

The XYZ Hotel, 123 Main Street

Summary of Major Assumptions - 7/11/2012

Hotel Type: Full Service

GENERAL, TIMING AND RENOVATION

Total Rooms/Keys	450	Retail	1,000 RSF
Average Room SF	400 SF	Spa	2,500 SF
Total Room SF	180,000 SF	Admin./Mechanical	750 SF
Gross Square Footage *	310,000 SF	Public Area	1,250 SF
Food & Beverage	655 SF	Structured Parking	150 Spaces
Function	655 SF	Surface Parking	10 Spaces

* Excludes parking SF

Renovation Start:	Month 24	Renovation Duration:	25 Months
Renovation Completion:	Month 49		

Average Unit Renovation and Re-Marketing Durations (Down Months)

Renovation	2 Months	Total Down Months	
Marketing	1 Months		3 Months

ACQUISITION AND FINANCING

Acquisition Timing		Date	
Date of Purchase		12/31/2012	
Acquisition Price	Going-In Cap Rate	11.47%	Per Key
TTM Net Operating Income	Purchase Price	\$75,000,000	\$166,667
Closing Costs *		\$1,000,000	
Acquisition Fee	1.00% Purch. Price	\$750,000	
Broker Fee	0.00% Purch. Price	\$0	
Recording Fees/Misc.	2.80% Purch. Price	\$2,100,000	
Transfer Tax	3.50% Purch. Price	\$2,625,000	
Renovation Cost		(\$21,000)	
Total Acquisition Cost		\$81,454,000	

Loan Fee	0.50% of Loan Amt.	\$244,362	
Total Leveraged Uses		\$81,698,362	\$181,552

* Incl. Settlement, Feasibility, and Legal

Acquisition Loan (Senior Debt)

Loan Funding Date	12/31/2012		
Loan Principal Amount	\$48,872,400	% Total Cost	60% LTC
Annual Interest Rate	6.00%	% Total Debt	100.00%
Monthly Payment	(\$293,015)	Loan Term	30 Years
Broker Fee	0.50%	Amortization Period	30 Years
Loan Fee	1.00%	I/O Period (# of Years)	0 Years

Acquisition Total Debt	60%	\$108,605	\$48,872,400
Equity Required	40%	\$72,947	\$32,825,962

Total Acquisition Sources of Funds		\$181,552	\$81,698,362
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* This value excludes the cost of loan fees

EQUITY PARTNERSHIP STRUCTURE

Equity Structure	% Equity	Initial	Op. Deficits	Total	% Acq. Cost
Sponsor Equity	10%	\$3,282,596	\$0	\$3,282,596	4.03%
Investor Equity	90%	\$29,543,366	\$0	\$29,543,366	36.27%
	100.00%	\$32,825,962	\$0	\$32,825,962	40.30%

PERMANENT LOAN (REFINANCING)

Loan Amount Taken:	Remaining Principal Balance on Existing Loans
Month of Ref. (Beg. of Year)	Month 65
Date of Refinancing	05/31/2018
Annual NOI at Point of Refinancing	\$12,301,824
Loan Amount *	\$45,146,474
Loan Term / Amortization Period	30 Years / 30 Years
Interest Rate	7.75%
Monthly Payment	(\$323,435)
Loan/Broker Fees/Closing	0.50%
LTV	29%
Interest Only Period (# of Years)	0 Years
Loan Fee	3.00%
Broker Fee	1.00%

* The Lesser of the Two Maximum Loan Proceeds Amounts

Permanent Loan Test	
Annual NOI at Point of Refinancing	\$12,301,824
Capitalization Rate at Point of Refinancing	8.00%
Gross Valuation at Point of Refinancing	\$153,772,797
Maximum LTV	65%
Maximum Loan Proceeds	\$99,952,318
Annual NOI at Point of Refinancing	\$12,301,824
Required Debt Service Coverage Ratio	1.20
Maximum Allowable Debt Service	\$10,251,520
Maximum Loan Proceeds	\$119,246,052

Definitions

POR: Per Occupied Room RevPAR: Revenue Per Available Room
 PAR: Per Available Room ADR: Average Daily Rate

RETURNS SUMMARY

IRR (calculated off of Annual cash flows)	27.51%
Net Cash Flow	\$193,293,629
Total Equity Investment*	\$32,825,962
Multiple on Equity	5.89x
NPV at 8.00%	\$83,979,237
Total Hold Period	120 months

OPERATING ASSUMPTIONS

Trailing 12 Months Actuals			
Room Nights Sold	105,072	ADR Nominal Growth	4.00%
RevPAR	\$140.14	Occupancy	63.8%
ADR	\$225.00	Income Inflation	4.00%
Yr 1 Escalation from TTM	Income 3.00%	Operating Exp. Inflation	3.00%
	Expense 1.00%		

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Occupancy										
63.8%	66.8%	68.8%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	75.0%
Unescalated Future ADR (Pro-forma Values are Escalated)										
\$200	\$200	\$200	\$215	\$215	\$215	\$225	\$225	\$225	\$225	\$225
Departmental Expenses % Room Sales										
45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%
Renovation Cost/Unit										
\$3,000	\$3,090	\$3,183	\$3,278	\$3,377	\$3,478	\$3,582	\$3,690	\$3,800	\$3,914	\$4,032

	TTM	% Total Sales	Pro-Forma Year 4	Change
Rooms	\$23,018,000	56%	\$25,937,114	
Food & Beverage Rev.	\$13,241,000	32%	\$15,532,536	
Telecommunications	\$94,000	0%	\$110,268	
Minor Operating Depts.	\$408,000	1%	\$478,610	
Parking	\$3,110,000	8%	\$3,648,228	
Office NOI, Net	\$405,000	1%	\$475,091	
Retail NOI, Net	\$845,000	2%	\$991,239	
Rentals & Other Income	\$243,000	1%	\$285,054	
TOTAL SALES	\$41,364,000	100%	\$47,458,140	15%

	TTM	% Room Sales	
Rooms	\$6,568,000	29%	\$7,412,595
Food & Beverage	\$10,404,000	45%	\$11,741,875
Telecommunications	\$355,000	2%	\$400,650
Parking	\$769,000	3%	\$867,888
Minor Operating Depts.	\$559,000	2%	\$630,883
Rentals & Other Income	\$12,000	0%	\$13,543
TOTAL SALES COSTS	\$18,667,000	81%	\$21,067,434

	TTM	% Total Sales	
Administrative & General	\$3,494,000	8%	\$0
Sales & Marketing	\$2,660,000	6%	\$3,943,302
Management Fee	\$1,120,000	3%	\$1,264,023
Franchise Application Fee	\$500,000	1%	\$564,296
Royalty Fees	\$0	0%	\$0
Property Repairs & Maintenance	\$1,790,000	4%	\$2,020,180
Energy	\$1,458,000	4%	\$1,645,488
TOTAL SG&A	\$11,022,000	27%	\$9,437,290

	TTM	Cost/Room	
Ground Lease	\$0	\$0	\$0
Property Taxes	\$1,043,000	\$2,318	\$1,177,122
Insurance	\$375,000	\$833	\$423,222
Reserve - CapEx	\$1,655,500	\$3,679	\$1,868,385
TOTAL FIXED	\$3,073,500	\$6,830	\$3,468,729
NOI	\$8,601,500		\$13,484,687

DISPOSITION

		Annual NOI 12 mos. after sale	\$17,254,766	Per Key	\$38,344
Sale Date	Month 120	12/31/2022			
Terminal Cap Rate	9.00%				
Sale Price			\$191,719,619		\$426,044
Selling Costs	2.00%		(\$3,834,392)		
Net Sale Proceeds			\$187,885,227		
Less Outstanding Perm. Loan Principal			(\$43,050,366)		
Net Sales Proceeds After Debt Repayment			\$144,834,860		\$321,855

Future RevPAR

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
\$128	\$139	\$149	\$169	\$176	\$183	\$199	\$207	\$216	\$224

Future ADR (Values Escalated)

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
\$200	\$208	\$216	\$242	\$252	\$262	\$285	\$296	\$308	\$320

The XYZ Hotel, 123 Main Street

Capital Structure For Acquisition, Operation, And Renovation, if any

(Bar heights are not to scale.)

	Acquisition			Operation		Total Equity
	Acquisition Debt	Acquisition Equity Amount **	% Equity	Total Acquisition Costs	% Total Acquisition Costs	Deficits, pro-rata
Sponsor/Owner Equity		\$3,282,596	10.00%		4.02%	\$0
Third Party Investor Equity		\$29,543,366	90.00%		36.16%	\$0
Acquisition Loan *	\$48,872,400				59.82%	
Total	\$48,872,400	\$32,825,962		\$81,698,362	100%	\$0

* The Loan total is calculated off of all uses of funds excluding the Loan Fee, which is funded by Equity.

** Equity amounts in this column do not include the pro-rata portion of any Deficits to be funded by the Equity investors. See Column N for adjusted totals.

The XYZ Hotel, 123 Main Street

Partnership Structure

Total Required Equity (Purchase + Operation)		\$32,825,962
Sponsor/Owner Equity	10.00%	\$3,282,596
Third Party Investor	90.00%	\$29,543,366
	<u>100.00%</u>	<u>\$32,825,962</u>

Profit Sharing Waterfall Hurdles and Promote Structure

Partnership Structure	% Total Equity		Preferred Return	Residual Split
Sponsor/Owner Equity	10.00%	<i>Profit>></i>	10.00%	50.00%
Third Party Investor	90.00%	<i>Sharing>></i>	0.00%	
<u>Total</u>	<u>100.00%</u>	<i>Splits>></i>	<u>90.00%</u>	<u>50.00%</u>
			100.00%	100.00%

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Annual Operating Cash Flow Projection

	Trailing Twelve Months Actuals	TTM Ratio Analysis	Acquisition Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
				1/1/2013 1/1/2014	1/2/2014 1/2/2015	1/3/2015 1/3/2016	1/4/2016 1/4/2017	1/5/2017 1/5/2018	1/6/2018 1/6/2019	1/7/2019 1/7/2020	1/8/2020 1/8/2021	1/9/2021 1/9/2022	1/10/2022 1/10/2023	1/11/2023 1/11/2024
Rooms	450			450	450	450	450	450	450	450	450	450	450	450
Occupancy	63.80%			63.80%	66.80%	68.80%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	75.00%
Room Nights Sold	105,072			104,792	109,719	113,004	114,975	114,975	114,975	114,975	114,975	114,975	114,975	123,188
ADR - Nominal Growth	4.00%			\$200	\$208	\$216	\$242	\$252	\$262	\$285	\$296	\$308	\$320	\$333
RevPAR	\$140			\$128	\$139	\$149	\$169	\$176	\$183	\$199	\$207	\$216	\$224	\$250
			Renovation Factor	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
			Dept. Expenses % Room Sales	45%	45%	45%	45%	45%	45%	45%	45%	45%	45%	45%
				\$20,877,274	\$22,821,552	\$24,445,025	\$25,937,114	\$26,900,898	\$27,976,933	\$29,096,011	\$30,342,755	\$31,470,245	\$32,729,055	\$34,038,217
				\$13,770,640	\$14,321,466	\$14,894,324	\$15,532,536	\$16,109,701	\$16,754,089	\$17,424,253	\$18,170,870	\$18,846,072	\$19,599,915	\$20,383,911
				\$101,670	\$97,760	\$101,670	\$105,737	\$110,268	\$114,365	\$118,940	\$123,698	\$133,791	\$139,143	\$144,709
				\$424,320	\$441,293	\$458,945	\$478,610	\$496,394	\$516,250	\$536,900	\$559,906	\$580,711	\$603,940	\$628,097
				\$3,234,400	\$3,363,776	\$3,498,327	\$3,648,228	\$3,783,791	\$3,935,142	\$4,092,548	\$4,267,911	\$4,426,500	\$4,603,560	\$4,787,702
				\$421,200	\$438,048	\$455,570	\$475,091	\$492,744	\$512,454	\$532,952	\$555,789	\$576,441	\$599,499	\$623,479
				\$878,800	\$913,952	\$950,510	\$991,239	\$1,028,072	\$1,069,195	\$1,111,962	\$1,159,609	\$1,202,698	\$1,250,806	\$1,300,839
				\$252,720	\$262,829	\$273,342	\$285,054	\$295,647	\$307,473	\$319,771	\$333,473	\$345,865	\$359,699	\$374,087
TOTAL SALES	\$41,364,000			39,957,114	42,664,586	45,081,780	47,458,140	49,221,612	51,190,476	53,238,095	55,519,311	57,582,324	59,885,617	62,281,041
COST OF SALES & LABOR														
Rooms	\$6,568,000	28.53%		\$6,765,040	\$6,967,991	\$7,177,031	\$7,412,595	\$7,614,112	\$7,842,535	\$8,077,812	\$8,342,941	\$8,569,750	\$8,826,843	\$9,091,648
Food & Beverage	\$10,404,000	78.57%		\$10,716,120	\$11,037,604	\$11,368,732	\$11,741,875	\$12,061,087	\$12,422,920	\$12,795,608	\$13,215,584	\$13,574,860	\$13,982,106	\$14,401,569
Telecommunications	\$355,000	377.66%		\$365,650	\$376,620	\$387,918	\$400,650	\$411,542	\$423,889	\$436,605	\$450,935	\$463,194	\$477,090	\$491,403
Parking	\$769,000	24.73%		\$792,070	\$815,832	\$840,307	\$867,888	\$891,482	\$918,226	\$945,773	\$976,815	\$1,003,371	\$1,033,472	\$1,064,476
Minor Operating Departments	\$559,000	138.02%		\$575,770	\$593,043	\$610,834	\$630,883	\$648,034	\$667,475	\$687,499	\$710,065	\$729,368	\$751,249	\$773,787
Rentals & Other Income	\$12,000	0.00%		\$12,360	\$12,731	\$13,113	\$13,543	\$13,911	\$14,329	\$14,758	\$15,243	\$15,657	\$16,127	\$16,611
TOTAL COSTS OF SALES	\$18,667,000			19,227,010	19,803,820	20,397,935	21,067,434	21,640,169	22,289,374	22,958,055	23,711,583	24,356,201	25,086,887	25,839,494
VARIABLE EXPENSES - SG&A														
Administative & General	\$3,494,000	8.45%		\$3,598,820	\$3,706,785	\$3,817,988	\$3,943,302	\$4,050,504	\$4,172,019	\$4,297,179	\$4,438,221	\$4,558,878	\$4,695,644	\$4,836,513
Sales & Marketing	\$2,660,000	6.43%		\$2,739,800	\$2,821,994	\$2,906,654	\$3,002,056	\$3,083,669	\$3,176,179	\$3,271,464	\$3,378,840	\$3,470,697	\$3,574,818	\$3,682,062
Management Fee (Market Rate)	\$1,120,000	2.71%		\$1,153,600	\$1,188,208	\$1,223,854	\$1,264,023	\$1,298,387	\$1,337,339	\$1,377,459	\$1,422,670	\$1,461,346	\$1,505,186	\$1,550,342
Franchise Application Fee	\$500,000	1.21%		\$515,000	\$530,450	\$546,364	\$564,296	\$579,637	\$597,026	\$614,937	\$635,120	\$652,387	\$671,958	\$692,117
Royalty Fees	\$0	0.00%		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Property Repairs & Maintenance	\$1,790,000	4.33%		\$1,843,700	\$1,899,011	\$1,955,981	\$2,020,180	\$2,075,101	\$2,137,354	\$2,201,474	\$2,273,731	\$2,335,544	\$2,405,610	\$2,477,779
Energy	\$1,458,000	3.52%		\$1,501,740	\$1,546,792	\$1,593,196	\$1,645,488	\$1,690,222	\$1,740,928	\$1,793,156	\$1,852,011	\$1,902,359	\$1,959,430	\$2,018,213
TOTAL SG&A EXPENSES	\$11,022,000			11,352,660	11,693,240	12,044,037	12,439,345	12,777,519	13,160,844	13,555,670	14,000,593	14,381,210	14,812,646	15,257,026
FIXED EXPENSES														
Ground Lease	\$0	0.00%		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Property Taxes	\$1,043,000	2.52%		\$1,074,290	\$1,106,519	\$1,139,714	\$1,177,122	\$1,209,123	\$1,245,397	\$1,282,758	\$1,324,861	\$1,360,878	\$1,401,705	\$1,443,756
Insurance	\$375,000	0.91%		\$386,250	\$397,838	\$409,773	\$423,222	\$434,728	\$447,770	\$461,203	\$476,340	\$489,290	\$503,969	\$519,088
Reserve - Capital Replacements	\$1,655,500	4.00%		\$1,705,165	\$1,756,320	\$1,809,010	\$1,868,385	\$1,919,178	\$1,976,754	\$2,036,056	\$2,102,883	\$2,160,052	\$2,224,854	\$2,291,599
TOTAL FIXED EXPENSES	\$3,073,500			3,165,705	3,260,676	3,358,496	3,468,729	3,563,029	3,669,920	3,780,017	3,904,085	4,010,220	4,130,527	4,254,443

Data Series Profile

Total

The XYZ Hotel, 123 Main Street

Joint Venture Return Detail

	Sponsor/ Owner	Third Party Investor	Total Project
Equity Investment	\$3,282,596	\$29,543,366	\$32,825,962
<i>Share of Equity Investment</i>	<i>10.00%</i>	<i>90.00%</i>	<i>100.00%</i>
Gross Return	\$95,113,883	\$131,005,708	\$226,119,591
Net Profit (Return on Equity)	\$91,831,287	\$101,462,342	\$193,293,629
Multiple on Equity	28.98x	4.43x	6.89x
Internal Rate of Return	47.51%	23.64%	28.92%
Time from Equity Investment to Final Return (months)	120.00	120.00	120.00

Tier	Sponsor/ Owner Cashflow	Sponsor/ Owner Share	Third Party Investor Cashflow	Third Party Investor Share	Total Cashflow
Return of Capital and Pref. Return	\$4,486,478	10%	\$40,378,302	90%	\$44,864,780
Tier 1	\$90,627,405	50%	\$90,627,405	50%	\$181,254,810
Total	\$95,113,883	42%	\$131,005,708	58%	\$226,119,591
Less Equity Investment	(\$3,282,596)	10%	(\$29,543,366)	90%	(\$32,825,962)
Net Profit (Return on Equity)	\$91,831,287	48%	\$101,462,342	52%	\$193,293,629

	IRR Hurdle Ranges		Sponsor				Total (must be 100%)
	Sponsor/ Owner Promote	Equity Pro- Rata Share	Investor Profit Share	Investor Profit Share	Investor Profit Share		
Preferred Return From	0%	through	8%	0%	10%	90%	100%
Residual Split		Above	8%	40%	10%	50%	60%

