176,617	8.95%	185,654	9.60%	195,152	9.93%	205,136	10.05%	215,631	10.45%
NET CASH FLOW	\$46	0.00%	\$10	0.00%	\$23	0.00%	\$44	0.00%	\$52	0.00%

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

For the purposes of this Comprehensive Hotel Market Feasibility Study, Core Distinction Group LLC offers an overview and overall description of the potential hotel's Pro Forma. In this section, you will gain knowledge of the overall financial projections estimated for the recommended hotel in this market. This section will contain:



Lodging Demand Analysis



Proposed Property Description



Projected Construction/Development Costs



Proposed Property Occupancy & Average Daily Rate



Projected Hotel Development Revenue & Expenses



Projected Hotel Development Reserve and Fixed Expenses



Projected Hotel Development Income

Additional detailed information can be found in the projected specific, Pro Forma.

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

1st Quarter (Jan-Mar)	January	February	March	
Lodging Rooms Available	2,294	2,072	2,294	
Lodging Occupancy %	43.6%	65.2%	69.7%	
Total Occ. Rooms	1,000	1,350	1,600	
Average Daily Rate	106.14	112.90	114.07	
Total Revenue	\$106,140	\$152,415	\$182,511	
2nd Quarter (Apr-June)	April	May	June	
Lodging Rooms Available	2,220	2,294	2,220	
Lodging Occupancy %	80.0%	69.7%	78.8%	
Total Occ. Rooms	1,775	1,600	1,750	
Average Daily Rate	174.03	118.37	120.63	
Total Revenue	\$308,895	\$189,385	\$211,103	
3rd Quarter (July-Sept)	July	August	September	
Lodging Rooms Available	2,294	2,294	2,220	
Lodging Occupancy %	69.7%	65.4%	65.3%	
Total Occ. Rooms	1,600	1,500	1,450	
Average Daily Rate	117.83	119.13	123.75	
Total Revenue	\$188,529	\$178,694	\$179,434	
4th Quarter (Oct-Dec)	October	November	December	TOTAL
Lodging Rooms Available	2,294	2,220	2,294	27,010
Lodging Occupancy %	80.6%	59.7%	43.6%	65.9%
Total Occ. Rooms	1,850	1,325	1,000	17,800
Average Daily Rate	175.40	120.44	116.08	\$129.06
Total Revenue	\$324,491	\$159,584	\$116,078	2,297,259

** The above forecasts represent projections for occupancy, ADR, and revenue of a developed 74 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.

First Year Ramp Up Projections of 74 Guestroom Lodging Options:

OCC%	ADR:	REVPAR	Room Revenue:
59.7%	\$122.79	\$73.35	\$1,981,133

1-5 Year Projections:

OCC%	ADR:	REVPAR	Room Revenue:	YEAR 1
65.9%	\$129.06	\$85.05	\$2,297,259	
OCC%	ADR:	REVPAR	Room Revenue:	YEAR 2
67.9%	\$132.93	\$90.23	\$2,437,162	
OCC%	ADR:	REVPAR	Room Revenue:	YEAR 3
69.9%	\$136.92	\$95.73	\$2,585,586	
OCC%	ADR:	REVPAR	Room Revenue:	YEAR 4
72.0%	\$139.66	\$100.57	\$2,716,416	
OCC%	ADR:	REVPAR	Room Revenue:	YEAR 5
72.0%	\$141.05	\$101.58	\$2,743,580	

Three Year Occupancy (%)								
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Year
Aug 18 - Jul 19	45.1	67.3	76.3	74.9	65.8	76.4	70.1	68.0
Aug 19 - Jul 20	33.7	49.0	55.4	53.7	48.7	55.4	51.3	49.6
Aug 20 - Jul 21	37.9	51.7	55.5	53.0	51.6	63.5	59.0	53.2
Total 3 Yr	38.9	56.0	62.4	60.6	55.3	65.0	60.2	56.9
Three Year ADR								
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Year
Aug 18 - Jul 19	127.51	125.43	123.38	123.12	120.68	123.16	122.26	123.45
Aug 19 - Jul 20	120.89	123.38	119.52	116.50	118.24	120.15	122.29	120.06
Aug 20 - Jul 21	123.42	119.48	115.27	113.28	116.65	125.23	125.65	119.95
Total 3 Yr	124.27	123.00	119.83	118.33	118.71	122.97	123.39	121.37
Three Year RevPAR								
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Year
Aug 18 - Jul 19	57.52	84.44	94.19	92.25	79.42	94.06	85.74	83.97
Aug 19 - Jul 20	40.76	60.51	66.16	62.56	57.58	66.61	62.75	59.58
Aug 20 - Jul 21	46.81	61.81	64.00	60.04	60.19	79.46	74.15	63.81
Total 3 Yr	48.37	68.93	74.79	71.75	65.68	79.97	74.23	69.12

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 immediate and neighboring market of Thomasville, NC. The market's demand patterns appear average (pre-Covid) with a strong 2021 first quarter recovery at the time of this report.

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.

We recommend that the proposed hotel operate as an upper-midscale, limited-service property. The proposed hotel development's building specifications include: 74 unit, four (4) story development, with an expanded guest wine and beer bar, standard (king and queen/queen) rooms, 2-room extended stay suites, free hot breakfast for all guests, guest fitness room, guest laundry room, pool, and meeting room.

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 Thomasville, NC	
Total Estimated Costs	\$12,328,252

Hotel Construction/Development Costs in Thomasville, NC		
Total Estimated Costs	\$166,598	per room/key

Proposed Property Occupancy Projections

Based on analysis of the proposed hotel and market, Core Distinction Group has selected a stabilized occupancy level of 69.9%. The stabilized occupancy is intended to reflect the anticipated results of the proposed property over its remaining economic life. The stabilized occupancy excludes from consideration any abnormal relationship between supply and demand, as well as any nonrecurring conditions that may result in unusually high or low occupancies. Although the proposed subject hotel may operate at occupancies above this stabilized level, Core Distinction Group knows it is always possible for new competition and temporary economic downturns to force the occupancy below this selected point of stability. Below you will find a table detailing both the proposed market occupancy projections and historical market occupancy performance:

Historical Market Performance			Projected Market Performance		
Year	Occupancy	Change	Year	Occupancy	Change
2017	65.3%	-0.9%	2021	62.0%	20.2%
2018	68.1%	2.8%	2022	65.0%	3.0%
2019	67.2%	-0.9%	2023	68.0%	3.0%
2020	41.8%	-25.4%			

Proposed Property Average Daily Rate (ADR) Projections

One of the most important considerations in estimating the value of a lodging facility is a supportable forecast of its attainable average rate, which is more formally defined as the average rate per occupied room. Average rate can be calculated by dividing the total rooms revenue achieved during a specified period by the number of rooms sold during the same period. Although the ADR analysis presented here follows the occupancy projection, these two statistics are highly correlated; in reality, one cannot project occupancy without making specific assumptions regarding average rate. Below you will find a table detailing both the proposed market ADR projections and historical market ADR performance:

Historical Market Performance			Projected Market Performance		
Year	ADR	Change	Year	ADR	Change
2017	\$117.38	\$0.60	2021	\$124.00	\$13.88
2018	\$121.31	\$3.93	2022	\$127.72	\$3.72
2019	\$125.03	\$3.72	2023	\$131.55	\$3.83
2020	\$110.12	(\$14.91)			

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 at an occupancy level of 69.9% with an average rate of \$136.92. Following the stabilized year, the proposed subject hotel's average rate is projected to increase along with the underlying rate of inflation. Due to the scale of the proposed hotel development, the revenue will also contain a small amount of food and beverage revenue, telephone revenue, meeting space revenue and miscellaneous revenue. Below you will find a five year projection of total revenue for the proposed hotel development:

Five Year Projected Hotel Development Revenue	
Year 1	
	\$2,350,659.24
Year 2	
	\$2,492,164.33
Year 3	
	\$2,642,237.58
Year 4	
	\$2,774,767.76
Year 5	
	\$2,801,931.93

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	
	\$477,310.40
Year 2	
	\$489,830.55
Year 3	
	\$518,628.82
Year 4	
	\$533,277.71
Year 5	
	\$540,806.15

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	
	\$881,773.89
Year 2	
	\$931,490.46
Year 3	
	\$983,054.63
Year 4	
	\$1,030,707.77
Year 5	
	\$1,044,787.44

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	
	\$147,273.07
Year 2	
	\$177,147.39
Year 3	
	\$183,900.69
Year 4	
	\$217,612.23
Year 5	
	\$219,106.26

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 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
\$424,277
Year 2
\$415,240
Year 3
\$405,742
Year 4
\$395,758
Year 5
\$385,263

Five Year Projected Hotel Development Total Principal Reduction
Year 1
\$176,617
Year 2
\$185,654
Year 3
\$195,152
Year 4
\$205,136
Year 5
\$215,631

Projected Hotel Development Income

The projected hotel development income is measured by two separate parameters for the proposed property:

Return On Investment (ROI) is a performance measure used to evaluate the efficiency of an investment or compare the efficiency of a number of different investments. ROI tries to directly measure the amount of return on a particular investment relative to the investment's cost.

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

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

Five Year Projected Hotel Development Total Return On Investment (ROI)	
Year 1	
	6.58%
Year 2	
	7.91%
Year 3	
	9.62%
Year 4	
	10.60%
Year 5	
	10.71%

Five Year Projected Hotel Development Total Net Operating Income (NOI)	
Year 1	
	11.35%
Year 2	
	12.93%
Year 3	
	14.89%
Year 4	
	16.15%
Year 5	
	16.54%