7550 WISCONSIN AVENUE HIGHEST AND BEST USE

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EXECUTIVE SUMMARY

7550 Wisconsin Avenue in Bethesda Maryland is home to a vacant 10 story GSA office building that is no longer in use and is currently mothballed. This proposal examines several possible uses for the existing site including office, multifamily, and hospitality. It has been determined that the highest and best use for the property is the conversion of its current use of office into a full - service boutique hotel, more specifically the Hotel Indigo brand from Intercontinental Hotel Group (IHG). This analysis provides a detailed description of how the end user was determined.

The site analysis examines the current zoning, demographics, FAR, and the existing structures surrounding the property.

A market report and feasibility analysis will be performed on each of the three above mentioned potential uses. Upon completion of this analysis it has been determined that the highest and best use for this building is a boutique hotel. It is important to note that a full market study is not included in this development proposal but will be completed during the first month of the development schedule. This information helps support the final conclusion for the highest and best use of this site.

Due to the nature of urban redevelopment it is also important to address the new building design and construction approach. A brief description of the exterior building façade, interior amenities, and necessary parking changes are included to help support the decision to renovate 7550 Wisconsin. Current land use and proposed uses for the site are addressed along with a preliminary design of the building.

A financial analysis will be reviewed with the necessary spreadsheets listed as appendixes. The financial analysis will include the discounted cash flow, pro forma assumptions, direct capitalization method, and the conclusion of the value.

Following the financial analysis is the strategy and implications section. In this section of the document the strategy, borrowing entity, capital sources, management fee structure, and marketing strategy are covered. This information is a helps support the information provided in the financial analysis appendixes

SITE ANALYSIS

The property is located in downtown Bethesda, Maryland one block north of the Bethesda Metro station and numerous area amenities. It is situated on the corner of Wisconsin Avenue, and Commerce Lane. The site is a total of 13,860 SF or 0.318 acres.[i] It has an excellent presence on that block with great visibility from Wisconsin Avenue to the east, Old Georgetown Road to the south west, and the Bethesda Metro Escalators just one block south. "Montgomery County's dynamic and business-friendly environment, coupled with the property's premier location give this offering additional upside potential for redevelopment."[ii]

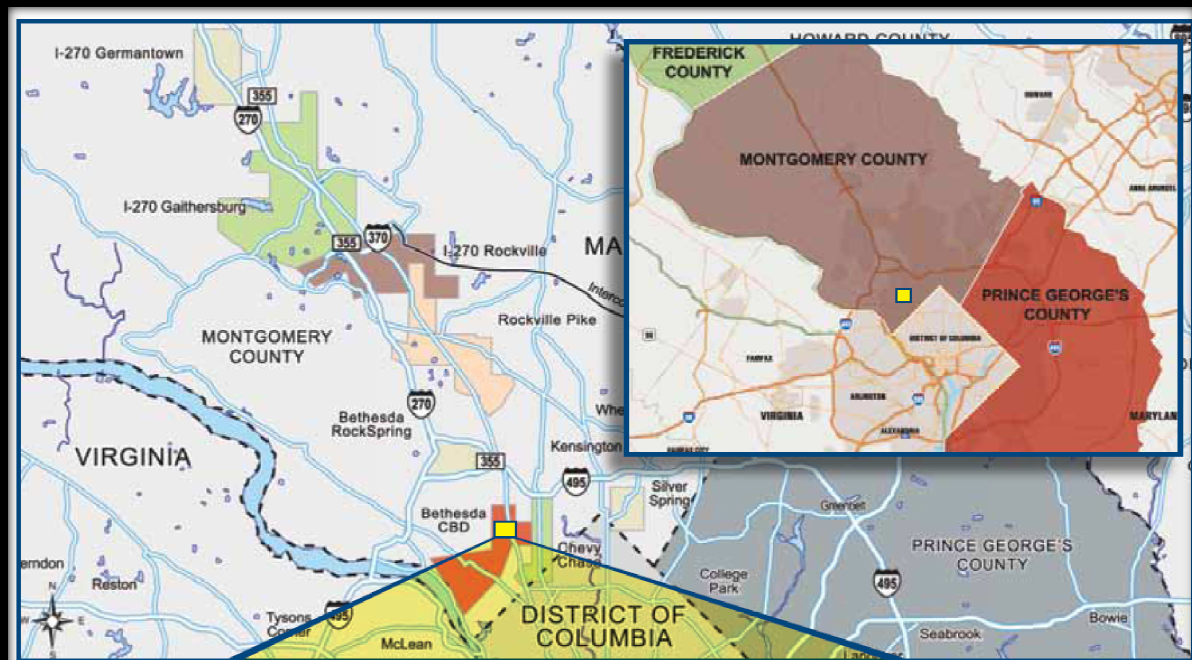
The site is currently controlled by a single owner the General Services Administration or GSA. GSA is disposing of the property via its online auction website www.auctionrp.com. The asset has officially been declared surplus and has cleared all federal regulatory hurdles to allow a fee-simple disposal to the private sector.

The parcel is zoned CBD-2. All three suggested uses are consistent with the Bethesda Master Plan and zoning regulations. However, the density required to construct a 130,000 square foot building exceeds the density for a standard development method permitted pursuant to the CBD-2 zoning district allowing for a maximum FAR of 5.0 and a total height of 143'.

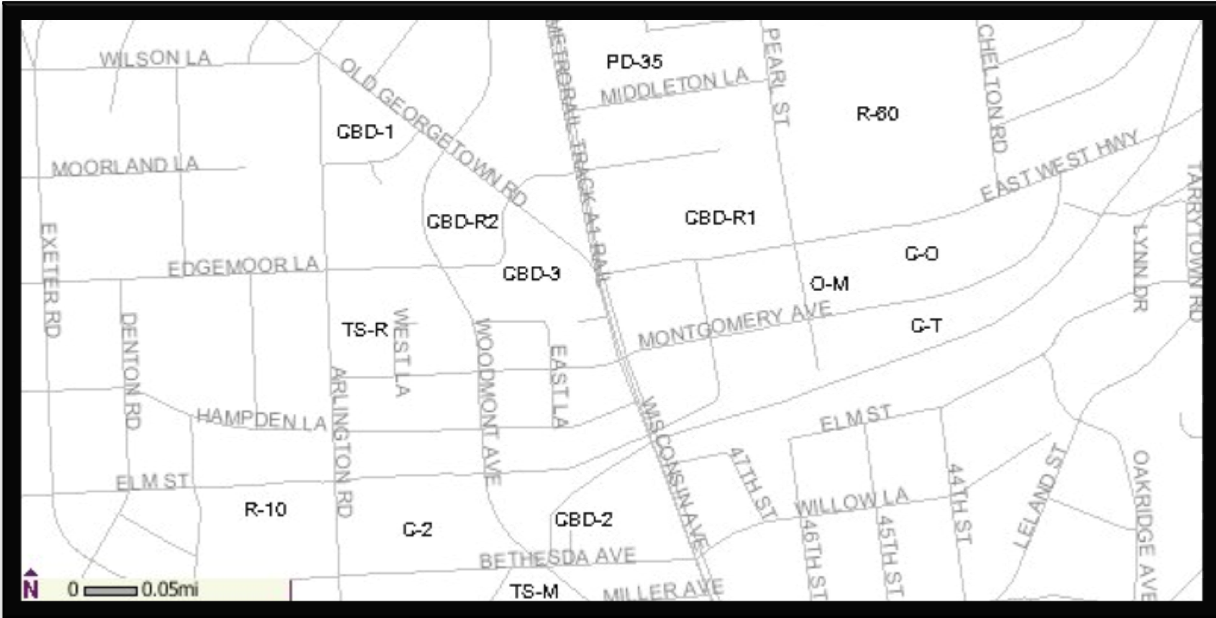
The good news is that currently the site has an existing FAR of 9.17 far exceeding the current zoning allowance. With a FAR at 9.17 the site lends itself to multiple uses allowing it to maximize the buildings

square footage. Currently the building is 105’ tall allowing for additional height to be retrofitted to the existing structure.

7550 Wisconsin Avenue



Zoning Maps Downtown Bethesda



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Montgomery County Parks and Planning

MARKET REPORT AND FEASIBILITY ANALYSIS

Investment Approach

There are three primary uses of the proposed site: multifamily, office, and hotel/lodging. The zoning at 7550 Wisconsin is CBD-2 which allows mixed use/ retail space along the first floor. The multifamily and office use will have a retail component on the ground floor. Hotel will not have retail space on the first floor. Due to limited space, the first floor of the hotel will be used for conference areas and a restaurant. Meeting space and food and beverage are extremely important for a full-service hotel. The restaurant revenue and expenses will be included in its revenues and expenses under food and beverage (APPENDIX II DISCOUNTED CASH FLOW ANALYSIS).

The purpose of this study is to determine which of the three uses would be the most profitable. It is assumed that the General Services Administration (GSA) is seeking to maximize its profit through the selling of 7550 Wisconsin. Although some uses may demand a higher premium for the site the risks associated with the market conditions and vacancy may restrict the purchase of the project. Another important assumption is that the future owner of this asset will be seeking a long-term hold for this investment.

Parking will play an important part of the decision process for when redeveloping 7550 Wisconsin. Currently there are 55 spaces existing on two levels of "below grade" parking. It is assumed that the future owner will not be expanding any parking on site. The cost of excavation and the reengineering of the building would not allow for an expansion to the existing parking garage.

Commercial Real Estate Analysis and Investments by Geltner and Miller second addition [iv] provide methodologies were used in determining the highest and best use for the site. The methodologies will be used to evaluate each proposed use. These approaches are considered by those in the industry as a "back of the envelope" approach. The following is a list of information that must be determined.

- Gross Square Footage
- Rentable Square Footage
- Number of parking spaces required
- Development Cost per Square Foot
- Projected Capitalization Costs
- Projected Operating Expense Ratio
- Projected Stabilized Occupancy Percentage

The acquisition costs of the site can be determined Based on the above assumptions. "It is assumed that the developer will "borrow to the hilt," that is he will take out the maximum permanent loan the completed project will support."[v]The total cost will include a full renovation for that particular use. It is important to note that certain assumptions are based off of available market data. The total acquisition price of the current building is unknown and will be determined through the following analysis. Listed below are the steps used to arrive at a conclusion.

The first step is to take the leasable square footage in the building and multiply it by the expected average rent per square foot (hotels are different they are based on a per room/key evaluation). This will equal your potential gross income (PGI). Then subtract the vacancy allowance from the PGI to get the effective gross income (EGI). Subtracting the EGI from the operating expenses produces the net operating income (NOI). Taking that NOI and dividing it by a supportable market cap rate equals the market value of the property. Subtracting the supportable market value of the property from the total development costs derives the supportable acquisition cost of the site**.**

There are two perspectives to consider when analyzing the highest and best use for the site. First, the GSA is looking to maximize the value of the asset and would consider the highest and best use as the project that can support the highest acquisition price for the property. From an investment standpoint both the internal rate of return (IRR) and the net present value (NPV) of the property are important metrics for a highest and best use assessment. The use with the highest IRR and NPV will be viewed as the most profitable to the investor. Depending on the degree of risk that investor is willing to take affects the type of asset he or she would be willing to invest in.

It is important to note that this analysis is based on the current FAR of 9.17 and a height restriction of 143'. Rentable square footage is determined for each use through the subtraction of commonly shared areas within the building. Vertical penetration (stairs, elevator shafts, mechanical shafts, and trash chutes), lobbies, common areas are all subtracted to determine the rentable square footage of the building. Based on the asset type this number will vary.

Approach

TABLE 1.1

Total square footage X Expected Average Rent Per Square foot = Potential Gross Income (PGI)
Potential Gross Income (PGI) – Vacancy Allowance = Effective Gross Income (EGI)
Effective Gross Income (EGI) – Operating Expenses = Net Operating Income (NOI)
Net Operating Income / Market Cap Rate = Project Value

Project Value - Development Costs = Maximum Supportable Site Acquisition Cost

Office Market and Feasibility Analysis

Due to cost restrictions, the floor to floor height of the building will remain at 10'-5-1/2" therefore, the total building height will not change and will remain 10 stories above ground and 2 stories below ground. As mentioned before the building is zoned an FAR of 9.17. There are no plans of expanding the building vertically. Having determined that the building will remain the same height we know that the site and building conform to the already existing land use regulations.

In office buildings, the rentable square footage is determined by adding all of the tenant's usable square footage (USF), hallways, bathrooms, corridors, front lobbies, and other shared areas. Tenants pay rent not only for their specific space but the entire shared space as well on a pro-rata basis. "The usable area or Usable Square Feet (USF) is the floor area where you can actually lay carpet and place furniture within your space; it is also known as the carpetable area. In addition to the usable area, office space is allocated a proportionate share of all the common elements of the building, which must exist for the building to operate. These common areas can include the main lobby, bathrooms, mechanical floors, garage lobbies and sometimes other common areas. Common areas vary widely from building to building. The USF, plus the proportionate share of the common areas make up the RSF."[vi]

Taking the rentable square footage (RSF) less the vertical penetrations including elevator shafts (three per floor), stairways (two total) and mechanical shafts we have determined the following numbers in TABLE 1.2.

TABLE 1.2 GROSS AREAS

GROSS AREAS						
PARKING						
LEVEL P-3	13,000	Sf				
LEVEL P-2	13,000	Sf				
TOTAL PARKING	26,000	Sf				
OFFICE			CORE & SHAFT	TENANT	LOBBY	RETAIL
CONCOURSE	9,800	Sf	2,196	7,604		
LEVEL 1	11,415	Sf	2,240		1,684	7,491
LEVEL 2	11,415	Sf	1,515	9,900		
LEVEL 3	11,415	Sf	1,515	9,900		
LEVEL 4	11,415	Sf	1,515	9,900		
LEVEL 5	11,415	Sf	1,515	9,900		
LEVEL 6	11,415	Sf	1,515	9,900		
LEVEL 7	11,415	Sf	1,515	9,900		
LEVEL 8	11,415	Sf	1,515	9,900		
LEVEL 9	11,415	Sf	1,515	9,900		
LEVEL 10	11,415	Sf	1,515	9,900		
PENTHOUSE	3,000	Sf	3,000			
TOTAL OFFICE	126,950	Sf	21,071	96,704	1,684	7,491

The total square footage of 7550 Wisconsin is 126,950. Deducting the vertical penetrations, elevator shafts, and stair ways gives us 105,879. Then you subtract 7,491 SF of retail space and 1,684 SF for the lobby and you have a total of 96,704 SF occupied by the office tenants.

TABLE 1.3: SUMMARY OF ANALYSIS FOR CLASS A OFFICE BUILDING BETHESDA/CHEVY CHASE

OFFICE "BACK DOOR" APPROACH	
OFFICE RSF	98,388
BASE RENTS	38.67
POTENTIAL GROSS INCOME	4,808,843
VACANCY	10.00%
EFFECTIVE GROSS INCOME	4,327,958
OPERATING EXPENSE RATIO	42.24%
NOI	2,499,707
DEVELOPMENT COSTS	21,706,740
SUPPORTABLE MORTGAGE AMOUNT	33,329,422
CAP RATE	7.50%
ACQUISITION AMOUNT	11,622,682

Next step in the analysis is to determine the parking requirements for the site. Currently there are two floors of underground parking totaling 55 spaces. Again as previously mentioned this analysis assumes that expanding the parking underground will be cost prohibited. The site has a close proximity to the metro and bus transportations therefore the site receives an enormous deduction from the 2.84 spaces per 1000 SF required by code required for suburban office buildings. According to Montgomery County Zoning Code (Section 59-E) vs. Industry Standards, buildings within the CBD receive a total of 15-25% deduction in parking requirements. The 55 spaces that exist within the building are sufficient for the parking requirements. [vii]

Now that the building square footage and parking have been determined; the analysis will begin to determine the total cost of an office building by taking the total square footage and multiplying that by the average rent per square foot. According to the Co-Star report[viii], the average rent for a Class A office building in Bethesda/Chevy Chase is $38.67 SF.

Taking the total square footage and multiplying it by an expected rent per square foot of $38.67 totals $4,574,209 adding this to the 6,700 SF of retail space at $34.00 per foot, and additional revenue through parking and reimbursements totals $4,808,803 of potential gross income (PGI). Subtracting out the vacancy allowance of 10.00% equals $4,327,958 of effective gross income (EGI). Office expense ratios vary depending on the condition of the property. The operating expense ratio of 42% is slightly lower than its competitors. However, this is justified in that the building post construction will be LEED certified creating operating expenses significantly lower than its competitors who were built more than a decade ago. Deducting the operating expenses from the EGI equals a net operating income of $2,499,707.

Taking this NOI and capping with an acceptable market cap rate equals the market value of the building. The cap rate being used is 7.50%. This rate was determined through researching the 2010 1q Korpacz

report[ix]. The Korpacz cap rates represent values of completed and stabilized office buildings in downtown Bethesda. This Cap rate was further justified through conversations with Chip Ryan[x] a managing director at Northmarq in Bethesda. Taking this finished value and subtracting it from the total development costs equals the value of the total allowable acquisitions cost for the existing building 7550 Wisconsin at $11,622,682.

Having determined the maximum supportable acquisition cost of a Class A office building in downtown Bethesda. The next step in the analysis is to compare our findings with market data available through several sources. According to CoStars Office Report for Washington, DC, 1Q 2010 the vacancy rates in Bethesda are on the uptick. Currently the overall vacancy is at 13.00%. This includes all classes of Office A, B, and C. More specifically the vacancy for Class A offices space is 10%. There are no real advantages for 7550 Wisconsin in relation to its competitors. Location and amenities are similar when comparing 7550 Wisconsin to its competitors. Many of the adjacent buildings are experiencing a high vacancy rate. This past quarter we saw a negative absorption rate of (416,886). The negative absorption rate and rising vacancies have driven down the overall rent per square foot from a high of $37.63 in the third quarter of 2008 to $35.07. Currently there are no new plans for development in the pipeline. Ironically CoStar who has provided much of the market data for office in this analysis is moving out of Bethesda to Washington, DC in the fall of 2010.[xi] This will create even higher vacancies in the market in the near future.

TABLE 1.4 SUMMARY OF ANALYSIS FOR FULL SERVICE HOTEL

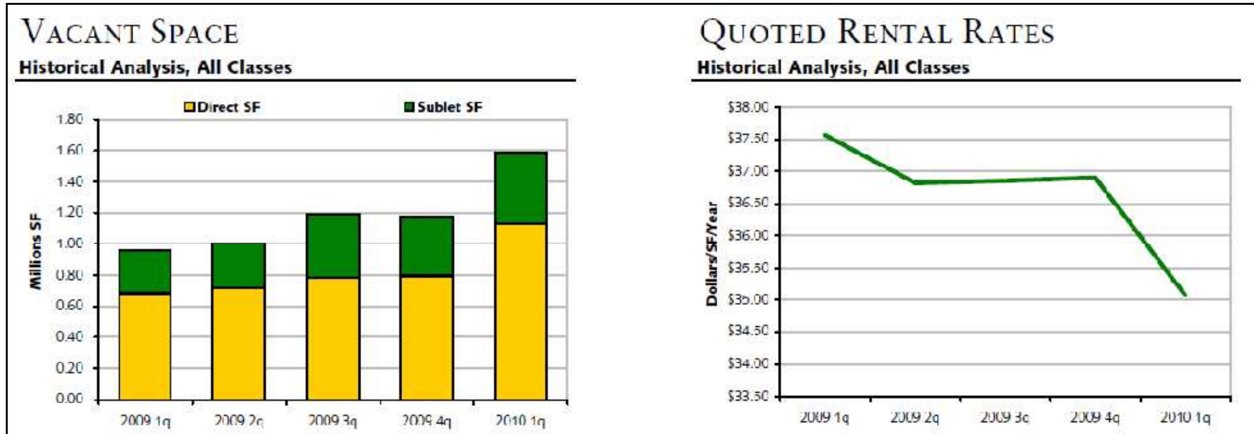
OFFICE ANALYSIS SUMMARY			
GSF	126,491	**Going In Cap Rate**	7.50%
RSF	98,388	**Terminal Cap Rate**	9.50%
PARKING SPACES	55	**Cost of Sale**	3.00%
AVERAGE RENT	38.67	**10 Year Treasury**	3.03%
RETAIL RENT	34.00	**Risk Premium**	6.47%
RETAIL RENTABLE SQ FT.	7,491	**Discount Rate**	9.5%
POTENTIAL GROSS INCOME	4,808,843	**Current Value**	33,329,422
VACANCY	10.00%	**Equity Requirement**	11,665,298
EFFECTIVE GROSS INCOME	4,327,958	**Loan Amount**	21,664,124
OPERATING EXPENSE RATIO	42.24%	**LTV**	65.00%
NOI	2,499,707	**Annual**	1,601,101
DEVELOPMENT COSTS	21,706,740	**Monthly Payment**	133,425
SUPPORTABLE MORTGAGE AMOUNT	33,329,422	**Constant**	1,601,101
CAP RATE	7.50%	**DSCR**	1.50
ACQUISITION AMOUNT	11,622,682	**NPV**	(2,356,640)

Office Summary Takeaways

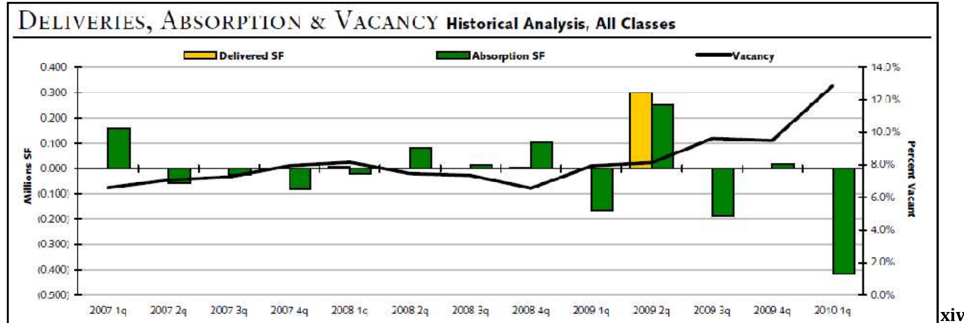
There are five things that are important takeaways for the office analysis.

1. The terms of the loan quoted by Royal Bank of Scotland's (RBS).[xii] Office/Retail uses require and loan to value of (LTV) 60-70%, debt service coverage ratio of 1.25, and sits 230 basis points above the 10 yr treasury. These requirements are met.
2. Vacancy is projected to go down ↓ over the next 5 years to 8.8%.
3. Asking rents are expected to go up ↑ 1.6% over the next 5 years, which is below ↓ expected inflation of 3%.
4. Net operating income is positive in year 3 at $2.5 million.
5. NPV is negative

BETHESDA / CHEVY CHASE OFFICE MARKET OVERVIEW (CoStar Report)



[xiii]



[xiv]

Multifamily Market and Feasibility Analysis

The previous section of the analysis dealt with an office use for the site. Repeating what was mentioned earlier, due to the current zoning of CBD-2 and an FAR of 9.17 the site lends itself to several different uses. The current zoning and FAR will be sufficient for a multifamily project that will have to be retrofitted to the existing building. Talking with several developers in the Washington DC market[xv], all agreed that changing the building from and office to multifamily would be well suited for the site. Changing the current use of the proposed space from office to residential will involve being creative with the existing spaces. The building will consist of 10 floors of rentable space and two underground parking levels. The first floor will consist of retail and a fitness center for residents. The retail space will

total 5,000 SF, and the fitness center will be 1,700 SF, all accessible from the first floor entry. There will be approximately 300SF for the leasing office. In addition, there will be two apartments on the first floor a 1 bedroom, and a studio apartment totaling 1,450SF. The building will boast an efficiency rating of 83%. Each floor (2-10) will have 9,740 SF of rentable living area for a building total of 89,111 SF. Each of the floors will have 960 SF of vertical penetrations, 150 SF for enclosures, and 680 SF of corridor space (5' wide). The unit mix will be 19 efficiencies, 64 one bedroom units, and 27 one bedroom units with dens. The total number of units will be 110 at 7550 Wisconsin. The layout of the building and the proposed market penetration restricted the construction of any 2 and 3 bedroom units. The roof top will be converted into a lounge and meeting area amenity. With open space, plantings, gas log fire pits, chairs, and a water feature.

With the unit mix defined it is important to understand the parking requirements for a 110 unit urban apartment building in Bethesda. Currently, Montgomery County gives deductions in parking requirements if the retail portion of a building is within 1600' of a metro stop or if the residential building is the Central Business District. 7550 Wisconsin qualifies under both requirements for reduced parking. The Montgomery County parking code is as follows, 1.2 spaces for each residential dwelling unit and five parking spaces per 1,000 SF of retail. This leaves us with a total of 157 parking spaces. Viewing the parking plans of several notable DC developers (The Clarett Group and Carr Development) for 7550 Wisconsin Avenue, they have determined that given the buildings access to the metro and being in the CBD that 7550 Wisconsin would qualify for a substantial deduction in parking requirements. Ultimately, the parking requirements would be 99 spaces for both retail and multifamily. Currently the building has 55 spaces. Therefore, an additional 44 spaces will be added through stacked parking (see APPENDIX) which is included in the development costs of the building.

TABLE 1.5 APARTMENT "BACKDOOR" APPROACH

APARTMENT "BACK DOOR" APPROACH	
APARTMENT RSF	89,111
RENTS	2,940,815
POTENTIAL GROSS INCOME	3,141,770
VACANCY	7.00%
EFFECTIVE GROSS INCOME	2,921,847
OPERATING EXPENSE RATIO	37.84%
NOI	1,816,181
DEVELOPMENT COSTS	21,112,302
SUPPORTABLE MORTGAGE AMOUNT	30,269,682
CAP RATE	6.00%
ACQUISITION AMOUNT	9,157,380

The next step in the analysis is to determine the total cost of the asset. Backing into the cost of the acquisition price requires multiplying the total number of units (110) by the average monthly rent per apartment. The average monthly rent is $2,100 (Class A apartments) then multiplying this sum by 12 (number of months) which equals $3,141,770 of potential gross income (PGI). The PGI includes 77 rentable parking spaces at $100 a month ($127,308) and 6,700 SF of first floor retail at $34 SF ($234,634). A vacancy allowance of $219,924 which is 7% of the PGI is subtracted from the PGI. Investigating the vacancy of apartments built post 1999. It was determined through a REIS apartment asset advisor that vacancy fell between 6.3% and 7.8% with vacancy expected to decrease over the next few months due to an increase in population and the limited amount of new product in the market. The next step is to take the effective gross income of $2,921,847 and subtract the operating expenses to arrive at the net operating income. Through conversations with an apartment owner and developer, this analysis has concluded that a conservative operating expense ratio would be 32- 37% of effective gross income (EGI). 37% of the EGI for apartments at 7550 Wisconsin is $1,110,301. Subtracting this from the EGI creates a net operating income (NOI) of $1,816,181. The expense ratio was reviewed and

found to be representative of the current market by Adam Davis a development manager of Foulger Pratt.[xvi]

The next step is to determine what the projected cap rate for apartments is. The Korpacz Investor Survey revealed that in the first quarter of 2010 that Mid Atlantic cap rates ranged anywhere from 5-10%. Drilling down further into the Washington DC market it was determined that apartment buildings were trading anywhere from 5.75% to 7.5%. A conservative cap rate of 6% was chosen. Capping the NOI using a market cap rate of 6% creates a market value of $30,269,682.

The stabilized value of apartments at 7550 Wisconsin is $30,269,682. Subtracting that from the total estimated development costs of $21,112,302 determines the acquisition allowance of $9,157,380. The breakdown of the development costs are found in the appendix.

It is important to note that 7550 Wisconsin will be built to LEED Certified standards with high efficiency windows, green roof, energy efficient mechanical systems and appliances. Recyclable components like carpet, paint, and interior features, as well as an environmentally friendly management program will help mitigate operational costs and environmental impact. This will reduce operating expenses and create more value in the future for the project because lower expenses will create a higher NOI.

TABLE 1.6 SUMMARY OF ANALYSIS FOR APARTMENTS

APARTMENT ANALYSIS SUMMARY			
GSF	126,491	**Going In Cap Rate**	6.00%
AVG PRICE PER UNIT PER MONTH	2,100	**Terminal Cap Rate**	7.00%
NUMBER OF UNITS	110	**Cost of Sale**	3.00%
PARKING SPACES	99	**10 Year Treasury**	3.03%
RETAIL RENT	34	**Risk Premium**	5.88%
RETAIL RENTABLE SQ FT.	6,700	**Discount Rate**	9%
POTENTIAL GROSS INCOME	3,141,770	**Current Value**	30,269,682
STABILIZED OCCUPANCY	93.00%	**Equity Requirement**	9,080,905
EFFECTIVE GROSS INCOME	2,921,847	**Loan Amount**	21,188,778
OPERATING EXPENSE RATIO	37.84%	**LTV**	70.00%
NOI	1,816,181	**Annual**	1,490,857
DEVELOPMENT COSTS	21,112,302	**Monthly Payment**	124,238
SUPPORTABLE MORTGAGE AMOUNT	30,269,682	**Constant**	1,490,857
CAP RATE	6.00%	**DSCR**	1.19
ACQUISITION AMOUNT	9,157,380	**NPV**	(494,994)

Apartment Summary Takeaways

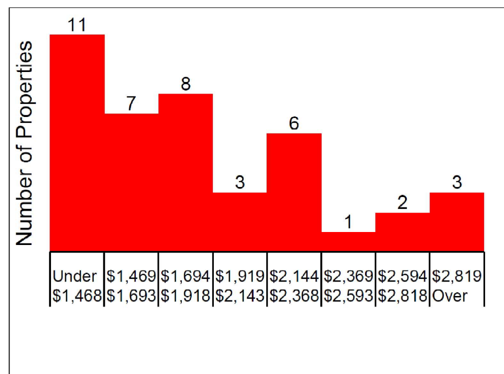
There are five important takeaways to identify from the analysis.

1. The terms of the loan quoted by Royal Bank of Scotland's (RBS).[xvii] Apartment/retail uses require and loan to value (LTV) 70-75%, debt service coverage ratio of 1.20, and sits 200 basis points above the 10 yr treasury. These requirements are met.
2. Vacancy is projected to go down ↓ over the next 5 years.
3. Asking rents are expected to go up ↑ 3.5% over the next 5 years, which is above expected inflation of 3%.
4. Net operating income is positive year 3 at $1.8 million.
5. NPV is negative

BETHESDA / CHEVY CHASE APARTMENT MARKET OVERVIEW (REIS Report)

Asking Rent Distribution

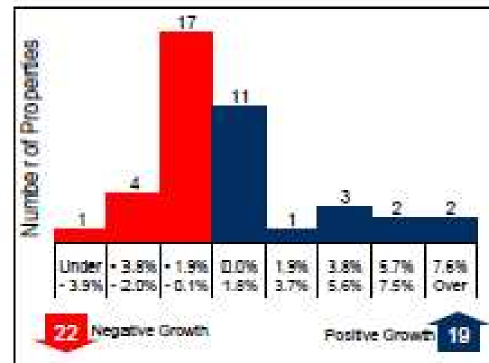
Low	25%	Mean	Median	75%	High
$1,243	$1,672	$1,866	$1,903	$2,325	$3,044



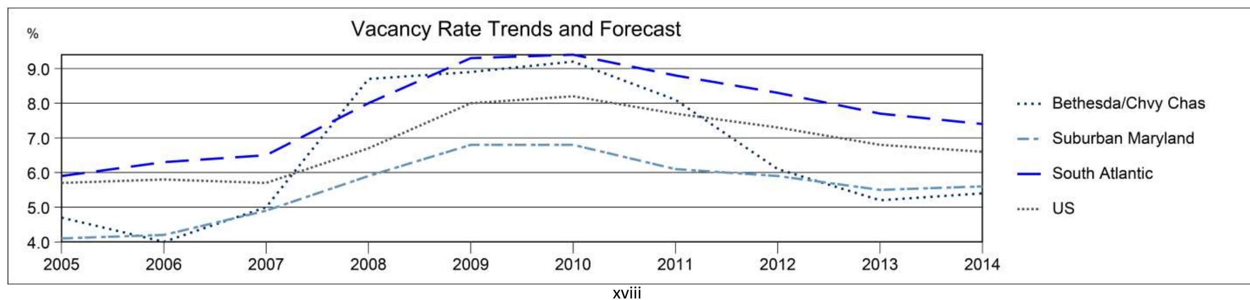
As of 03/31/10

Asking Rent Growth Rate Distribution

Low	25%	Mean	Median	75%	High
- 4.8%	- 1.2%	1.1%	- 0.2%	1.7%	10.1%



Qtr Ending 03/31/10



[xviii]

Hotel Market and Feasibility Analysis

The hotel industry has a variety of different hotel classification systems. These systems are used to define the type of product and service expected by the consumer. A general understanding of the different types of hotel products that exist is necessary in choosing the appropriate hotel for the site. Classification is based on many criteria, and classifying hotels into different types is not an easy task. The hotel industry is so vast that many hotels do not fit into a single well defined category. The Industry can be classified in various ways, based on location, size of property etc. [xix]

Based on location

- **City center**: Generally located in the heart of city within a short distance from business center, shopping arcade. Rates are normally high due to their location advantages. They have high traffic on weekdays and the occupancy is generally high.[xx]
- **Motels:** They are located primarily on highways, they provide lodging to highway travelers and also provide ample parking space. The length of stay is usually overnight.[xxi]
- **Suburban hotels**: They are located in suburban areas, it generally have high traffic on weekend. It is ideal for budget travelers. In this type of hotel rates are moderately low.[xxii]
- **Airport hotels**: These hotels are set up near by the airport. They have transit guest who stay over between flights.[xxiii]
- **Resort hotels**: They are also termed as health resort or beach hill resort and so depending on their position and location. They cater a person who wants to relax, enjoy themselves at hill station. Most resort work to full capacity during peak season. Sales and revenue fluctuate from season to season.[xxiv]

Based on size

- **Small hotel:** hotel with 100 rooms and less may be termed as small hotels.[xxv]
- **Medium sized hotel**: hotel which has 100-300 rooms is known as medium sized hotel.[xxvi]
- **Large hotels**: hotel which have more than 300 rooms are termed as large hotels.[xxvii]
- **Mega hotels**: are those hotels with more than 1000 rooms.[xxviii]

Based on level of service

- **Economy/ Budget hotels**: These hotels meet the basic need of the guest by providing comfortable and clean room for a comfortable stay.[xxix]
- **Mid market hotels**: It is suite hotel that offers small living room with appropriate furniture and small bed room with king sized bed.[xxx]
- **Luxury hotels**: These offer world class service providing restaurant and lounges, concierge service, meeting rooms, dining facilities. Bath linen is provided to the guest and is replaced accordingly. These guest rooms contain furnishings, artwork etc.[xxxi]

Based on theme

- **Heritage hotel**: In this hotel a guest is graciously welcomed, offered room that have their own history, serve traditional cuisine and are entertained by folk artist. These hotels put their best efforts to give the glimpse of their region.[xxxii]
- **Ecotels**: these are environment friendly hotels these hotel use eco friendly items in the room.[xxxiii]
- **Boutique hotels**: This hotel provides exceptional accommodation, furniture in a themed and stylish manner and caters to corporate travelers.[xxxiv]
- **Spas**: is a resort which provide therapeutic bath and massage along with other features. [xxxv]

TABLE 1.7 HOTEL BRANDS WITHIN THE SMITH TRAVEL RESEARCH CHAIN SCALE

Luxury	Upper Upscale	Upscale
Four Seasons	Doubletree	Aloft
Parky Hyatt	Embassy Suites	Courtyard
Inter-contiental	Hilton	Crowne Plaza
Ritz Carlton	Hyatt	Four Points
W Hotel	Kimpton	Hilton Garden Inn
	Marriott	Radisson
	Shearton	Residence Inn
	Westin	Wyndham
Midscale with F&B	**Midscale without F&B**	**Economy**
Best Western	Comfort Inn	Days Inn
Clarion	Fairfield Inn	Motel 6
Holiday Inn	Hampton Inn	Red Roof Inn
Quality Inn	La Quinta Inn	Travelodge
Ramada		

[xxxvi]

Hotels are defined as either full-service or limited-service. Full-service hotels according to Smith Travel Research (STR) are “generally mid-price, upscale, or luxury hotels with a restaurant, lounge facilities and meeting spaces as well as minimum service levels often including bell service and room service.” STR describes Limited -service as the following, “have rooms-only operations, (i.e. without food and beverage service) offer a bedroom and bathroom for the night, but very few other services and amenities. These hotels are often in the budget or economy group and do not report food and beverage revenue.”[xxxvii]

There are a few other categories of hotel classes that are not defined by STR. The first is “select-service” these hotels offer a hybrid of services that fall in between full-service and limited-service. Their food and beverage is limited and many of these hotels have small meeting areas and break out space. The second hotel class not represented in STR’s report is the “suites” or extended stay hotels that offer

larger rooms with kitchens for those looking to stay for more than a week. Below in table 1.8 are a list of examples from the different types of service hotels.

TABLE 1.8 HOTEL BRANDS BY SERVICE TYPE

Full - Service	Select-Service	Extended-Stay	Limited Service
Four Seasons	Aloft	Embassy Suites	Days Inn
Ritz Carlton	Courtyard	Residence Inn	Motel 6
W Hotel	Four Points		Red Roof Inn
Haytt	Hilton Garden Inn		Travelodge
Kimpton	Hyatt Place		Comfort Inn
Marriott			Fairfield Inn
Westin			Hampton Inn

xxxviii

Now that we have a better understanding of the hotel classes we can analyze what's existing in the Bethesda Market. Taking a competitive set of hotels from an STR report we see that currently the hotel choices for consumers is limited.

TABLE 1.9 SMITH TRAVEL RESEARCH COMPETITIVE SET

	Name of Establishment	City & State	Zip Code	Aff Date	Open Date	Rooms
27603	Embassy Suites Washington DC @ Chevy Chase	Washington, DC	20015	Oct 1990	Oct 1990	198
59353	Hilton Garden Inn Bethesda	Bethesda, MD	20814	Oct 2009	Oct 2009	216
22130	Residence Inn Bethesda Downtown	Bethesda, MD	20814	Apr 1991	Nov 1986	187
5792	Hyatt Regency Bethesda Metro Center	Bethesda, MD	20814	Nov 1985	Nov 1985	390
261	Courtyard Chevy Chase	Chevy Chase, MD	20815	Jul 2009	Jan 1971	226
27556	Marriott Bethesda Suites	Bethesda, MD	20817	Mar 1990	Mar 1990	272
			Total Properties:		6	1489

xxxix

Categorizing the hotels listed above it appears that there are four full-service hotels, one select-service, and one extended stay hotel. This proposal will evaluate the possibility of developing a boutique hotel for the site for two reasons. First there is nothing like a boutique hotel in the market. Over the past 5 to 10 years the Bethesda/Chevy Chase area has become well known for its high end shopping, restaurants, open air markets, arts, and other amenities that are associated with clientele that stay in boutique hotels. Secondly, the site is located in downtown Bethesda where the highest and best use for

any asset will be a “Class A” project. The previous assets that were analyzed were Class A office and Class A multifamily. It will be important for the purposes of this study to choose a hotel that is considered Class A. Therefore, it has been determined that the hotel type that would be the highest and best use for this site would be a full-service “boutique hotel”.

Lucienne Anhar of HVS International defines a boutique hotels as “a term popularized in North America and the United Kingdom to describe intimate, usually luxurious or quirky hotel environments. Boutique hotels differentiate themselves from larger chain/branded hotels and motels by providing personalized accommodation and services / facilities. Sometimes known as "design hotels" or "lifestyle hotels", boutique hotels began appearing in the 1980s in major cities like London, New York, and San Francisco. Typically boutique hotels are furnished in a themed, stylish and/or inspirational manner. They usually are considerably smaller than mainstream hotels, often ranging from 3 to 50 guest rooms. Boutique hotels are always individual and are therefore extremely unlikely to be found amongst the homogeneity of large chain hotel groups. Guest rooms and suites may be fitted with telephony and Wi-Fi Internet, air-conditioning, honesty bars and often cable/pay TV, but equally may have none of these, focusing on quiet and comfort rather than gadgetry. Guest services are often attended to by 24-hour hotel staff. Many boutique hotels have on-site dining facilities, and the majority offer bars and lounges that may also be open to the general public.”[xl]

Amenities in boutique hotels range from restaurants and bars, spa, fitness areas, small meeting spaces, and sometimes pools. Their services include bell service, concierge service, and 24 – hour room service.

The first step in analyzing a boutique hotel for the proposed site is to determine how many “keys” the site will allow. Continuing with the same scenario proposed for the multifamily project it’s assumed that the hotels gross square footage is 126,941 SF subtracting out the core areas the total rentable square footage area is 89,111. It is also assumed that the same corridor space, vertical penetrations, and

stairwells given the size and shape of the building. Parking and first floor layouts for floors 2-9 are discussed in detail below.

The building will be vertically stacked as follows: Two floors of underground parking, a ground floor with 2,000 SF of conference room and break out space, 4,300 SF for a restaurant and bar area, as well as a 2,500 SF for an open lobby housing the concierges and receptionists desks, seating area for Wi-Fi, and open group tables. The bar and restaurant will be open to this area allowing for food and beverage service. The building currently has three elevators. For the purposes of the hotel two elevators will be used for guest convenience, and the third will be used by house cleaning and restaurant staff providing food and services throughout the building. Each floor will have 960 SF of vertical penetrations, 150 SF for enclosures, and 680 SF of corridor space (5' wide).

Floors two through nine will be have the same amount of vertical penetrations, enclosures, and corridor space as mentioned above. Each floor will consist of 16 guest rooms for a total of 128 "keys". Each floor will have 11,530 SF. After you subtract the unusable space the total usable area will be 9,740 SF. Dividing this by 16 guest rooms per floor gives us a room average of 608 SF.

Now that we have determined the number of rooms in our hotel and the total amount of retail and restaurant space it is imperative that we make sure the current buildings parking is sufficient. The current parking requirements in Montgomery County for urban hotels within the CBD are as follows, ½ space for each guest room and 10 spaces per 1,000 SF of conference/ball room. In addition, the restaurant and bar which will be open to the public and will require 40 parking spaces. The total number of parking spaces will be 124. Currently there are only 55 parking spaces at 7550 Wisconsin. The hotel will plan on doubling its capacity to 99 parking spaces using a lift system (a detail on this system is found in the appendix).

The additional parking spaces will be purchased through colonial parking. Colonial parking operates more than 175 parking garages throughout the Washington Metropolitan area. Both the Chevy Chase Bank building directly east of 7550 Wisconsin and Bethesda Metro Center directly south have parking garages that operate during peak working hours (7am-5pm). The hotel would need these spaces for the restaurant which is considered to have its peek business hours in the evening (5pm-11pm). Given this scenario there wouldn't be any conflict with times of peak operation. It is proposed that the additional spaces if required by the county would be shared with the adjacent buildings that have parking garages underused during peak evening hours. Here is a brief description of Montgomery Counties shared parking policy "shared parking is usually an intrinsic part of downtown settings where there is public parking because the same parking facility serves many different destinations within walking distance (promoting public rather than private parking facilities is covered further under ("fees-in-lieu"). Shared parking is also effective in mixed use developments, either when there is a mix of uses on a single site or when sites with different uses are located suitably close together.[xli] One example of this is an office building sharing parking with a restaurant or Movie Theater, since most of the office workers (and their cars) will be gone in the evenings when there is the most demand for parking from the restaurant or theater. Montgomery County requires that there be more than two uses within a building and that the building be within 500 ft of the parking garage. Both of these requirements are met with 7550 Wisconsin.

Hotels depend on having amenities that attract customers to their facility. It is assumed that the 10th floor be used for a work out facility that overlooks the city to the south as well as a closed in area for the mechanical and maintenance rooms. In addition, this area will be impeded from above by the roof top swimming pool. The roof top will consist of a bar, pool, hot tub and lounge area with a gas log fire pit.

TABLE 1.10 FULL SERVICE HOTEL "BACKDOOR" APPROACH

HOTEL "BACK DOOR" APPROACH	
HOTEL RSF	89,111
AVERAGE DAILY RATE	239
POTENTIAL GROSS INCOME	8,803,253
VACANCY (*INCLUDED IN ADR*)	
EFFECTIVE GROSS INCOME	8,803,253
OPERATING EXPENSE RATIO	65%
NOI	2,772,205
DEVELOPMENT COSTS	23,519,873
SUPPORTABLE MORTGAGE AMOUNT	32,614,172
CAP RATE	8.50%
ACQUISITION AMOUNT	9,094,298

The next step in the analysis is to determine the total cost of the asset. Backing into the cost of the acquisition price will require the total number of room nights available if every room were sold 365 nights a year. The total number of room nights would be 46,720 rooms per year. Multiplying this by an occupancy rate of 75% (the five year average for Bethesda/Chevy Chase is 75.20%)[xlii] at stabilization yields total rooms occupied per year of 35,040. Then multiply 35,040 by the average daily rate (ADR) of a room which at stabilization is projected to be $239 per night. This is based off of market research through Smith Travel Research STR and Washington DC asset managers Shawn Smith Asset Manager at JBG[xliii] and Chris Ostapovicz Vice President of Asset Management of the Eastern Region at Host Hotels and Resorts.[xliv]

Multiplying the total rooms occupied by the projected ADR we get $8,364,136. Adding in parking and food and beverage we arrive at an effective gross income (EGI) of $8,808,253. It is important to note

that occupancy was included in the determination of the total rooms occupied per year therefore; it will not be necessary to subtract the vacancy from the PGI to arrive at our EGI.

Full-service hotels run higher operating expense ratios than select-service, and limited-service hotels.[xlv] Generally, a full-service hotel will run an operating expense ratio of 65-70%. Based on this data it has been assumed that 65% is reasonable for total operating expenses. The subject hotel will be LEED certified and operate at a lower percentage rate than its competitors. Subtracting a 65% operating expense ratio from the EGI will determine the net operating income (NOI) to be $2,772,205. Greg Fang Senior Analyst at Host Hotels and Resorts has reviewed and verified the operating expense ratio numbers to be accurate for a full service hotel.[xlvi]

The next step is to determine what the projected cap rate for hotel/lodging is. Using the Korpacz Investor Survey it was determined that in 1Q 2010 that Mid Atlantic cap rates for full-service hotels ranged anywhere from 6-14% with an average of 10.08%.[xlvii] Local area research revealed that current assets are trading at 8-10%. A cap rate of 8.50% was chosen. Capping the NOI with an 8.50% cap rate we now have a supportable value of $32,614,172. Subtracting this from the development costs of $23,324,022 we have an acquisition cost of $9,094,298.

TABLE 1.11 SUMMARY OF ANALYSIS FOR FULL SERVICE HOTEL

FULL SERVICE HOTEL ANALYSIS SUMMARY			
GSF	126,491	**Going In Cap Rate**	8.50%
RSF	89,111	**Terminal Cap Rate**	9.50%
TOTAL KEYS	128	**Cost of Sale**	3.00%
ROOMS AVAILABLE	46,720	**10 Year Treasury**	3.03%
ROOMS OCCUPIED	35,040	**Risk Premium**	10.00%
PARKING SPACES	99	**Discount Rate**	13.03%
ADR	239	**Current Value**	32,614,172
OCC	75%	**Equity Requirement**	13,045,669
EFFECTIVE GROSS INCOME	8803252.719	**Loan Amount**	19,568,503
OPERATING EXPENSE RATIO	64.67%	**LTV**	60.00%
NOI	2,772,205	**Annual**	1,517,271
DEVELOPMENT COSTS	23,519,873	**Monthly Payment**	126,439
SUPPORTABLE MORTGAGE AMOUNT	32,614,172	**Constant**	1,517,271
CAP RATE	8.50%	**DSCR**	1.83
ACQUISITION AMOUNT	9,094,298	**NPV**	287,347

Hotel Summary Takeaways

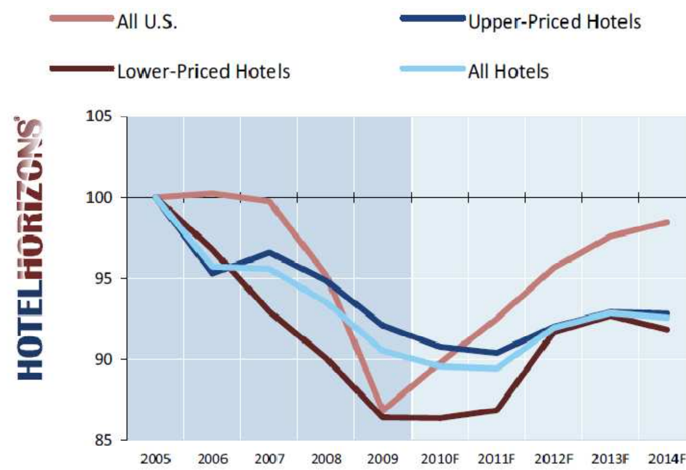
There are five important takeaways to identify from the analysis.

1. The terms of the loan quoted by Royal Bank of Scotland's (RBS).[xlviii] Hotel uses require a loan to value (LTV) 50-60%, debt service coverage ratio of 1.30, and sits 300 basis points above the 10 yr treasury. These requirements are met.
2. Vacancy is projected to go down ↓ over the next 5 years.
3. Asking rents are expected to go up ↑ 3.5% over the next 5 years, which is above expected inflation of 3%.
4. Net operating income is positive year 3 at $1.8 million.
5. NPV is positive

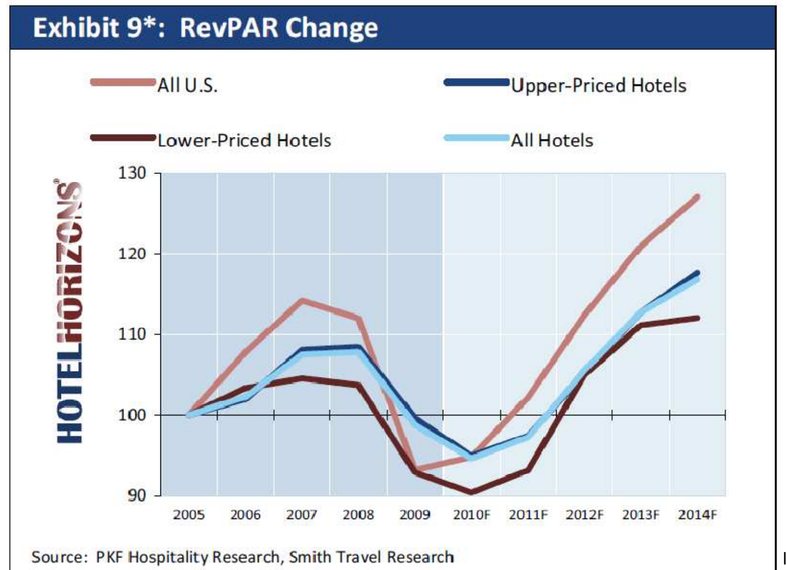
Exhibit 8*: ADR Change

Source: PKF Hospitality Research, Smith Travel Research

Exhibit 7*: Occupancy Change



Source: PKF Hospitality Research, Smith Travel Research



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Summary of Market and Feasibility Analysis

The analysis has now been completed for three uses; below is a summary describing why the hotel use is the highest and best use for the site. Multifamily has the lowest stabilized NOI and cost the least to build. However it's IRR is heavily weighted on the sale. Another negative aspect of developing apartments is that it has a negative NPV. Office generates the second highest NOI and is also second in cost to build. Similar to an apartment use the offices internal rate of return is heavily weighted on the sale of the asset. This is because of its hit to cash flow in the first year when it's still leasing up and in year 8 when major tenant improvements, tenant roll over, and leasing commissions are necessary. The full service hotel is the most expensive to build primarily because of its amenities and fully furnished rooms. It has the highest NOI even with an operating cost 25% higher than office and 38% higher than apartments. The great news about a full-service hotel is that it has a strong IRR and when partitioned its evident that the hotels cash flow is considerably higher than office and apartment uses. The most notable is the NPV of the asset. The hotels NPV is $287,347 which is significantly higher than both office and apartments, but most importantly the NPV is positive and the other two uses are negative. The NPV is based off the series of cash flows with a discount rate bringing those cash flows to a current value.

The discount rates were chose using the 10 year treasury plus a risk premium. The discount rates were as follows office 9.50%, apartments 9%, and hotels at 13%. Based on this analysis we've determined that a full service hotel is most likely to succeed in the acquisition of the site.

TABLE 1.12 SUMMARIES OF PROPSED USES

	USES		
	OFFICE	**MULTIFAMILY**	**FULL SERVICE HOTEL**
STABILIZED NOI	2,499,707	1,816,181	2,772,205
ASSET COST	21,706,740	21,112,302	23,519,873
MARKET CAP RATE	7.50%	6.00%	8.50%
DISCOUNT RATE	9.50%	9%	13%
MARKET VALUE	33,329,422	30,269,682	32,614,172
ACQUISITION VALUE	11,622,682	9,157,380	9,094,298
IRR	6.64%	8.22%	13.41%
SALE	72.25%	80.94%	45.53%
CASH FLOW	27.75%	19.06%	54.47%
NPV	(2,356,640)	(494,994)	287,347

ZONING AND BUILDING DESIGN

The highest and best use for the current site is a boutique full-service hotel. This proposal is for the redevelopment of an existing class C retail and office buildings into a 128-room boutique, “lifestyle” brand hotel. The property subject to the proposal consists of one tax parcel HN22, N294, Lot P11, all of which will be acquired through the acquisition of 7550 Wisconsin. These lots will be consolidated into one parcel totaling 13,860 square feet, which provides an adequate footprint for a hotel. The parcel is zoned CBD-2. The hotel use is consistent with the Bethesda Master Plan and both of the zoning regulations; however, the density of the 126,000 square foot hotel exceeds the density limitations standard development method permitted pursuant to the CBD-2 zoning district. The lot lines and set backs will stay the same and parking will remain underground.

Master Plan Analysis

Our development is located within Montgomery County’s South Central Transit Corridor and the Sector Plan for the Bethesda Central Business District, as amended by the Woodmont Triangle Amendment.

Woodmont Triangle Background

The Woodmont Triangle Amendment is a comprehensive examination of land use, housing to serve a variety of income levels, retail revitalization, enhancement of the Arts and Entertainment District, streets, and public amenities. The amendment covers the Woodmont Triangle Study Area located south of the National Institutes of Health, west of Wisconsin Avenue, and east of Old Georgetown Road.

The Woodmont Triangle Amendment was implemented in 2006 after it was determined that the 1994 Sector Plan for the Bethesda CBD inhibited development in the Woodmont Triangle.

The 1994 Sector Plan for Woodmont Triangle had the following objectives:

1) Preserve the predominantly low-density and low-scale character of the district
2) Provide additional housing particularly in the north end of the district.
3) Support a diverse specialty retail and restaurant environment to serve the community, including sidewalk cafes and dispersed parking.
4) Improve the pedestrian environment with upgraded streetscape including street trees and green open spaces.

Limited by the onerous height restrictions in the Woodmont Triangle, development began to concentrate south of the Triangle closer to the Metro Station. As a result of the inhibited development, developers located retail and housing south of Woodmont Triangle, leaving the area in a state of decline state.

The 2006 Amendment to the Bethesda Central Business District Sector Plan recommended higher FARs and building heights as well as encouraged redevelopment to provide housing while retaining the retail and restaurants in the neighborhood. To accommodate the changes, a zoning text amendment was initiated which reduced the minimum lot size requirement and permitted transfers of density. The Planning Commission adopted the proposed amendment and the Plan serves as the official amendment to the General Plan for the Woodmont Triangle section of Montgomery County.

The proposed hotel development is consistent with the master plan because it incorporates ground floor retail and a restaurant which will contribute additional amenities to the residents in the neighborhood. A new hotel will add tax revenue by providing a destination for guests to come to and contribute to the vision set forth. This development will bring vitality back to a declining area that contrasts with new developments and the street level retail that residents of the Bethesda Central Business District enjoy.

Required Zoning Information

Description: Redevelopment of an existing class C office buildings into a 128-room boutique, "lifestyle" brand hotel.

Public Benefit: The proposed hotel development is consistent with the master plan because it incorporates ground floor retail and a restaurant which will contribute additional amenities to the residents in the neighborhood. A new hotel will add tax revenue by providing a destination for guests to come to and contribute to the vision set forth. This development will bring vitality back to a declining area that contrasts with new developments and the street level retail that residents of the Bethesda Central Business District enjoy.

Height Restrictions: The total floor space of the building will be 126,000 square feet on the 13,860 square foot lot equates to a 9.17 FAR versus the standard development method limitation of 1.0 and a

maximum FAR of 5.0. Based on its current FAR allowance the redevelopment will not exceed the current FAR. Therefore, the proposed use does not exceed the height restrictions.

Woodmont Triangle in the downtown district of Bethesda is zoned CBD-2. This zoning allows for a Hotel development at an FAR of 3. This project is not considered new construction and the current FAR will transfer with the sale of the property. Its allowable uses are commercial, residential, retail, hospitality. We are building this hotel within compliance with code by keeping the FAR the same and providing adequate parking for our project and the public. Also there is restaurant space to help provide a mixed use adaptation of the site.

TABLE 1.13:PROJECT PLAN

PROJECT PLAN	
PROJECT NAME	**BOUTIQUE HOTELS LLC. / HOTEL INDIGO**
MAP PAGE	**HN 22**
LEGAL LOTS	**P11**
SUBDIVISION NUMBER	**049**
ZONE	**CBD-2**
MIN. LOT AREA*	**18,000 SF**
CURRENT FAR	**9.17**
PROPOSED FAR	**9.17**
MAX. LOT COVERAGE	**75%**
MIN. PUBLIC USE**	**20%**
MAX. HEIGHT	**143’**
RIGHT OF WAY***	**1’ FOR EVERY 6’ BY WHICH THE HEIGHT OF THE BUILDING EXCEEDS 30’**
ADJOINING LOTS	**15’**
Assumes Optional Method of Development** * A payment instead of required public space is optional pending approval under Division 59-D-2** ***** Required setback for proposed project is 17’, based on a building height of 120’**	

PRELIMINARY SITE PLAN AND BUILDING DESIGN

The building design and layout is described below.

Orientation: The site has great visibility from Wisconsin Ave, Old Georgetown Rd, and the Bethesda Metro station. The footprint of the building will remain the same. There will be no additional stories built on top of the existing structure.

Façade: The building will be completely stripped of its current skin and replaced with a combination of brick, steel, and glass. The entrance to the hotel will have a covered walkway leading up from Wisconsin Ave. All loading and parking will be accessed from Commerce Lane directly north of 7550 Wisconsin. Large self contained planters will line the perimeter of the building allowing for plants and trees to be part of the atmosphere.

Height: the building height will remain the same. The typical ceiling height will remain 8'.

Interior: Rooms will average 608 gross square feet. The first floor will include a restaurant, bar, lounge, and meeting space.

Figure 1: Building Footprint

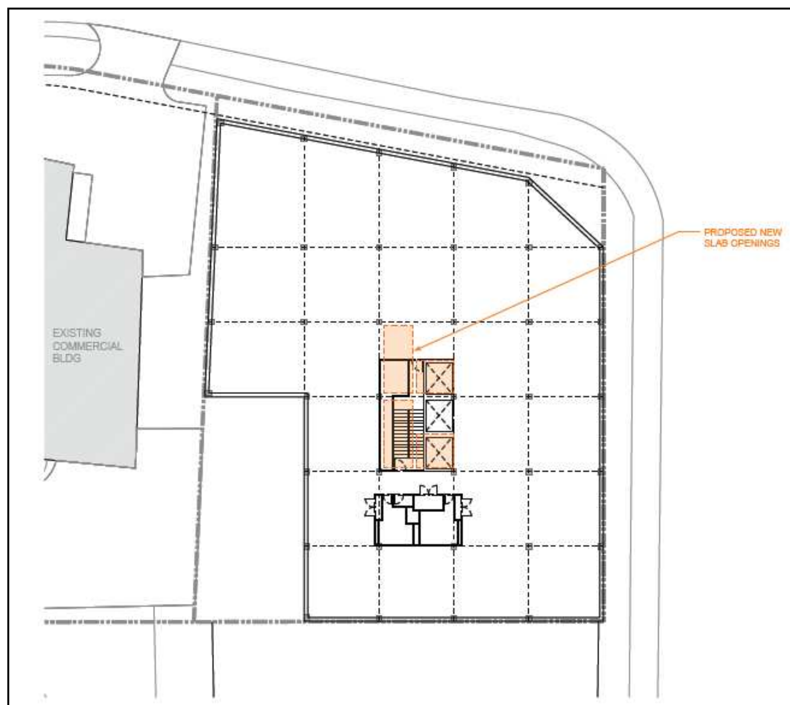

Figure 2: Exterior / Facade

Figure 3: Typical Room Layout

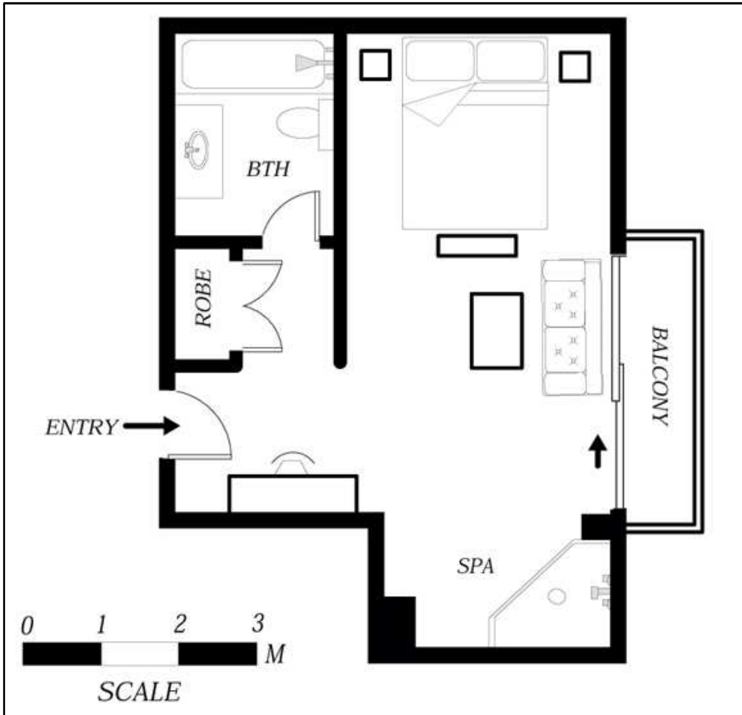

Figure 4: Room Pictures

Figure 5: Lobby

Figure 6: Restaurant - Bar

Figure 7: Pool

DEVELOPMENT ANALYSIS

Development Costs

This analysis covers a detailed description of the line items on Appendix I, "Development Cost Analysis". Each line item is described and supported in detail.

Site Acquisition Costs

Existing Site: It has been determined that the total supportable acquisition cost of the proposed site is $9,094,298. This does not include any additional costs that are associated with purchasing the property. The acquisition cost covers the fee simple property located at 7550 Wisconsin Avenue.

Hard Costs

Building Construction: The total building construction costs are estimated to be $13.7 million dollars or $127 per square foot. The total construction costs, including soft costs are $185. Parking costs are estimated to be $3 per square foot. Included in this is the hydraulic lift system for parking spaces as well as resurfacing, refinishing, and the installation of new doors in the parking garage. The general contractor's fee and the general conditions for the job are estimated at 4%. The contingency built into the budget to cover project cost overruns is at 5%. The total cost for building construction is $16 million dollars including parking renovations. An estimate through RS means for a 10+ story hotel in Bethesda, Maryland is $181 per square foot. These numbers were confirmed by an estimate through several developers in the Washington, DC metropolitan area who competitively bid these jobs.[lii] It is important to note that this is a replacement cost estimate. However, 7550 Wisconsin is a redevelopment with many of the necessary components already existing in the structure. Steel, concrete, excavation, foundations are all ready in place. Therefore it is hard to compare an RS means estimate for new construction to a redevelopment project. This analysis recognizes that renovations harbor unknown problems for the developer and GC. These problems are usually discovered once construction has begun. For this reason we have accepted the replacement cost estimate as a legitimate reflection of actually development cost for 7550 Wisconsin.

Furniture Fixtures and Equipment (FF&E): These costs are divided up in to seven categories: guestrooms, public areas, kitchen equipment, laundry equipment, fitness equipment, and information technology. The total cost per guest room is 4,598 per key this includes a bed frame, desk, bureau, two chairs, bed side table, mini bar refrigerator, light fixture, television, and safe. The corridor costs are estimated to be $125,000. The areas account for $275,000 which include decorations, common area tables and chairs in lobby, televisions in lobby, pool equipment, business center and meeting space furniture. The kitchen equipment is projected to be $150,000 and includes both the restaurant and roof top bar equipment. Laundry equipment is estimated to cost $50,000. The fitness equipment which will be on the 10th floor is $65,000 and will include treadmills, free weights, nautilus machines, TVs, and a sauna. Information Technology consists of wiring CAT 5 cable throughout, all necessary Wi-Fi stations, telephone system, and hotel computer system. A 3% purchasing fee is added to the total cost. The total cost for FF&E is $12,058 per key. An asset manager for JBG has reviewed the FF&E costs and considers them consistent with current development costs in the Washington, DC metropolitan area.[liii]

Operating Supplies and Equipment OS&E: OS&E consists of three categories; guestrooms, public areas and back of the house, and food and beverage. Guestroom room OS&E totals $2,148 per key and includes linens, pillows, mattress, towels, soap, shampoo, lotion, and everything else needed to stock the hotel for its guests. Public areas and back of the house OS&E totals $225,000. The items included in the OS&E for the back of the house are uniforms, cleaning supplies, and office equipment. Food and beverage totals $50,000 and includes everything needed to stock the kitchen and pantry shelves, dinnerware, menus for the restaurant and rooms. An asset manager for JBG has reviewed the OS&E costs and considers them consistent with current development costs in the Washington, DC metropolitan area.[liv]

Soft Costs

Fees and services: The first line item for fees and services is a formal market study for $15,000. Details of the market study are found on page 41 under the Development Timeline. Architects and Engineers account for $365,000. Testing, inspectors, and appraisals is $38,550. This includes testing of existing column and foundation concrete, third party bank inspectors, and final appraisal for permanent financing. Builders risk is a necessary part of development and is found in soft costs. General liability insurance is found under the general conditions under hard costs. Legal and accounting fees are $102,000. Municipality fees and utility fees are $25,000, and permitting is $30,000.

Project Management: The developer will be included in the equity partnership of the proposed project. In addition the developer will collect a fee of 3.5% or $799,704 and a salary of $200,000 with travel and expenses budget for $25,000.

Other Soft Costs: Included in this category are property taxes, construction loan interest, loan fees, developer equity carrying costs, marketing and pre-opening expenses, and the project contingency. Construction loan interest is 9% and is drawn out over a twelve month period. Loan fees are 1% of the construction loan and developer carrying costs are 9.5% divided amongst the investors as a percentage of total funds invested. Marketing and pre-opening expenses totals $250,000. The project contingency is $650,000 which is just over 2.5% of the total development costs. The total for the other soft cost category is $3.6 million dollars or $28.00 per key.

Summary of Development Costs

The total development cost is $32.6 million dollars or $254,798 per key. Acquisition cost for the site is at $9 million or $71,000 per key and represents 27.88% of the total development cost. Hard costs are $18.2 million dollars or $142,359 per key and represents 55.87% of the total development cost. Soft costs are$5.8 million dollars or $41,390 per key representing 16.24% of the total development cost.

FINANCIAL ANALYSIS

The development estimates are an important part of determining operational costs and total value of hotel over a 10 year period. The discounted cash flow (DCF) makes assumptions for the average daily rate (ADR), expenses, and occupancy to arrive at projected net operating income (NOI). The NOI determines the value at the end of the 10 year hold by capping the 11th year NOI and adding in the 10th years NOI to get the projected sales price in year 10. A detailed description in APPENDIX II "Discounted Cash Flow Analysis" and APPENDIX III "Stabilized Income Analysis" elaborate on these assumptions. Details are found in the description below.

Average Daily Rate (ADR): The average daily rate is the expected average rate per room over the course of an entire year. The ADR is projected to be $225 in year 1, and $239 in year three the chosen year for stabilization. ADR is expected to escalate at 3% per year. The ADR for year 1 (2013) is higher than the expected ADR for the Bethesda/Chevy Chase market.[lv] However, the market is currently in decline but, growth is expected over the next several years. "ADR growth expectations are increasing, positive 0.7% vs. the past 4 quarters' rate of negative 9.7% however, they are below the long run average of positive 3.2%."[lvi] ADR is expected to grow at 2.9% in 2011, 5.6% in 2012, 5.7% in 2013, and 4.0% in 2014.[lvii] For the purposes of the analysis the escalation was kept conservatively at 3% as mentioned earlier.

Occupancy: The occupancy is projected to be 69% in year 1. As the asset stabilizes occupancy is projected to increase to 74% in year 2. Once the asset reaches stabilization it is projected to maintain occupancy at 75%. Again this is based off of a 5 year average for the Bethesda/Chevy Chase market. This information was provided through the Smith Travel Research Global competitive set.

Revenue Per Available Room (RevPar): RevPar is an important metric when analyzing hotel performance. To find RevPar you simply multiply Occupancy by the Average Daily Rate (ADR).

Revenue: Rooms revenue is found by multiplying the ADR by the total number of rooms occupied for the year. Food and beverage is determined by multiplying the room revenue by 2.75%. Parking revenue is found by estimating that 45 of the 99 spaces will be metered at $12 per day. The other 54 spaces are an amenity for guests. Other income is through miscellaneous sales (outsourced dry cleaning, guest laundry, and hotel gift shop sales). Food and beverage, parking, and other revenue are projected to grow at 3% per year.

Departmental Expenses: Departmental expenses are found by multiplying the expense by the revenue. For example rooms are projected to be an expense of 20%, food 90%, beverage 70%, other income 65%, and parking 50%. Parking expenses are high based off of the facts that 44 of the spaces will be stacked through hydraulic lifts that are expensive to maintain, and the site will have a parking staff through colonial parking services.

Operating Expenses: Operating expenses are determined as a percentage of the total revenue. The percentages are as follows. Administrative and general expenses are 9%, sales and marketing 5%, operations and maintenance 6%, and utilities are 4%. The utility expense is slightly higher than the industry standard of 3.5% due to increases expected for Montgomery County residents and businesses.[lviii]

Management/Franchise Fees: The management fee is projected to be 3% of total revenue. Franchise fees are projected to be 5.5% of total revenue. Both are consistent with the industry standards and practices.

Fixed Charges: The property taxes for 7550 were determined using the Montgomery County Maryland Real Tax rate of 1.2090% of assessed value post development.[lix] The insurance for the site is calculated at $1.10 per gross square foot, and is projected to increase annually at 3%.

Replacement Reserves: The replacement reserves were estimated to be 5%.

Net Operating Income (NOI): The NOI was determined to be $2.7 million at stabilization in year 3. NOI experiences significant growth in years 1 and two because of occupancy increasing. After stabilization NOI grows at 3% per year.

Reversionary Value: The projected sales price in year 10 is calculated by multiplying the NOI from year 11 by a predetermined cap rate. The cap rate used to find this value is 9.5%. This is 100 bases points higher than the going in cap rate of 8.5%. The higher cap rate represents a lower value, and takes into account the aging building and the unpredictability of the real estate market 10 years into the future. There are an additional 3% deducted from the sales price for selling costs.

Unleveraged Cash Flow Summary: The purpose of APPENDIX II "unleveraged cash flow summary" is to show the total cash flow for the property as if the capital stack were all equity. The initial negative cash outlay is the total development costs. Years 1 through 9 show the property cash flows without debt and are therefore equal to the NOI. Year 10 equals the cash flow plus the reversionary value which is year 11's NOI divided by the cap rate. The projected unleveraged IRR is 9.47% which is lower than the discount rate of 9.78%. According to the Korpacz report discount rates for full-service hotel investors range from 10-16% and average 12.43%. These are national averages and broadly apply to the Washington, DC market. A more detailed search found that a risk premium of 6.75% applied to the 10 year treasury displayed a more realistic view of hurdle rates in the DC metropolitan area.
Zach Schwartz a Vice President at REVPAR International and Chris Otsapovicz Vice President of Asset Management at Host Hotels and Resorts reviewed these assumptions and agreed that they reflected current market conditions here in Washington, DC.

Debt Financing/Debt Market

Currently, the commercial real estate market is recovering from the economic downturn which began in December 2007. By September of 2008 Fannie and Freddie Mac were put into conservatorship, and financial institutions like Lehman Brothers collapsed sparking worldwide panic about the state of the US economy. A large part of the economic problems stemmed from bad commercial real estate loans and hyper inflated values. Commercial real estate transactions ceased to exist and construction lending and development came to a stop. Commercial lenders who made loans with high loan to values (LTV) began experiencing default with their risky loans. The commercial mortgage backed securities (CMBS) market crashed. This forced banks to hold their assets instead of selling them into the CMBS market. This has caused difficulties in funding new commercial real estate projects.

Commercial real estate loans are assessed using three metrics Loan to Value (LTV), Debt Service Coverage Ratio (DSCR), and the interest rate of the loan (basis points over 10 year treasuries).[lx] The LTV

for hotels are currently between 50-60%, significantly lower than in previous years when hotels were being leveraged with LTV's up to 90%.[lxi] The DCSR has risen just slightly to 1.30. According to Matt Warren an analyst for commercial real estate at Royal Bank of Scotland he has recently seen loan transactions for hotels interest rates 300 basis points above treasuries. The U.S. Treasury is currently between 3% to 3.5%. New loans are now being underwritten with full recourse requirements to the borrower's assets in the event the borrower goes into default.

Given the area and market the proposed hotel is being built in. A few assumptions are made in the events leading up to financing. First, the construction lender would require permanent financing already be in place before the construction loan is approved. Second, as mentioned before the owner will need to accept the terms of a full recourse loan.

The assumptions page (See APPENDIX-VIII) shows the terms of the loan for a hotel. The loan will have a fixed interest rate of 6.03%. It will be a 10 year loan with a 25 year amortization, requiring a debt service coverage ratio of 1.30 the actual debt service coverage ratio is 1.83. The Bank requires an LTV of 60%. The value of the asset will be based off the third years NOI. This is the projected year for stabilization. The loan will total $19.5 million. The balloon payment due at the end of year 10 is $14.9 million.

The construction loan is at a higher interest rate of 9.0% (See APPENDIX XII). The construction loan interest and 2% loan fee total $1.1 million. The length of the loan is based on a construction schedule of 12 months.

Equity Financing

The leveraged IRR for the hotel is 13.41% (See APPENDIX V: Before Tax Equity Cash Flow Analysis). Typically investors like to see returns on hotel equity investments to be above 20%.[lxii] The return is significantly lower and may create some concern for investors looking at the deal. However, one could easily make the argument that given the current economic conditions a return of 13.41% is a significantly higher return than most investments currently available. If the equity provider feels confident that the project is viable then these returns may be sufficient. Going with the assumption that an IRR of 13.41% is an acceptable return then the net present value (NPV) of the project is at $287,347 thousand. The permanent financing is based off the 3rd years NOI and an LTV of 60%. This requires the equity partners to contribute a combined total of $13,045,669. The "sponsor" or developer will be contributing $3 million dollars (23% of required equity) and the equity partner will be required to contribute the remaining $10,045,669 (77% of required equity). Under this assumption the developer will own 23% of the development, and the equity partner will own 77%. The IRR for the equity investment is 13.41% and the IRR is 5.98% in the first year, 8.67% in the second and rising to 13.74% by year 9. This would be the scenario if the equity returns were based off a Parri-Passu partnership.

Another possibility would be that the equity partnership be set up in an 8% cumulative non-compounded return on equity. In this scenario the equity partner gets a return of 8%. Anything in excess of 8% is split 50/50 between the "sponsor" and equity partner. It becomes a little more complicated at the sale of the asset. At this point the equity sponsor is paid back in full if they haven't been already. After that that the first 50% of the remaining cash flow is paid as follows, 5% to the "sponsor" and 45% to the equity partner. The remaining 50% goes to the "sponsor".

TABLE 1.14 EQUITY SPLITS

	Parri-Passu	8% Non-Compounded
INVESTOR II -Equity Partner		
IRR	13.41%	13.22%
Payback Period	10 years%	8.5 years
INVESTOR I - SPONSOR (DEVELOPER)		
IRR	13.41%	11.52%
Payback Period	10 years	10 years

With the assumptions already outlined it becomes evident that there are advantages and disadvantages to both. Parri-Passu generates a higher IRR however for both the developer and the equity partner however; it has a longer payback period for both investors. Depending on the equity partners return requirements they may want to go with an 8% Non-compounded approach this option returns their initial investment sooner and has an IRR for the equity partner that is comparable to the Parri-Passu equity structure.

DEVELOPMENT PLAN

Timeline

The development plan is an instrumental part of completing the project. It gives the milestones and necessary dates for the project's completion. The tasks are organized into several different categories that are listed below.

Partnership: A crucial step when starting the process of the development is the formation of partnerships. The developer will solicit an equity partner for the redevelopment of 7550 Wisconsin Avenue. The equity partner will require the following information in order to make the decision.

1. Zoning requirements for the building
2. Estimated hard and soft costs for the development
3. 10 year discounted cash flow analysis detailing cash flows, net present value, and internal rates of return.
4. Proposal for the equity partnership between the developer, and equity partner.

An RFP will be distributed to several local area general contractors. The numbers will be vague and lack detail however; they will provide the developer and potential equity partner an understanding of the costs associated with the proposed development. This is scheduled to take one month and will be handled and presented by the developer. All fees associated with the development will be disclosed.

Market Study: Assuming both parties feel comfortable with the costs the next step is to issue and RFP for a third party market analysis. The analysis should have the following information included. The purpose of the market study is to "identify prospective users of real estate, both buyers and renters, and their characteristics. Most real estate market analyses examine both the market potential and the marketability, or competitiveness, of the proposed project."[lxiii] The analysis will contain the following information; a description of the regional and metropolitan area, defining the market area, demand analysis, supply analysis, recommendations, economic indicators, historical trends and current conditions, future construction activity, and product types.

Brand Selection: Based off of the market research several brands will be considered. This is a very important part of the process. These hotel brands will require certain design elements be included in their hotels. These requirements will be negotiated and priced thorough an architect. The selected brand will bring credibility to the proposal from the perspective of the lender. It is expected that the developer and equity partner finalize a fee structure and finished project for the development with the brand within 3 months of starting the search.

Design: As soon as the developer and equity partner form a contractual obligation the next will be to choose an architect. The architect should be part of the RFP to general contractors and understand the scope of work being proposed. They must have a license to do business in Maryland and have experience with hotel design and development. The architect's first step will be to recreate the original plans. This will be necessary in expediting the process for bids and be mandatory for permits and fees from Montgomery County. Most architects prohibit the reuse of plans. This clause will need to be researched with the original plans because it was designed and constructed over 45 years ago. The next step will be to design the schematic plans. These plans will be given to the general contractor and the selected hotel brand. The schematic plans will be presented to Montgomery County for a design review. The next step for the architect will be to complete the design development drawings, and submit them to the county and provide a copy to the general contractor. These plans along with the 80% completed construction documents will be reviewed by the county and be approved for permitting. The last step for the architect is to get the construction document to 100% this is scheduled to be completed by 5/1/2011.

Permitting and Approvals: The schedule provides an outline for the permitting and approval process. The construction documents will be 80% completed and turned into the city by 3/1/2011 with the final construction documents being completed two months later. The building design approval and right to begin construction will begin seven months later on 5/1/2011.

Financing: It is assumed that permanent financing will be necessary to secure in order to obtain a construction loan. This permanent financing will be based up the discounted cash flow of the project as well as total development costs provided by the general contractor. Upon securing permanent financing it will take two months to secure a construction loan. The first draw on the construction loan will happen at the end of May 2011 the first month of construction.

Construction: It is imperative that the general contractor (GC) be chosen early in the design process. It is assumed that the GC is chosen and contractually bound by 5/1/2011. The selected GC will be working under the guidelines of a guaranteed maximum price (GMP). The sooner a GS is selected the better it is for the design and the start of the development. If a contractor is not selected until the plans are 100% complete the project will be delayed several months. It is assumed that the GC will be chosen and GMP agreed upon based off the 80% construction documents distributed on 4/1/2011. The total construction

time is scheduled to take 12 months. The GC will start May of 2011 and finish May of 2012 with one month for final clean and grand opening preparation in June of 2012.

Project Risks

Entitlement Risks: The entitlement process can be very risky for most development projects. For the proposed development it is not expected to experience any major setbacks while attempting approval. The reason for this is that the project is working within its allowable use and is therefore a by right development. The entitlement risks that may be encountered will be with the county accepting the design proposal. It is not expected that this will occur given that the project will be very conservative and appropriate for the Bethesda downtown area. However, it will be important that the design team pay close attention to the process of getting approval to redevelop the site.

Construction Cost Risks: Construction costs account for the largest portion of the development. It is important they be closely monitored to assure that the project does not run over budget. Hard costs account for 56% of the total development cost and 77% of the combined hard and soft costs see (APPENDIX 1: Development Costs). Material costs fluctuate and can become dangerously overpriced if not properly secured through written documentation. These responsibilities are primarily handled by the GC and developer. The failure to accurately estimate costs can become problems for furniture fixtures and equipment (FF&E) and operating supplies and equipment (OS&E). These items are not required to be on the job until the end of the project however; they must be priced and purchased months before they are needed. Offsite storage of such items is also important. Stolen or damaged goods may not be covered by insurance and can become a costly overrun of the development budget. It is assumed that the building will be LEED certified and therefore meet all of the necessary requirements for the buildings certification. Many hotel brands require that new construction or redeveloped hotels follow the LEED certification steps as a requirement for their brand. The risks associated with acquiring the LEED certification happen primarily during the construction stage of development. It will be important for the developer and GC to work together so that this goal is met. LEED certified buildings create lower operating costs and attract environmentally conscious customers that create value through higher net operating incomes year over year.

Financing Risk: A termination clauses will be required for every contracted member of the development team. This is a preventive measure in the event that financing becomes unavailable. Today's financial market is extremely volatile. Equity requirements from the bank may change as well as the availability of construction loans and permanent financing. The pro forma and discounted cash flow analysis are based off of the terms given earlier in this analysis. If any of those terms change the returns and requirements of the developer and equity partner will have to be reevaluated.

Market Risk: Hotels are arguably the riskiest investment of any commercial real estate product. The metrics used to determine hotels performance like ADR and occupancy can change drastically depending on economic conditions. Even when times are good hotels may not be achieving their market share. It is important that the developer and equity partners evaluate their appetite for risk before considering this development. Although the pro forma assumes a 3% growth in ADR, it is important to remember that ADR growth one year may be 9% and -3% the next. This is not uncommon for hotels. Owners must be prepared to experience highs and lows even in good economic times.

Brand Risk: Brands play an intricate part in a hotels success. Finding a brand that fits the market is important during the selection process. Brand recognition creates an identity between the hotel and the customer. Hotel brands charge a fee that provide services to the hotel like guest reservations, marketing and sales, food and beverage selections, and a loyal customer base. Franchise agreements typically last a minimum of 10 years, so selecting a brand that fits best for the owner and the site is very important.

CONCLUSION

In conclusion a full service boutique hotel located at 7550 Wisconsin Avenue has been found to be the highest and best use for the proposed site. Currently, economic conditions are unpredictable and require a significant commitment of capital. The proposed development is a unique investment given its location and the growth potential of the market. The assumptions used for this development project are conservative, and produced an unleveraged IRR of 9.47% and a leveraged IRR of 13.41%. It is recommended that the developer move forward with the partnership formation, and take the project through the entitlement process, approvals financing, and development. Based on the development timeline it is anticipated that the grand opening will be June 2012.

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APPENDIX 1: DEVELOPMENT COST SUMMARY

TOTAL GSF	126,491
TOTAL RSF	89,111
TOTAL KEYS	128
TOTAL PARKING SPACES	99
PARKING SPACES (Metered)	45

		COST	COST PER GSF	COST PER KEY	% OF TOTAL COST
BUILDING ACQUISTION		9,094,298	71.90	71,049	27.88%
HARD COSTS					
Building Renovation		**16,083,484**	**180.49**	**125,652**	49.31%
Building		13,786,986	154.72	107,711	42.27%
Parking		375,000	4.21	2,930	1.15%
4% General Conditions		566,479	6.36	4,426	1.74%
4% General Contractors Fee		589,139	6.61	4,603	1.81%
5% Contingency		765,880	8.59	5,983	2.35%
Furniture, Fixtures and Equipment		**1,543,460**	**17.32**	**12,058**	4.73%
Guestrooms		588,505	6.60	4,598	1.80%
Corridors		125,000	1.40	977	0.38%
Public Areas		275,000	3.09	2,148	0.84%
Kitchen Equipment		150,000	1.68	1,172	0.46%
Laundry Equipment		50,000	0.56	391	0.15%
Fitnesss Equipment		65,000	0.73	508	0.20%
Information Technology		245,000	2.75	1,914	0.75%
3% Purchasing Fee		44,955	0.50	351	0.14%
Operating Supplies and Equipment		**595,000**	**6.68**	**4,648**	1.82%
Guestrooms		275,000	3.09	2,148	0.84%
Public Area and Back of House		225,000	2.52	1,758	0.69%
Food and Beverage		50,000	0.56	391	0.15%
3% Purchasing Fee		45,000	0.50	352	0.14%
					0.00%
Total Hard Costs		**18,221,944**	**204.49**	**142,359**	55.87%
SOFT COSTS					
Professional Service and Fees		**668,500**	**7.50**	**5,223**	2.05%
Formal Market Study		15,000	0.17	117	0.05%
Architects and Engineers		356,000	4.00	2,781	1.09%
Testing, Inspectors, Appraisals		38,500	0.43	301	0.12%
Builders Risk Insurance		102,000	1.14	797	0.31%
Legal and Accounting Fees		102,000	1.14	797	0.31%
Municipal and Utility Fees		25,000	0.28	195	0.08%
Permits		30,000	0.34	234	0.09%
Project Management		**1,024,704**	**11.50**	**8,006**	3.14%
Salaries and Wages		200,000	2.24	1,563	0.61%
Travel and Expenses		25,000	0.28	195	0.08%
Developer's Fee	3.50%	799,704	8.97	6,248	2.45%
Other Soft Costs		**3,604,725**	**40.45**	**28,162**	11.05%
Property Taxes		135,000	1.51	1,055	0.41%
Construction Loan Interest		953,965	10.71	7,453	2.93%
Loan Fees		195,685	2.20	1,529	0.60%
Developer Equity Carrying Costs		1,420,075	15.94	11,094	4.35%
Marketing and Pre-Opening		250,000	2.81	1,953	0.77%
Project Contingency		650,000	7.29	5,078	1.99%
TOTAL SOFT COSTS		**5,297,929**	**59.45**	**41,390**	16.24%
DEVELOPMENT COSTS		**23,519,873**	**263.94**	**183,749**	72.12%

	COST	COST PER GSF	COST PER KEY	% OF TOTAL COST
LAND COSTS	9,094,298	72	71,049	27.88%
HARD COSTS	18,221,944	204	142,359	55.87%
SOFT COSTS	5,297,929	59	41,390	16.24%
TOTAL DEVELOPMENT COSTS	32,614,172	336	254,798	100.00%

APPENDIX II: DISCOUNTED CAS FLOW ANALYSIS

			ESCALATION											
		YEAR		**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
		TOTAL KEYS		128	128	128	128	128	128	128	128	128	128	128
		ROOMS AVAILABLE		46,720	46,720	46,720	46,720	46,720	46,720	46,720	46,720	46,720	46,720	46,720
		ROOMS OCCUPIED		32,237	34,573	35,040	35,040	35,040	35,040	35,040	35,040	35,040	35,040	35,040
		ADR	3.00%	225	232	239	246	253	261	269	277	285	294	302
		OCC		69%	74%	75%	75%	75%	75%	75%	75%	75%	75%	75%
		RevPAR		155.25	171.50	179.03	184.40	189.93	195.63	201.50	207.54	213.77	220.18	226.79
		REVENUE												
		Rooms		7,253,280	8,012,246	8,364,136	8,615,060	8,873,511	9,139,717	9,413,908	9,696,326	9,987,215	10,286,832	10,595,437
		Food	3.00%	199,465	220,337	230,014	236,914	244,022	251,342	258,882	266,649	274,648	282,888	291,375
		Beverage	3.00%	199,465	220,337	230,014	236,914	244,022	251,342	258,882	266,649	274,648	282,888	291,375
	$ 12	Parking	3.00%	197,100	203,013	209,103	215,376	221,838	228,493	235,348	242,408	249,680	257,171	264,886
		Other Income	3.00%	100,000	103,000	106,090	109,273	112,551	115,927	119,405	122,987	126,677	130,477	134,392
		TOTAL REVENUE		7,949,310	8,758,933	9,139,356	9,413,537	9,695,943	9,986,822	10,286,426	10,595,019	10,912,870	11,240,256	11,577,463
		DEPARTMENTAL EXPENSES												
% OF DEPT REV	20%	Rooms		1,450,656	1,602,449	1,672,827	1,723,012	1,774,702	1,827,943	1,882,782	1,939,265	1,997,443	2,057,366	2,119,087
	90%	Food		179,519	198,303	207,012	213,223	219,619	226,208	232,994	239,984	247,184	254,599	262,237
	70%	Beverage		139,626	154,236	161,010	165,840	170,815	175,940	181,218	186,654	192,254	198,022	203,962
	50%	Parking		98,550	101,507	104,552	107,688	110,919	114,246	117,674	121,204	124,840	128,585	132,443
	65%	Other Income		65,000	66,950	68,959	71,027	73,158	75,353	77,613	79,942	82,340	84,810	87,355
		TOTAL EXPENSES		1,933,350	2,123,445	2,214,359	2,280,790	2,349,214	2,419,690	2,492,281	2,567,049	2,644,061	2,723,383	2,805,084
		TOTAL DEPARTMENTAL INCOME		6,015,960	6,635,488	6,924,997	7,132,747	7,346,729	7,567,131	7,794,145	8,027,970	8,268,809	8,516,873	8,772,379
		OPERATING EXPENSES												
% OF TOT REV	9%	Admin - General		754,549	831,398	867,508	893,533	920,339	947,949	976,388	1,005,679	1,035,850	1,066,925	1,098,933
	5%	Sales and Marketing		500,000	480,953	501,842	516,897	532,404	548,376	564,828	581,772	599,226	617,202	635,719
	6%	Operations and Maintenance		476,959	525,536	548,361	564,812	581,757	599,209	617,186	635,701	654,772	674,415	694,648
	4%	Utilities		317,972	350,357	365,574	376,541	387,838	399,473	411,457	423,801	436,515	449,610	463,099
		TOTAL OPERATING EXPENSES		2,049,480	2,188,244	2,283,285	2,351,784	2,422,338	2,495,008	2,569,858	2,646,954	2,726,362	2,808,153	2,892,398
		GROSS OPERATING PROFIT		3,966,480	4,447,244	4,641,712	4,780,963	4,924,392	5,072,124	5,224,287	5,381,016	5,542,447	5,708,720	5,879,982
		MANAGMEMENT / FRANCHISE												
	3%	Management Fee		238,479	262,768	274,181	282,406	290,878	299,605	308,593	317,851	327,386	337,208	347,324
	6%	Franchise Fee		476,959	525,536	548,361	564,812	581,757	599,209	617,186	635,701	654,772	674,415	694,648
		TOTAL		715,438	788,304	822,542	847,218	872,635	898,814	925,778	953,552	982,158	1,011,623	1,041,972
		INCOME BEFORE FIXED CHARGES		3,251,043	3,658,940	3,819,170	3,933,745	4,051,757	4,173,310	4,298,509	4,427,464	4,560,288	4,697,097	4,838,010
		FIXED CHARGES												
		Property Taxes	3.00%	416,988	429,498	442,383	455,654	469,324	483,403	497,905	512,843	528,228	544,075	560,397
		Insurance	3.00%	139,141	143,315	147,615	152,043	156,604	161,303	166,142	171,126	176,260	181,547	186,994
		TOTAL FIXED CHARGES		556,129	572,813	589,997	607,697	625,928	644,706	664,047	683,969	704,488	725,622	747,391
	5%	**REPLACEMENT RESERVES**		397,466	437,947	456,968	470,677	484,797	499,341	514,321	529,751	545,643	562,013	578,873
		NET OPERATING INCOME		2,297,448	2,648,181	2,772,205	2,855,371	2,941,032	3,029,263	3,120,141	3,213,745	3,310,157	3,409,462	3,511,746
		Annual % Change			13.2%	4.5%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%
		TERMINAL CAP RATE		9.50%										
		SALE PRICE (BASED ON YR 11 NOI)		36,965,746										
		SELLING COSTS	3.00%	1,108,972										
		YR 10 REVERSION VALUE		35,856,773										
		UNLEVERAGED CASH FLOW SUMMARY	(32,614,172)	2,297,448	2,648,181	2,772,205	2,855,371	2,941,032	3,029,263	3,120,141	3,213,745	3,310,157	39,266,235	
		RETURN ON ASSETS		7.04%	8.12%	8.50%	8.75%	9.02%	9.29%	9.57%	9.85%	10.15%	120.40%	
		IRR	9.47%											

APPENDIX III: STABILIZED INCOME ANALYSIS

YEAR	1	**YEAR**	4
TOTAL GSF	126,491	**TOTAL GSF**	126,491
TOTAL KEYS	128	**TOTAL KEYS**	128
ROOMS AVAILABLE	46,720	**ROOMS AVAILABL**	46,720
ROOMS OCCUPIED	32,237	**ROOMS OCCUPIED**	35,040
ADR	225	**ADR**	239
OCC	69%	**OCC**	75%
RevPAR	155.25	**RevPAR**	179.03

REVENUE	**YEAR 1**	**ANNUAL DOLLARS PER KEY**	**PERCENT OF TOTAL REVENUE**	**ANNUAL DOLLARS PER GSF**	**YEAR 3**	**ANNUAL DOLLARS PER KEY**	**PERCENT OF TOTAL REVENUE**	**ANNUAL DOLLARS PER GSF**
Rooms	7,253,280	56,666.25	91.24%	57.34	8,364,136	65,345	91.52%	66.12
Food	199,465	1,558.32	2.51%	1.58	230,014	1,797	2.52%	1.82
Beverage	199,465	1,558.32	2.51%	1.58	230,014	1,797	2.52%	1.82
Parking	197,100	1,539.84	2.48%	1.56	209,103	1,634	2.29%	1.65
Other Income	100,000	781.25	1.26%	0.79	106,090	829	1.16%	0.84
TOTAL REVENUE	7,949,310	62,103.99	100.00%	62.84	9,139,356	71,401	100.00%	72.25
DEPARTMENTAL EXPENSES								
Rooms	1,450,656	11,333.25	18.25%	11.47	1,672,827	13,069	18.30%	13.22
Food	179,519	1,402.49	2.26%	1.42	207,012	1,617	2.27%	1.64
Beverage	139,626	1,090.83	1.76%	1.10	161,010	1,258	1.76%	1.27
Parking	98,550	769.92	1.24%	0.78	104,552	817	1.14%	0.83
Other Income	65,000	507.81	0.82%	0.51	68,959	539	0.75%	0.55
TOTAL EXPENSES	1,933,350	15,104.30	24.32%	15.28	2,214,359	17,300	24.23%	17.51
TOTAL DEPARTMENTAL INCOME	6,015,960	47,000	75.68%	47.56	6,924,997	54,101.54	75.77%	54.75
OPERATING EXPENSES								
Admin - General	754,549	5,894.91	9.49%	5.97	867,508	6,777	9.49%	6.86
Sales and Marketing	500,000	3,906.25	6.29%	3.95	501,842	3,921	5.49%	3.97
Operations and Maintenance	476,959	3,726.24	6.00%	3.77	548,361	4,284	6.00%	4.34
Utilities	317,972	2,484.16	4.00%	2.51	365,574	2,856	4.00%	2.89
TOTAL OPERATING EXPENSES	2,049,480	16,011.56	25.78%	16.20	2,283,285	17,838	24.98%	18.05
GROSS OPERATING PROFIT	3,966,480	30,988.13	49.90%	31.36	4,641,712	36,263	50.79%	36.70
MANAGMEMENT / FRANCHISE								
Management Fee	238,479	1,863.12	3.00%	1.89	274,181	2,142.04	3.00%	2.17
Franchise Fee	476,959	3,726.24	6.00%	3.77	548,361	4,284.07	6.00%	4.34
INCOME BEFORE FIXED CHARGES	3,251,043	25,398.77	40.90%	25.70	3,819,170	29,837.26	41.79%	30.19
FIXED CHARGES								
Property Taxes	416,988	3,257.72	5.25%	3.30	442,383	3,456.11	4.84%	3.50
Insurance	139,141	1,087.04	1.75%	1.10	147,615	1,153.24	1.62%	1.17
TOTAL FIXED CHARGES	556,129	4,344.76	7.00%	4.40	589,997	4,609.35	6.46%	4.66
REPLACEMENT RESERVES	397,466	3,105.20	5.00%	3.14	456,968	3,570.06	5.00%	3.61
NET OPERATING INCOME	2,297,448	17,948.81	28.90%	18.16	2,772,205	21,657.85	30.33%	21.92

APPENDIX IV: PROJECT FINANCING

CAPITAL SOURCES AND USES

	AMOUNT	% OF TOTAL
SOURCES		
DEVELOPER	3,000,000	
CHAPPELL HILL INVESTMENT GROUP	10,045,669	
Total Equity	13,045,669	
BANK LOAN	19,568,503	
TOTAL	32,614,172	
USES		
Hard Costs	18,221,944	
Soft Costs	5,297,929	
Acquistion	9,094,298	
TOTAL	32,614,172	

STABILIZED LOAN TERMS

INTEREST RATE	6.03%
TERM	10
AMORTIZATION	25
MAX LTV	60%
APPLIED CAP RATE	8.50%
YEAR 1 NOI	2,772,205
VALUE AT CAP RATE	32,614,172
MAX LOAN AMT	19,568,503
MIN DCR	1.35
MAX ANNUAL PMT given DCR	2,053,485
MAX LOAN AMT given DCR	26,484,147
PROJECTED LOAN AMT	19,568,503
MONTHLY PMT	126,439
ANNUAL PMT	1,517,271
DEBT CONSTANT	12
YR 10 BALLON PMT	14,954,755
2% LOAN FEE	391,370

CONSTRUCTION LOAN TERMS

INTEREST RATE (INTEREST ONLY)	8.00%
TERM	3 years max
AMORTIZATION	None
PROJECTED LOAN AMOUNT	18,221,944
TOTAL INTEREST PAID	782,925
1% LOAN FEE	179,498

CONSTRUCTION DRAW SCHEDULE

MONTH	DATE	DRAW	TOTAL DRAW	INTEREST	TOTAL INTEREST
1	2/1/2011	986,530	986,530	6,577	6,577
2	3/1/2011	1,125,350	2,111,880	14,079	20,656
3	4/1/2011	1,352,691	3,464,571	23,097	43,753
4	5/1/2011	1,698,658	5,163,229	34,422	78,175
5	6/1/2011	1,785,105	6,948,334	46,322	124,497
6	7/1/2011	2,198,655	9,146,989	60,980	185,477
7	8/1/2011	1,985,351	11,132,340	74,216	259,692
8	9/1/2011	1,786,510	12,918,850	86,126	345,818
9	10/1/2011	1,629,634	14,548,484	96,990	442,808
10	11/1/2011	1,423,598	15,972,082	106,481	549,289
11	12/1/2011	1,123,560	17,095,642	113,971	663,260
12	1/1/2012	854,123	17,949,765	119,665	782,925

EQUITY CARRYING COSTS

COST OF FUNDS	9.50%
INITIAL EQUITY AMOUNT	1,815,000
TOTAL COST OF FUNDS	113,881

EQUITY CONTRIBUTION SCHEDULE

MONTH	DATE	DRAW	TOTAL DRAW	INTEREST	TOTAL INTEREST
1	7/1/2010	50000	50000	396	396
2	8/1/2010	50000	100000	792	1,188
3	9/1/2010	50000	150000	1,188	2,375
4	10/1/2010	50000	200000	1,583	3,958
5	11/1/2010	50000	250000	1,979	5,938
6	12/1/2010	50000	300000	2,375	8,313
7	1/1/2011	50000	350000	2,771	11,083
8	2/01/211	150000	500000	3,958	15,042
9	3/1/2011	150000	650000	5,146	20,188
10	4/1/2011	15000	665000	5,265	25,452
11	5/1/2011	175000	840000	6,650	32,102
12	6/1/2011	175000	1015000	8,035	40,138
13	7/1/2011	175000	1190000	9,421	49,558
14	8/1/2011	175000	1365000	10,806	60,365
15	9/1/2011	150000	1515000	11,994	72,358
16	10/1/2011	125000	1640000	12,983	85,342
17	11/1/2011	150000	1790000	14,171	99,513
18	12/1/2011	25000	1815000	14,369	113,881

APPENDIX V: BEFORE TAX EQUITY CASH FLOW ANALYSIS

		1	2	3	4	5	6	7	8	9	10	11
NET OPERATING INCOME		2,297,448	2,648,181	2,772,205	2,855,371	2,941,032	3,029,263	3,120,141	3,213,745	3,310,157	3,409,462	3,511,746
Annual % Change			13.24%	4.47%	2.91%	2.91%	2.91%	2.91%	2.91%	2.91%	2.91%	2.91%
OPERATING EXPENSE RATIO												
TERMINAL CAP RATE		10%										
SALE PRICE (BASED ON YR 11 NOI)		36,965,746										
SELLING COSTS		1,108,972										
YR 10 REVERSION VALUE		35,856,773										
UNLEVERAGED CASH FLOW SUMMARY	(32,614,172)	2,297,448	2,648,181	2,772,205	2,855,371	2,941,032	3,029,263	3,120,141	3,213,745	3,310,157	39,266,235	
RETURN ON ASSETS		7.04%	8.12%	8.50%	8.75%	9.02%	9.29%	9.57%	9.85%	10.15%	120.40%	
UNLEVERAGED IRR	9.47%											
DEBT SERVICE		1,517,271	1,517,271	1,517,271	1,517,271	1,517,271	1,517,271	1,517,271	1,517,271	1,517,271	1,517,271	
DEBT SERVICE COVERAGE RATIO		1.51	1.75	1.83	1.88	1.94	2.00	2.06	2.12	2.18	2.25	
CASH FLOW AFTER DEBT SERVICE		780,177	1,130,910	1,254,934	1,338,100	1,423,761	1,511,992	1,602,870	1,696,474	1,792,886	1,892,191	
											19,917,801	
YR 10 REVERSION VALUE	35,856,773											
LOAN PAYMENT	14,954,755											
BEFORE TAX CASH FLOW FROM SALE	20,902,018											
LEVERAGED CASH FLOW SUMMARY	(13,045,669)	780,177	1,130,910	1,254,934	1,338,100	1,423,761	1,511,992	1,602,870	1,696,474	1,792,886	22,794,209	
RETURN ON EQUITY		5.98%	8.67%	9.62%	10.26%	10.91%	11.59%	12.29%	13.00%	13.74%	174.73%	
LEVERAGED IRR	13.41%											
DISCOUNT RATE	9.78%											
NPV	3,286,863											
PARTITIONIED IRR												
% OF BEFORE TAX CASH FLOW FROM NOI	46%											
% OF BEFORE TAX CASH FLOW FROM SALE	54%											

APPENDIX VI: PARTNERSHIP STRUCTURE

	%	Amount	1	2	3	4	5	6	7	8	9	10
INITIAL EQUITY INVESTMENT												
INVESTOR I - SPONSOR (DEVELOPER)	23%	3,000,000										
INVESTOR II -Equity Partner	77%	10,045,669										
TOTAL EQUITY INVESTMENT	100%	13,045,669										
PARRI-PASSU			**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
BEFORE TAX EQUITY CASH FLOW SUMMARY		(13,045,669)	780,177	1,130,910	1,254,934	1,338,100	1,423,761	1,511,992	1,602,870	1,696,474	1,792,886	22,794,209
											9,650,204	
77.00% INVESTOR II -Equity Partner		(10,045,669)	600,767	870,844	966,347	1,030,389	1,096,351	1,164,292	1,234,272	1,306,351	1,380,592	17,552,422
RETURN ON EQUITY			5.98%	8.67%	9.62%	10.26%	10.91%	11.59%	12.29%	13.00%	13.74%	174.73%
IRR		13.41%										
23.00% INVESTOR I - SPONSOR (DEVELOPER)		(3,000,000)	179,411	260,066	288,586	307,711	327,410	347,700	368,598	390,124	412,295	5,241,788
RETURN ON EQUITY			5.98%	8.67%	9.62%	10.26%	10.91%	11.59%	12.29%	13.00%	13.74%	174.73%
IRR		13.41%									2,881,900	
8% CUMULATIVE NON-COMPOUNDED RETURN ON EQUITY												
NET CASH FLOW			780,177	1,130,910	1,254,934	1,338,100	1,423,761	1,511,992	1,602,870	1,696,474	1,792,886	22,794,209
Distribution Level 1												
Cash Equity			13,045,669	13,045,669	13,045,669	13,045,669	13,045,669	13,045,669	13,045,669	13,045,669	13,045,669	13,045,669
Preferred Return	8.00%		1,043,654	1,043,654	1,043,654	1,043,654	1,043,654	1,043,654	1,043,654	1,043,654	1,043,654	1,043,654
Cumulative Unpaid Preferred Return			1,043,654	1,307,130	1,219,874	1,043,654	1,043,654	1,043,654	1,043,654	1,043,654	1,043,654	1,043,654
Cash Distribution - Level 1			780,177	1,130,910	1,219,874	1,043,654	1,043,654	1,043,654	1,043,654	1,043,654	1,043,654	1,043,654
Remaining Unpaid Preferred Return			263,476	176,220	0	0	0	0	0	0	0	0
Excess Funds					35,060	294,446	380,107	468,338	559,216	652,821	749,233	848,538
Distribution Level 2												
Equity Partners (Front-End)	50.00%				17,530	147,223	190,054	234,169	279,608	326,410	374,616	424,269
Promote - Sponsor (Back-End)	50.00%				17,530	147,223	190,054	234,169	279,608	326,410	374,616	424,269
Total-Distribution Level 2												
Summary of Distributions											10,962,493	
Equity Partners (Front-End)			780,177	1,130,910	1,237,404	1,190,877	1,233,707	1,277,823	1,323,262	1,370,064	1,418,270	1,467,922
Promote - Sponsor (Back-End)			0	0	17,530	147,223	190,054	234,169	279,608	326,410	374,616	424,269
TOTAL			780,177	1,130,910	1,254,934	1,338,100	1,423,761	1,511,992	1,602,870	1,696,474	1,792,886	1,892,191
Projected Sales Price		36,965,746										
Additions to Sales Proceeds		-										
Deductions From Sale		(1,108,972)										
Loan Balance		(14,954,755)										
Net Proceeds from Sale		20,902,018										
Cash Flow Year 10		(1,892,191)										
Return of Equity Group Initial Investment		(13,045,669)										
Balance to be distributed		5,964,158										
Distributions to all Equity Investors												
INVESTOR I - SPONSOR (DEVELOPER)	5.00%	298,208										
INVESTOR II -Equity Partner	45.00%	2,683,871										
Distribution to Promote	50.00%	2,982,079										
INVESTOR II -Equity Partner		(10,045,669)	780,177	1,130,910	1,237,404	1,190,877	1,233,707	1,277,823	1,323,262	1,370,064	1,418,270	14,197,462
RETURN ON EQUITY			7.77%	11.26%	12.32%	11.85%	12.28%	12.72%	13.17%	13.64%	14.12%	141.33%
IRR		13.22%										
INVESTOR I - SPONSOR (DEVELOPER)		(3,000,000)	-	-	17,530	147,223	190,054	234,169	279,608	326,410	374,616	6,704,555
RETURN ON EQUITY			0.00%	0.00%	0.58%	4.91%	6.34%	7.81%	9.32%	10.88%	12.49%	223.49%
IRR		11.52%										

APPENDIX VII: AFTER TAX EQUITY CASH FLOW ANALYSIS

			1	2	3	4	5	6	7	8	9	10	11
NET OPERATING INCOME			2,297,448	2,648,181	2,772,205	2,855,371	2,941,032	3,029,263	3,120,141	3,213,745	3,310,157	3,409,462	3,511,746
PLUS RESERVES			397,466	437,947	456,968	470,677	484,797	499,341	514,321	529,751	545,643	562,013	578,873
LESS INTEREST			(1,170,501)	(1,149,003)	(1,126,172)	(1,101,926)	(1,076,177)	(1,048,832)	(1,019,791)	(988,950)	(956,196)	(921,413)	(884,473)
LESS BUILDABLE DEPRECIATION			(643,920)	(643,920)	(643,920)	(643,920)	(643,920)	(643,920)	(643,920)	(643,920)	(643,920)	(643,920)	(643,920)
LESS DEPRECIATION ON IMPROVEMENTS								(70,441)	(70,441)	(70,441)	(70,441)	(70,441)	(70,441)
TAXABLE INCOME			880,493	1,293,204	1,459,080	1,580,201	1,705,732	1,765,411	1,900,310	2,040,185	2,185,243	2,335,701	2,491,785
TAX	35%		308,172	452,621	510,678	553,070	597,006	617,894	665,109	714,065	764,835	817,495	872,125
CASH FLOW AFTER DEBT SERVICE			780,177	1,130,910	1,254,934	1,338,100	1,423,761	1,511,992	1,602,870	1,696,474	1,792,886	1,892,191	1,994,475
LESS TAX			(308,172)	(452,621)	(510,678)	(553,070)	(597,006)	(617,894)	(665,109)	(714,065)	(764,835)	(817,495)	(872,125)
AFTER TAX CASH FLOW			472,005	678,288	744,256	785,029	826,755	894,098	937,761	982,409	1,028,051	1,074,696	1,122,350
ORIGINAL BASIS													32,614,172
CAPITAL EXPENDITURES													5,477,797
LESS ACCUMULATED DEPRECIATION													(7,083,120)
ADJUSTED BASIS													31,008,848
SALE PRICE													36,965,746
LESS SELLING COSTS													(1,108,972)
LESS ADJUSTED BASIS													(31,008,848)
GAIN ON SALE													4,847,925
CAPITAL GAIN TAX ON APPRECIATION	15%												727,188.72
TAX ON ACCUMULATED DEPRECIATION	25%												1,211,981.21
TOTAL TAX													(1,939,169.93)
BEFORE TAX CASH FLOW FROM SALE													20,902,018
LESS TAX													(1,939,170)
AFTER TAX CASH FLOW FROM SALE													18,962,848
AFTER TAX CASH FLOW SUMMARY		(13,045,669)	472,005	678,288	744,256	785,029	826,755	894,098	937,761	982,409	1,028,051	1,074,696	20,085,198
RETRUN ON EQUITY			3.62%	5.20%	5.71%	6.02%	6.34%	6.85%	7.19%	7.53%	7.88%	8.24%	153.96%
AFTER TAX IRR		8.88%											
% OF BEFORE TAX CASH FLOW FROM NOI		62%											
% OF BEFORE TAX CASH FLOW FROM SALE		38%											

APPENDIX VIII: ASSUMPTIONS

OFFICE ASSUMPTIONS			
GROWTH RATES	Income Growth	3.00%	
	Expense Growth	3.00%	
INCOME	GSF	126,491	
	RSF	98,388	
	Price Per Square Foot	38.67	
50 Spaces	Parking	10,000	
	Fees	6,500	
	Retail	6,700	
	Retail Rent	34.00	
OpEX	Common Area Maintenance	8.00	
	RE Tax	6.00	
	Insurance	1.00	
	Repairs	1.50	
	Retail Expenses	10.00%	
	Total OpEx	16.60	
	Mgmt	4.00%	
VACANCY	Year 1	50.00%	
	Year 2	25.00%	
	Year 3	10.00%	
RETAIL VACANCY	Year 1	50.00%	
	Year 2	0.00%	
	Year 3	0.00%	
RESERVES			
	TI's	0.50	$ 20
	LC's	0.25	$ 15
	CapEx	0.75	
LOAN	Original Loan	21,664,124	
	Rate	5.53%	
	Term	10	
	Amort	25	
	Going In Cap Rate	7.50%	
	Terminal Cap Rate	9.50%	
	Cost of Sale	3.00%	
	10 Year Treasury	3.03%	
	Risk Premium	6.47%	
	Discount Rate	9.5%	
	Current Value	33,329,422	
	Equity Requirement	11,665,298	
	Loan Amount	21,664,124	
	LTV	65.00%	
	Annual	1,601,101	
	Monthly Payment	133,425	
	Constant	1,601,101	
	DSCR	1.50	

APARTMENT ASSUMPTIONS			
GROWTH RATES	Income Growth	3.00%	
	Expense Growth	3.00%	
INCOME	GSF	126,491	
	RSF	89,111	
	Avg Price Per Unit	2,100	
	Number of Units	110	
77 Spaces	Parking	92,400	
	Other Income/Fees	3.50%	
	Retail	6,700	
	Retail Rent	34.00	
OPEX	Common Area Maintenance	3.50	
	RE Tax	3.35	
	Insurance	1.20	
	Repairs	2.50	
	Retail Expenses	10.00%	
	Total OpEx	10.65	
	MGMT	4.00%	
VACANCY	Year 1	35%	
	Year 2	13%	
	Year 3	7%	
RETAIL VACANCY	Year 1	50%	
	Year 2	0%	
	Year 3	0%	
RESERVES			
	Replacement Reserves	275.00	*per unit*
	CapEx	150.00	*per unit*
LOAN	Original Loan	21,188,778	
	Rate	5.03%	
	Term	10	
	Amort	25	
	Going In Cap Rate	6.00%	
	Terminal Cap Rate	7.00%	
	Cost of Sale	3.00%	
	10 Year Treasury	3.03%	
	Risk Premium	5.88%	
	Discount Rate	9%	
	Current Value	30,269,682	
	Equity Requirement	9,080,905	
	Loan Amount	21,188,778	
	LTV	70.00%	
	Annual	1,490,857	
	Monthly Payment	124,238	
	Constant	1,490,857	
	DSCR	1.19	

HOTEL ASSUMPTIONS				
GROWTH RATES		Income Growth	3.00%	
		Expense Growth	3.00%	
INCOME		GSF	126,491	
		RSF	89,111	
		Keys	128	
	3.00%	ADR	225	
		F&B	2.75%	
		Beverage	2.75%	
		Parking	4.00%	197,100
		RevPar Yr 1	155	
OPEX				
		Departmental Expenses	30.00%	
		Operating Expenses	25.00%	
		Fixed Fees (Tax& Insur)	6.00%	
		Franchise Fee	6.00%	
		MGMT	3.00%	
OCCUPANCY				
		Year 1	69.00%	31.00%
		Year 2	74.00%	26.00%
		Year 3	75.00%	27.00%
RESERVES				
		Replacement Reserves	5.00%	
		CapEx		
LOAN		Original Loan	19,568,503	
		Rate	6.03%	
		Term	10	
		Amort	25	
		Going In Cap Rate	8.50%	
		Terminal Cap Rate	9.50%	
		Cost of Sale	3.00%	
		10 Year Treasury	3.03%	
		Risk Premium	10.00%	
		Discount Rate	13%	
		Current Value	32,614,172	
		Equity Requirement	13,045,669	
		Loan Amount	19,568,503	
		LTV	60.00%	
		Annual	1,517,271	
		Monthly Payment	126,439	
		Constant	1,517,271	
		DSCR	1.83	

APPENDIX IX: OFFICE & APRTMENT

OFFICE DCF

	YEAR	0	1	2	3	4	5	6	7	8	9	10	11
INCOME	Rents		3,804,664	3,918,804	4,036,368	4,157,459	4,282,183	4,410,648	4,542,968	4,679,257	4,819,634	4,964,224	5,113,150
	Reimbursments		380,466	391,880	403,637	415,746	428,218	441,065	454,297	467,926	481,963	496,422	511,315
	Parking	4,574,209	120,000	123,600	127,308	131,127	135,061	139,113	143,286	147,585	152,012	156,573	161,270
	Retail		113,900	227,800	234,634	241,673	248,923	256,391	264,083	272,005	280,165	288,570	297,227
	Other		6,500	6,695	6,896	7,103	7,316	7,535	7,761	7,994	8,234	8,481	8,735
	PGI		4,425,530	4,668,779	4,808,843	4,953,108	5,101,701	5,254,752	5,412,395	5,574,767	5,742,010	5,914,270	6,091,698
	Vacancy		2,212,765	1,167,195	480,884	495,311	510,170	525,475	541,239	557,477	574,201	591,427	609,170
	EGI		2,212,765	3,501,584	4,327,958	4,457,797	4,591,531	4,729,277	4,871,155	5,017,290	5,167,809	5,322,843	5,482,528
EXPENSES	Common Area Maintenance		787,104	810,717	835,039	860,090	885,892	912,469	939,843	968,039	997,080	1,026,992	1,057,802
	Real Estate Taxes		590,328	608,038	626,279	645,067	664,419	684,352	704,883	726,029	747,810	770,244	793,351
	Insurance		98,388	101,340	104,380	107,511	110,737	114,059	117,480	121,005	124,635	128,374	132,225
	Repairs		147,582	152,009	156,570	161,267	166,105	171,088	176,221	181,507	186,952	192,561	198,338
	Management		88,511	91,166	93,901	96,718	99,619	102,608	105,686	108,857	112,123	115,486	118,951
	Retail Expenses		11,390	11,732	12,084	12,446	12,820	13,204	13,600	14,008	14,429	14,861	15,307
	TOTAL		1,723,303	1,775,002	1,828,252	1,883,099	1,939,592	1,997,780	2,057,713	2,119,445	2,183,028	2,248,519	2,315,975
	Expense Ratio		*77.88%*	*50.69%*	*42.24%*	*42.24%*	*42.24%*	*42.24%*	*42.24%*	*42.24%*	*42.24%*	*42.24%*	*42.24%*
	NOI	(11,665,298)	489,463	1,726,583	2,499,707	2,574,698	2,651,939	2,731,497	2,813,442	2,897,845	2,984,780	3,074,324	3,166,554
RESERVES													
	Tenant Improvements (T.I.)					49,194	49,194			1,967,760		-	-
	Leasing Commissions		24,597	24,597	24,597	24,597	24,597	24,597	24,597	24,597	24,597	24,597	24,597
	CapEx		73,791	73,791	73,791	73,791	73,791	73,791	73,791	73,791	73,791	73,791	73,791
	TOTAL		98,388	98,388	98,388	147,582	147,582	98,388	98,388	2,066,148	98,388	98,388	98,388
	CBDS		391,075	1,628,195	2,401,319	2,427,116	2,504,357	2,633,109	2,715,054	831,697	2,886,392	2,975,936	3,068,166
	Debt Service		1,601,101	1,601,101	1,601,101	1,601,101	1,601,101	1,601,101	1,601,101	1,601,101	1,601,101	1,601,101	1,601,101
	CFADS		(1,210,026)	27,094	800,218	826,015	903,256	1,032,008	1,113,953	(769,404)	1,285,291	1,374,835	1,467,065
	Value At Sale (Reversion)	33,332,143											
	Transaction Cost	999,964											
	Loan Repayment	16,297,661											
	Net Gain on Sale	16,034,518											
		(11,665,298)	(1,210,026)	27,094	800,218	826,015	903,256	1,032,008	1,113,953	(769,404)	1,285,291	17,409,352	
	IRR	6.64%											
	SALE	72.25%											
	CASH FLOW	27.75%											
	NPV	(2,356,640)											

APARTMENT DCF

	YEAR	0	1	2	3	4	5	6	7	8	9	10	11
INCOME	Rents		2,772,000	2,855,160	2,940,815	3,029,039	3,119,910	3,213,508	3,309,913	3,409,210	3,511,487	3,616,831	3,725,336
	Parking		92,400	95,172	98,027	100,968	103,997	107,117	110,330	113,640	117,050	120,561	124,178
	Other		97,020	99,931	102,929	106,016	109,197	112,473	115,847	119,322	122,902	126,589	130,387
	Retail		113,900	227,800	234,634	241,673	248,923	256,391	264,083	272,005	280,165	288,570	297,227
	PGI		3,075,320	3,050,263	3,141,770	3,236,024	3,333,104	3,433,097	3,536,090	3,642,173	3,751,438	3,863,981	3,979,901
	Vacancy		1,076,362	396,534	219,924	226,522	233,317	240,317	247,526	254,952	262,601	270,479	278,593
	EGI		1,998,958	2,653,728	2,921,847	3,009,502	3,099,787	3,192,781	3,288,564	3,387,221	3,488,838	3,593,503	3,701,308
EXPENSES													
	Common Area Maintenance		311,889	321,245	330,883	340,809	351,033	361,564	372,411	383,584	395,091	406,944	419,152
	Real Estate Taxes		298,522	307,478	316,702	326,203	335,989	346,069	356,451	367,144	378,159	389,503	401,188
	Insurance		106,933	110,141	113,445	116,849	120,354	123,965	127,684	131,514	135,460	139,524	143,709
	Repairs		222,778	229,461	236,345	243,435	250,738	258,260	266,008	273,988	282,208	290,674	299,394
	Management		79,958	82,357	84,828	87,373	89,994	92,694	95,474	98,339	101,289	104,327	107,457
	Retail Expenses		11,390	22,780	23,463	24,167	24,892	25,639	26,408	27,201	28,017	28,857	29,723
	TOTAL		1,031,469	1,073,462	1,105,666	1,138,836	1,173,001	1,208,191	1,244,436	1,281,769	1,320,223	1,359,829	1,400,624
	Expense Ratio		*51.60%*	*40.45%*	*37.84%*	*37.84%*	*37.84%*	*37.84%*	*37.84%*	*37.84%*	*37.84%*	*37.84%*	*37.84%*
RESERVES	Replacement Reserves		*30,250*	*30,250*	*30,250*	*30,250*	*30,250*	*30,250*	*30,250*	*30,250*	*30,250*	*30,250*	*30,250*
	CapEX		*16,500*	*16,500*	*16,500*	*16,500*	*16,500*	*16,500*	*16,500*	*16,500*	*16,500*	*16,500*	*16,500*
	NOI		967,489	1,580,267	1,816,181	1,870,666	1,926,786	1,984,590	2,044,128	2,105,451	2,168,615	2,233,673	2,300,684
	Replacement Reserves		30,250	30,250	30,250	30,250	30,250	30,250	30,250	30,250	30,250	30,250	30,250
	CapEx		16,500	16,500	16,500	16,500	16,500	16,500	16,500	16,500	16,500	16,500	16,500
	TOTAL		46,750	46,750	46,750	46,750	46,750	46,750	46,750	46,750	46,750	46,750	46,750
	CBDS		920,739	1,533,517	1,769,431	1,823,916	1,880,036	1,937,840	1,997,378	2,058,701	2,121,865	2,186,923	2,253,934
	Debt Service		1,490,857	1,490,857	1,490,857	1,490,857	1,490,857	1,490,857	1,490,857	1,490,857	1,490,857	1,490,857	1,490,857
	CFADS		(570,119)	42,659	278,573	333,059	389,179	446,983	506,520	567,844	631,008	696,066	763,076
	Value At Sale (Reversion)	32,866,910											
	Transaction Cost	986,007											
	Loan Repayment	15,679,558											
	Net Gain on Sale	16,201,344											
		(9,080,905)	(570,119)	42,659	278,573	333,059	389,179	446,983	506,520	567,844	631,008	16,897,410	
	IRR	8.22%											
	SALE	80.94%											
	CASH FLOW	19.06%											
	NPV	(494,994)											

APPENDIX X: HOTEL DCF

	HOTEL DCF												
	YEAR	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
	TOTAL KEYS		128	128	128	128	128	128	128	128	128	128	128
	ROOMS AVAILABLE		46,720	46,720	46,720	46,720	46,720	46,720	46,720	46,720	46,720	46,720	46,720
	ROOMS OCCUPIED		32,237	34,573	35,040	35,040	35,040	35,040	35,040	35,040	35,040	35,040	35,040
	ADR		225	232	239	246	253	261	269	277	285	294	302
	OCC		69.00%	74.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%
	RevPAR		155	171	179	184	190	196	201	208	214	220	227
INCOME	Rooms		7,253,280	8,012,246	8,364,136	8,615,060	8,873,511	9,139,717	9,413,908	9,696,326	9,987,215	10,286,832	10,595,437
	Food		199,465	220,337	230,014	236,914	244,022	251,342	258,882	266,649	274,648	282,888	291,375
	Beverage		199,465	220,337	230,014	236,914	244,022	251,342	258,882	266,649	274,648	282,888	291,375
	Other Income		100,000	103,000	106,090	109,273	112,551	115,927	119,405	122,987	126,677	130,477	134,392
	Parking		197,100	203,013	209,103	215,376	221,838	228,493	235,348	242,408	249,680	257,171	264,886
	EGI		7,949,310	8,758,933	9,139,356	9,413,537	9,695,943	9,986,822	10,286,426	10,595,019	10,912,870	11,240,256	11,577,463
EXPENSES	Departmental Expenses		1,933,350	2,123,445	2,214,359	2,280,790	2,349,214	2,419,690	2,492,281	2,567,049	2,644,061	2,723,383	2,805,084
	Operating Expenses		2,049,480	2,188,244	2,283,285	2,351,784	2,422,338	2,495,008	2,569,858	2,646,954	2,726,362	2,808,153	2,892,398
	Management + Franchise		715,438	788,304	822,542	847,218	872,635	898,814	925,778	953,552	982,158	1,011,623	1,041,972
	Fixed Fees (Tax&Insurance)		556,129	572,813	589,997	607,697	625,928	644,706	664,047	683,969	704,488	725,622	747,391
	TOTAL		5,254,397	5,672,806	5,910,184	6,087,490	6,270,114	6,458,218	6,651,964	6,851,523	7,057,069	7,268,781	7,486,844
	Expense Ratio		*66%*	*65%*	*65%*	*65%*	*65%*	*65%*	*65%*	*65%*	*65%*	*65%*	*65%*
RESERVES	Replacement Reserves		397,466	437,947	456,968	470,677	484,797	499,341	514,321	529,751	545,643	562,013	578,873
	NOI		2,297,448	2,648,181	2,772,205	2,855,371	2,941,032	3,029,263	3,120,141	3,213,745	3,310,157	3,409,462	3,511,746
	CBDS		2,297,448	2,648,181	2,772,205	2,855,371	2,941,032	3,029,263	3,120,141	3,213,745	3,310,157	3,409,462	3,511,746
	Debt Service		1,517,271	1,517,271	1,517,271	1,517,271	1,517,271	1,517,271	1,517,271	1,517,271	1,517,271	1,517,271	1,517,271
	CFADS		780,177	1,130,910	1,254,934	1,338,100	1,423,761	1,511,992	1,602,870	1,696,474	1,792,886	1,892,191	1,994,475
	Value At Sale (Reversion)	36,965,746											
	Transaction Cost	1,108,972											
	Loan Repayment	14,954,755											
	Net Gain on Sale	20,902,018											
		(13,045,669)	780,177	1,130,910	1,254,934	1,338,100	1,423,761	1,511,992	1,602,870	1,696,474	1,792,886	22,794,209	
	IRR	13.41%											
	SALE	45.53%											
	CASH FLOW	54.47%											
	NPV	287,347											

APPENDIX XI: BACKDOOR APPROACH

OFFICE "BACK DOOR" APPROACH	
OFFICE RSF	98,388
BASE RENTS	38.67
POTENTIAL GROSS INCOME	4,808,843
VACANCY	10.00%
EFFECTIVE GROSS INCOME	4,327,958
OPERATING EXPENSE RATIO	42%
NOI	2,499,707
DEVELOPMENT COSTS	21,706,740
SUPPORTABLE MORTGAGE AMOUNT	33,329,422
CAP RATE	7.50%
ACQUISITION AMOUNT	11,622,682

APARTMENT "BACK DOOR" APPROACH	
APARTMENT RSF	89,111
RENTS	2,940,815
POTENTIAL GROSS INCOME	3,141,770
VACANCY	7.00%
EFFECTIVE GROSS INCOME	2,921,847
OPERATING EXPENSE RATIO	38%
NOI	1,816,181
DEVELOPMENT COSTS	21,112,302
SUPPORTABLE MORTGAGE AMOUNT	30,269,682
CAP RATE	6.00%
ACQUISITION AMOUNT	9,157,380

HOTEL "BACK DOOR" APPROACH	
HOTEL RSF	89,111
AVERAGE DAILY RATE	239
POTENTIAL GROSS INCOME	8,803,253
VACANCY (*INCLUDED IN ADR*)	
EFFECTIVE GROSS INCOME	8,803,253
OPERATING EXPENSE RATIO	65%
NOI	2,772,205
DEVELOPMENT COSTS	23,519,873
SUPPORTABLE MORTGAGE AMOUNT	32,614,172
CAP RATE	8.50%
ACQUISITION AMOUNT	9,094,298

APPENDIX XII: DEVELOPMENT COST SHEET FOR THREE USES

OFFICE DEVELOPMENT COSTS

HARD COSTS
CONSTRUCTION COSTS

	16,683,472	
SOFT COSTS		
Professional Service and Fees		
Formal Market Study	10,000	
Architects and Engineers	356,000	
Testing, Inspectors, Appraisals	35,000	
Builders Risk Insurance	85,362	
Legal and Accounting Fees	100,000	
Municipal and Utility Fees	45,000	
Permits	50,000	
Project Management		
Salaries and Wages	175,000	
Travel and Expenses	25,000	
Developer's Fee	450,000	
Other Soft Costs		
Property Taxes	135,000	
Construction Loan Interest	1,240,014	
Loan Fees	216,641	
Developer Equity Carrying Costs	850,250	
Marketing and Pre-Opening	250,000	
Project Contingency	1,000,000	
TOTAL SOFT COSTS	5,023,268	30.11%
TOTAL DEVELOPMENT COSTS	21,706,740	

CAPITAL SOURCES AND USES

SOURCES	
Developer Equity	11,665,298
Bank Loan	21,664,124
TOTAL	33,329,422
USES	
Hard Costs	16,683,472
Soft Costs	5,023,268
Acquistion	
TOTAL	21,706,740
INTEREST RATE (INTEREST ONLY	9.00%
TERM	3 years max
AMORTIZATION	*NONE*
PROJECTED LOAN AMOUNT	21,664,124
TOTAL INTEREST PAID	1,240,014
1% LOAN FEE	216,641

CONSTRUCTION DRAW SCHEDULE

MONTH	DATE	DRAW	TOTAL DRAW	INTEREST	TOTAL INTEREST
1	5/1/2011	895,630	895,630	6,717	6,717
2	6/1/2011	1,120,350	2,015,980	15,120	21,837
3	7/1/2011	1,543,201	3,559,181	26,694	48,531
4	8/1/2011	2,456,100	6,015,281	45,115	93,646
5	9/1/2011	3,043,071	9,058,352	67,938	161,583
6	10/1/2011	2,897,650	11,956,002	89,670	251,253
7	11/1/2011	3,698,650	15,654,652	117,410	368,663
8	12/1/2011	3,568,910	19,223,562	144,177	512,840
9	1/1/2012	2,689,130	21,912,692	164,345	677,185
10	2/1/2012	1,896,531	23,809,223	178,569	855,754
11	3/1/2012	1,359,861	25,169,084	188,768	1,044,522
12	4/1/2012	896,530	26,065,614	195,492	1,240,014

EQUITY CARRYING COSTS

COST OF FUNDS	8.50%
INITIAL EQUITY AMOUNT	11,665,298
TOTAL COST OF FUNDS	850,250

EQUITY CONTRIBUTION SCHEDULE

MONTH	DATE	DRAW	TOTAL DRAW	INTEREST	TOTAL INTEREST
1	7/1/2010	500,000	500,000	3,542	3,542
2	8/1/2010	500,000	1,000,000	7,083	10,625
3	9/1/2010	500,000	1,500,000	10,625	21,250
4	10/1/2010	500,000	2,000,000	14,167	35,417
5	11/1/2010	500,000	2,500,000	17,708	53,125
6	12/1/2010	500,000	3,000,000	21,250	74,375
7	1/1/2011	750,000	3,750,000	26,563	100,938
8	2/01/211	1,000,000	4,750,000	33,646	134,583
9	3/1/2011	1,000,000	5,750,000	40,729	175,313
10	4/1/2011	1,000,000	6,750,000	47,813	223,125
11	5/1/2011	1,000,000	7,750,000	54,896	278,021
12	6/1/2011	1,000,000	8,750,000	61,979	340,000
13	7/1/2011	1,000,000	9,750,000	69,063	409,063
14	8/1/2011	1,000,000	10,750,000	76,146	485,208
15	9/1/2011	1,000,000	11,750,000	83,229	568,438
16	10/1/2011	750,000	12,500,000	88,542	656,979
17	11/1/2011	750,000	13,250,000	93,854	750,833
18	12/1/2011	785,331	14,035,331	99,417	850,250

APARTMENT DEVELOPMENT COSTS

HARD COSTS
CONSTRUCTION COSTS

	16,768,477	
SOFT COSTS		
Professional Service and Fees		
Formal Market Study	10000	
Architects and Engineers	356000	
Testing, Inspectors, Appraisals	35000	
Builders Risk Insurance	83542	
Legal and Accounting Fees	100000	
Municipal and Utility Fees	45000	
Permits	50000	
Project Management		
Salaries and Wages	175000	
Travel and Expenses	25000	
Developer's Fee	450000	
Other Soft Costs		
Property Taxes	135,000	
Construction Loan Interest	1,032,953	
Loan Fees	211,888	
Developer Equity Carrying Costs	884,442	
Marketing and Pre-Opening	250,000	
Project Contingency	500,000	
TOTAL SOFT COSTS	4,343,825	25.90%
TOTAL DEVELOPMENT COSTS	21,112,302	

CAPITAL SOURCES AND USES

SOURCES	
Developer Equity	9,080,905
Bank Loan	21,188,778
TOTAL	30,269,682
USES	
Hard Costs	16,768,477
Soft Costs	4,343,825
Acquistion	
TOTAL	21,112,302
INTEREST RATE (INTEREST ONLY)	9.00%
TERM	3 years max
AMORTIZATION	*NONE*
PROJECTED LOAN AMOUNT	21,188,778
TOTAL INTEREST PAID	1,032,953
1% LOAN FEE	211,888

CONSTRUCTION DRAW SCHEDULE

MONTH	DATE	DRAW	TOTAL DRAW	INTEREST	TOTAL INTEREST
1	5/1/2011	1,765,731	1,765,731	13,243	13,243
2	6/1/2011	1,765,731	3,531,463	26,486	39,729
3	7/1/2011	1,765,731	5,297,194	39,729	79,458
4	8/1/2011	1,765,731	7,062,926	52,972	132,430
5	9/1/2011	1,765,731	8,828,657	66,215	198,645
6	10/1/2011	1,765,731	10,594,389	79,458	278,103
7	11/1/2011	1,765,731	12,360,120	92,701	370,804
8	12/1/2011	1,765,731	14,125,852	105,944	476,747
9	1/1/2012	1,765,731	15,891,583	119,187	595,934
10	2/1/2012	1,765,731	17,657,315	132,430	728,364
11	3/1/2012	1,765,731	19,423,046	145,673	874,037
12	4/1/2012	1,765,731	21,188,778	158,916	1,032,953

EQUITY CARRYING COSTS

COST OF FUNDS	8.50%
INITIAL EQUITY AMOUNT	9,080,905
TOTAL COST OF FUNDS	884,442

EQUITY CONTRIBUTION SCHEDULE

MONTH	DATE	DRAW	TOTAL DRAW	INTEREST	TOTAL INTEREST
1	7/1/2010	756,742	756,742	5,360	5,360
2	8/1/2010	756,742	1,513,484	10,721	16,081
3	9/1/2010	756,742	2,270,226	16,081	32,162
4	10/1/2010	756,742	3,026,968	21,441	53,603
5	11/1/2010	756,742	3,783,710	26,801	80,404
6	12/1/2010	756,742	4,540,452	32,162	112,565
7	1/1/2011	756,742	5,297,194	37,522	150,087
8	2/01/211	756,742	6,053,936	42,882	192,969
9	3/1/2011	756,742	6,810,679	48,242	241,212
10	4/1/2011	756,742	7,567,421	53,603	294,814
11	5/1/2011	756,742	8,324,163	58,963	353,777
12	6/1/2011	756,742	9,080,905	64,323	418,100
13	7/1/2011	756,742	9,837,647	69,683	487,783
14	8/1/2011	756,742	10,594,389	75,044	562,827
15	9/1/2011	756,742	11,351,131	80,404	643,231
16	10/1/2011	756,742	12,107,873	85,764	728,995
17	11/1/2011	756,742	12,864,615	91,124	820,119
18	12/1/2011	756,742	9,080,905	64,323	884,442

HOTEL DEVELOPMENT COSTS

HARD COSTS

CONSTRUCTION COSTS	18,221,944
SOFT COSTS	
Professional Service and Fees	
Formal Market Study	15,000
Architects and Engineers	356,000
Testing, Inspectors, Appraisals	38,500
Builders Risk Insurance	102,000
Legal and Accounting Fees	102,000
Municipal and Utility Fees	25,000
Permits	30,000
Project Management	
Salaries and Wages	200,000
Travel and Expenses	25,000
Developer's Fee	799,704
Other Soft Costs	
Property Taxes	135,000
Construction Loan Interest	953,965
Loan Fees	195,685
Developer Equity Carrying Costs	1,420,075
Marketing and Pre-Opening	250,000
Project Contingency	650,000
TOTAL SOFT COSTS	5,297,929
TOTAL DEVELOPMENT COSTS	

CAPITAL SOURCES AND USES

SOURCES	
Developer Equity	13,045,669
Bank Loan	19,568,503
TOTAL	32,614,172
USES	
Hard Costs	18,221,944
Soft Costs	5,297,929
Acquistion	
TOTAL	23,519,873
INTEREST RATE (INTEREST ONLY)	9.00%
TERM	3 years max
AMORTIZATION	*NONE*
PROJECTED LOAN AMOUNT	19,568,503
TOTAL INTEREST PAID	953,965
1% LOAN FEE	195,685

CONSTRUCTION DRAW SCHEDULE

MONTH	DATE	DRAW	TOTAL DRAW	INTEREST	TOTAL INTEREST
1	5/1/2011	1,630,708.58	1630708.58	12,230	12,230
2	6/1/2011	1,630,708.58	3261417.16	24,461	36,691
3	7/1/2011	1,630,708.58	4892125.741	36,691	73,382
4	8/1/2011	1,630,708.58	6522834.321	48,921	122,303
5	9/1/2011	1,630,708.58	8153542.901	61,152	183,455
6	10/1/2011	1,630,708.58	9784251.481	73,382	256,837
7	11/1/2011	1,630,708.58	11414960.06	85,612	342,449
8	12/1/2011	1,630,708.58	13045668.64	97,843	440,291
9	1/1/2012	1,630,708.58	14676377.22	110,073	550,364
10	2/1/2012	1,630,708.58	16307085.8	122,303	672,667
11	3/1/2012	1,630,708.58	17937794.38	134,533	807,201
12	4/1/2012	1,630,708.58	19,568,503	146,764	953,965

EQUITY CARRYING COSTS

COST OF FUNDS	9.50%
INITIAL EQUITY AMOUNT	13,045,669
TOTAL COST OF FUNDS	1,420,075

EQUITY CONTRIBUTION SCHEDULE

MONTH	DATE	DRAW	TOTAL DRAW	INTEREST	TOTAL INTEREST
1	7/1/2010	1,087,139.05	1087139.053	8,607	8,607
2	8/1/2010	1,087,139.05	2174278.107	17,213	25,820
3	9/1/2010	1,087,139.05	3261417.16	25,820	51,639
4	10/1/2010	1,087,139.05	4348556.214	34,426	86,065
5	11/1/2010	1,087,139.05	5435695.267	43,033	129,098
6	12/1/2010	1,087,139.05	6522834.321	51,639	180,737
7	1/1/2011	1,087,139.05	7609973.374	60,246	240,982
8	2/01/211	1,087,139.05	8697112.428	68,852	309,835
9	3/1/2011	1,087,139.05	9784251.481	77,459	387,293
10	4/1/2011	1,087,139.05	10871390.53	86,065	473,358
11	5/1/2011	1,087,139.05	11958529.59	94,672	568,030
12	6/1/2011	1,087,139.05	13045668.64	103,278	671,308
13	7/1/2011	1,087,139.05	14132807.7	111,885	783,193
14	8/1/2011	1,087,139.05	15219946.75	120,491	903,684
15	9/1/2011	1,087,139.05	16307085.8	129,098	1,032,782
16	10/1/2011	1,087,139.05	17394224.86	137,704	1,170,486
17	11/1/2011	1,087,139.05	18481363.91	146,311	1,316,797
18	12/1/2011	1,087,139.05	13,045,669	103,278	1,420,075

APPENDIX XIII: DEVELOPMENT SCHEDULE

	DURATION	START	FINISH
PARTNERSHIP FORMATION			
Devleloper Proposal	1 month	10/1/2010	11/1/2010
Market Study	1 month	10/1/2010	11/1/2010
Research Hotel Brand	1month	10/1/2010	12/1/2010
Select Developer	2 month	10/1/2010	12/1/2010
Partnership Agreement	2 month	2/1/2011	3/1/2011
Execute Franchise Agreement			1/1/2011
ARCHETECTURE/DESIGN			
Re Draw plans	1 month	10/1/2010	11/1/2010
New Schematic Drawings	1 months	12/1/2010	1/1/2011
Design Development	2 months	1/1/2011	3/1/2011
Construction Docs	2 months	4/1/2011	5/1/2011
PERMITS AND APPROVALS			
Conceptual Design Review			12/1/2010
Planning and Zoning Mtg. Approval			2/1/2011
Building Permit Review and Approval	3 months	2/1/2011	7/1/2011
FINANCING			
Obtain Permanent Financing			2/1/2011
Secure Construction Loan			5/1/2011
Construction Loan Begins			5/1/2011
Construction Take Out Begins			5/1/2012
CONSTRUCTION			
Solicit GC Pre-construction bids			1/1/2011
Distribute 80% Construction Docs			4/1/2011
Distribute 100% Construction Docs			5/1/2011
Sign GMP with GC			5/1/2011
Construction	12 months		5/1/2012
Certificate of Occupancy			5/1/2012
Opening Clean & Prep	1 month	5/1/2012	6/1/2012
Grand Opening			6/1/2012

Office Amortization Schedule

Amount of Mortgage	21,664,124
Amort Period	10
Interest Rate	5.53%
Number of Payments	1
Years	25
Payment	133,425

Years	Period	Debt Service	Interest	Principle	Amount Outstanding	Accumlative Interest	Accumlative Principle
	0				21,664,124		
1	1	133,425	99,836	33,590	21,630,535	99,836	33,590
2	2	133,425	99,681	33,744	21,596,790	99,681	33,744
3	3	133,425	99,525	33,900	21,562,890	99,525	33,900
4	4	133,425	99,369	34,056	21,528,834	99,369	34,056
5	5	133,425	99,212	34,213	21,494,621	99,212	34,213
6	6	133,425	99,054	34,371	21,460,251	99,054	34,371
7	7	133,425	98,896	34,529	21,425,721	98,896	34,529
8	8	133,425	98,737	34,688	21,391,033	98,737	34,688
9	9	133,425	98,577	34,848	21,356,185	98,577	34,848
10	10	133,425	98,416	35,009	21,321,177	98,416	35,009
11	11	133,425	98,255	35,170	21,286,007	98,255	35,170
12	12	133,425	98,093	35,332	21,250,674	98,093	35,332
13	13	133,425	97,930	35,495	21,215,180	97,930	35,495
14	14	133,425	97,767	35,658	21,179,521	97,767	35,658
15	15	133,425	97,602	35,823	21,143,698	97,602	35,823
16	16	133,425	97,437	35,988	21,107,710	97,437	35,988
17	17	133,425	97,271	36,154	21,071,557	97,271	36,154
18	18	133,425	97,105	36,320	21,035,236	97,105	36,320
19	19	133,425	96,937	36,488	20,998,749	96,937	36,488
20	20	133,425	96,769	36,656	20,962,093	96,769	36,656
21	21	133,425	96,600	36,825	20,925,268	96,600	36,825
22	22	133,425	96,431	36,994	20,888,274	96,431	36,994
23	23	133,425	96,260	37,165	20,851,109	96,260	37,165
24	24	133,425	96,089	37,336	20,813,772	96,089	37,336
25	25	133,425	95,917	37,508	20,776,264	95,917	37,508
26	26	133,425	95,744	37,681	20,738,583	95,744	37,681
27	27	133,425	95,570	37,855	20,700,728	95,570	37,855
28	28	133,425	95,396	38,029	20,662,699	95,396	38,029
29	29	133,425	95,221	38,204	20,624,494	95,221	38,204
30	30	133,425	95,045	38,381	20,586,114	95,045	38,381
31	31	133,425	94,868	38,557	20,547,556	94,868	38,557
32	32	133,425	94,690	38,735	20,508,821	94,690	38,735
33	33	133,425	94,511	38,914	20,469,908	94,511	38,914
34	34	133,425	94,332	39,093	20,430,815	94,332	39,093
35	35	133,425	94,152	39,273	20,391,542	94,152	39,273
36	36	133,425	93,971	39,454	20,352,088	93,971	39,454
37	37	133,425	93,789	39,636	20,312,452	93,789	39,636
38	38	133,425	93,607	39,819	20,272,633	93,607	39,819
39	39	133,425	93,423	40,002	20,232,631	93,423	40,002
40	40	133,425	93,239	40,186	20,192,445	93,239	40,186
41	41	133,425	93,054	40,372	20,152,073	93,054	40,372
42	42	133,425	92,867	40,558	20,111,516	92,867	40,558
43	43	133,425	92,681	40,745	20,070,771	92,681	40,745
44	44	133,425	92,493	40,932	20,029,839	92,493	40,932
45	45	133,425	92,304	41,121	19,988,718	92,304	41,121
46	46	133,425	92,115	41,310	19,947,408	92,115	41,310
47	47	133,425	91,924	41,501	19,905,907	91,924	41,501
48	48	133,425	91,733	41,692	19,864,215	91,733	41,692
49	49	133,425	91,541	41,884	19,822,331	91,541	41,884
50	50	133,425	91,348	42,077	19,780,253	91,348	42,077
51	51	133,425	91,154	42,271	19,737,982	91,154	42,271
52	52	133,425	90,959	42,466	19,695,516	90,959	42,466
53	53	133,425	90,764	42,662	19,652,855	90,764	42,662
54	54	133,425	90,567	42,858	19,609,997	90,567	42,858
55	55	133,425	90,369	43,056	19,566,941	90,369	43,056
56	56	133,425	90,171	43,254	19,523,687	90,171	43,254
57	57	133,425	89,972	43,453	19,480,233	89,972	43,453
58	58	133,425	89,771	43,654	19,436,580	89,771	43,654
59	59	133,425	89,570	43,855	19,392,725	89,570	43,855
60	60	133,425	89,368	44,057	19,348,668	89,368	44,057
61	61	133,425	89,165	44,260	19,304,408	89,165	44,260
62	62	133,425	88,961	44,464	19,259,944	88,961	44,464
63	63	133,425	88,756	44,669	19,215,275	88,756	44,669
64	64	133,425	88,550	44,875	19,170,401	88,550	44,875
65	65	133,425	88,344	45,081	19,125,319	88,344	45,081
66	66	133,425	88,136	45,289	19,080,030	88,136	45,289
67	67	133,425	87,927	45,498	19,034,532	87,927	45,498
68	68	133,425	87,717	45,708	18,988,824	87,717	45,708
69	69	133,425	87,507	45,918	18,942,906	87,507	45,918
70	70	133,425	87,295	46,130	18,896,776	87,295	46,130
71	71	133,425	87,083	46,342	18,850,434	87,083	46,342
72	72	133,425	86,869	46,556	18,803,878	86,869	46,556
73	73	133,425	86,655	46,771	18,757,107	86,655	46,771
74	74	133,425	86,439	46,986	18,710,121	86,439	46,986
75	75	133,425	86,222	47,203	18,662,918	86,222	47,203
76	76	133,425	86,005	47,420	18,615,498	86,005	47,420
77	77	133,425	85,786	47,639	18,567,860	85,786	47,639
78	78	133,425	85,567	47,858	18,520,001	85,567	47,858
79	79	133,425	85,346	48,079	18,471,923	85,346	48,079
80	80	133,425	85,125	48,300	18,423,622	85,125	48,300
81	81	133,425	84,902	48,523	18,375,099	84,902	48,523
82	82	133,425	84,679	48,747	18,326,353	84,679	48,747
83	83	133,425	84,454	48,971	18,277,382	84,454	48,971
84	84	133,425	84,228	49,197	18,228,185	84,228	49,197
85	85	133,425	84,002	49,424	18,178,761	84,002	49,424
86	86	133,425	83,774	49,651	18,129,110	83,774	49,651
87	87	133,425	83,545	49,880	18,079,230	83,545	49,880
88	88	133,425	83,315	50,110	18,029,120	83,315	50,110
89	89	133,425	83,084	50,341	17,978,779	83,084	50,341
90	90	133,425	82,852	50,573	17,928,206	82,852	50,573
91	91	133,425	82,619	50,806	17,877,400	82,619	50,806
92	92	133,425	82,385	51,040	17,826,360	82,385	51,040
93	93	133,425	82,150	51,275	17,775,085	82,150	51,275
94	94	133,425	81,914	51,512	17,723,573	81,914	51,512
95	95	133,425	81,676	51,749	17,671,824	81,676	51,749
96	96	133,425	81,438	51,987	17,619,837	81,438	51,987
97	97	133,425	81,198	52,227	17,567,610	81,198	52,227
98	98	133,425	80,957	52,468	17,515,142	80,957	52,468
99	99	133,425	80,716	52,709	17,462,433	80,716	52,709
100	100	133,425	80,473	52,952	17,409,481	80,473	52,952
101	101	133,425	80,229	53,196	17,356,284	80,229	53,196
102	102	133,425	79,984	53,442	17,302,843	79,984	53,442
103	103	133,425	79,737	53,688	17,249,155	79,737	53,688
104	104	133,425	79,490	53,935	17,195,220	79,490	53,935
105	105	133,425	79,241	54,184	17,141,036	79,241	54,184
106	106	133,425	78,992	54,433	17,086,602	78,992	54,433
107	107	133,425	78,741	54,684	17,031,918	78,741	54,684
108	108	133,425	78,489	54,936	16,976,982	78,489	54,936
109	109	133,425	78,236	55,189	16,921,792	78,236	55,189
110	110	133,425	77,981	55,444	16,866,348	77,981	55,444
111	111	133,425	77,726	55,699	16,810,649	77,726	55,699
112	112	133,425	77,469	55,956	16,754,693	77,469	55,956
113	113	133,425	77,211	56,214	16,698,479	77,211	56,214
114	114	133,425	76,952	56,473	16,642,006	76,952	56,473
115	115	133,425	76,692	56,733	16,585,273	76,692	56,733
116	116	133,425	76,430	56,995	16,528,278	76,430	56,995
117	117	133,425	76,168	57,257	16,471,021	76,168	57,257
118	118	133,425	75,904	57,521	16,413,500	75,904	57,521
119	119	133,425	75,639	57,786	16,355,714	75,639	57,786
120	120	133,425	75,373	58,053	16,297,661	75,373	58,053

Apartment Amortization Schedule

Amount of Mortgage	21,188,778
Amort Period	10
Interest Rate	5.03%
Number of Payments	1
Years	25
Payment	124,238

Years	Period	Debt Service	Interest	Principle	Amount Outstanding	Accumlative Interest	Accumlative Principle
	0				21,188,778		
1	1	124,238	88,816	35,422	21,153,356	88,816	35,422
2	2	124,238	88,668	35,570	21,117,786	88,668	35,570
3	3	124,238	88,519	35,719	21,082,066	88,519	35,719
4	4	124,238	88,369	35,869	21,046,197	88,369	35,869
5	5	124,238	88,219	36,019	21,010,178	88,219	36,019
6	6	124,238	88,068	36,170	20,974,007	88,068	36,170
7	7	124,238	87,916	36,322	20,937,685	87,916	36,322
8	8	124,238	87,764	36,474	20,901,211	87,764	36,474
9	9	124,238	87,611	36,627	20,864,583	87,611	36,627
10	10	124,238	87,457	36,781	20,827,803	87,457	36,781
11	11	124,238	87,303	36,935	20,790,868	87,303	36,935
12	12	124,238	87,148	37,090	20,753,778	87,148	37,090
13	13	124,238	86,993	37,245	20,716,533	86,993	37,245
14	14	124,238	86,837	37,401	20,679,132	86,837	37,401
15	15	124,238	86,680	37,558	20,641,573	86,680	37,558
16	16	124,238	86,523	37,716	20,603,858	86,523	37,716
17	17	124,238	86,365	37,874	20,565,984	86,365	37,874
18	18	124,238	86,206	38,032	20,527,952	86,206	38,032
19	19	124,238	86,046	38,192	20,489,760	86,046	38,192
20	20	124,238	85,886	38,352	20,451,408	85,886	38,352
21	21	124,238	85,725	38,513	20,412,896	85,725	38,513
22	22	124,238	85,564	38,674	20,374,222	85,564	38,674
23	23	124,238	85,402	38,836	20,335,385	85,402	38,836
24	24	124,238	85,239	38,999	20,296,386	85,239	38,999
25	25	124,238	85,076	39,162	20,257,224	85,076	39,162
26	26	124,238	84,912	39,327	20,217,897	84,912	39,327
27	27	124,238	84,747	39,491	20,178,406	84,747	39,491
28	28	124,238	84,581	39,657	20,138,749	84,581	39,657
29	29	124,238	84,415	39,823	20,098,926	84,415	39,823
30	30	124,238	84,248	39,990	20,058,936	84,248	39,990
31	31	124,238	84,080	40,158	20,018,778	84,080	40,158
32	32	124,238	83,912	40,326	19,978,452	83,912	40,326
33	33	124,238	83,743	40,495	19,937,957	83,743	40,495
34	34	124,238	83,573	40,665	19,897,292	83,573	40,665
35	35	124,238	83,403	40,835	19,856,457	83,403	40,835
36	36	124,238	83,232	41,006	19,815,450	83,232	41,006
37	37	124,238	83,060	41,178	19,774,272	83,060	41,178
38	38	124,238	82,887	41,351	19,732,921	82,887	41,351
39	39	124,238	82,714	41,524	19,691,397	82,714	41,524
40	40	124,238	82,540	41,698	19,649,698	82,540	41,698
41	41	124,238	82,365	41,873	19,607,825	82,365	41,873
42	42	124,238	82,189	42,049	19,565,776	82,189	42,049
43	43	124,238	82,013	42,225	19,523,551	82,013	42,225
44	44	124,238	81,836	42,402	19,481,150	81,836	42,402
45	45	124,238	81,658	42,580	19,438,570	81,658	42,580
46	46	124,238	81,480	42,758	19,395,812	81,480	42,758
47	47	124,238	81,301	42,937	19,352,874	81,301	42,937
48	48	124,238	81,121	43,117	19,309,757	81,121	43,117
49	49	124,238	80,940	43,298	19,266,459	80,940	43,298
50	50	124,238	80,759	43,480	19,222,980	80,759	43,480
51	51	124,238	80,576	43,662	19,179,318	80,576	43,662
52	52	124,238	80,393	43,845	19,135,473	80,393	43,845
53	53	124,238	80,210	44,029	19,091,444	80,210	44,029
54	54	124,238	80,025	44,213	19,047,231	80,025	44,213
55	55	124,238	79,840	44,398	19,002,833	79,840	44,398
56	56	124,238	79,654	44,585	18,958,248	79,654	44,585
57	57	124,238	79,467	44,771	18,913,477	79,467	44,771
58	58	124,238	79,279	44,959	18,868,518	79,279	44,959
59	59	124,238	79,091	45,148	18,823,370	79,091	45,148
60	60	124,238	78,901	45,337	18,778,033	78,901	45,337
61	61	124,238	78,711	45,527	18,732,506	78,711	45,527
62	62	124,238	78,520	45,718	18,686,789	78,520	45,718
63	63	124,238	78,329	45,909	18,640,879	78,329	45,909
64	64	124,238	78,136	46,102	18,594,777	78,136	46,102
65	65	124,238	77,943	46,295	18,548,482	77,943	46,295
66	66	124,238	77,749	46,489	18,501,993	77,749	46,489
67	67	124,238	77,554	46,684	18,455,309	77,554	46,684
68	68	124,238	77,359	46,880	18,408,430	77,359	46,880
69	69	124,238	77,162	47,076	18,361,354	77,162	47,076
70	70	124,238	76,965	47,273	18,314,080	76,965	47,273
71	71	124,238	76,767	47,472	18,266,609	76,767	47,472
72	72	124,238	76,568	47,671	18,218,938	76,568	47,671
73	73	124,238	76,368	47,870	18,171,068	76,368	47,870
74	74	124,238	76,167	48,071	18,122,997	76,167	48,071
75	75	124,238	75,966	48,273	18,074,724	75,966	48,273
76	76	124,238	75,763	48,475	18,026,249	75,763	48,475
77	77	124,238	75,560	48,678	17,977,571	75,560	48,678
78	78	124,238	75,356	48,882	17,928,689	75,356	48,882
79	79	124,238	75,151	49,087	17,879,602	75,151	49,087
80	80	124,238	74,945	49,293	17,830,309	74,945	49,293
81	81	124,238	74,739	49,499	17,780,810	74,739	49,499
82	82	124,238	74,531	49,707	17,731,103	74,531	49,707
83	83	124,238	74,323	49,915	17,681,188	74,323	49,915
84	84	124,238	74,114	50,124	17,631,063	74,114	50,124
85	85	124,238	73,904	50,335	17,580,729	73,904	50,335
86	86	124,238	73,693	50,546	17,530,183	73,693	50,546
87	87	124,238	73,481	50,757	17,479,426	73,481	50,757
88	88	124,238	73,268	50,970	17,428,455	73,268	50,970
89	89	124,238	73,054	51,184	17,377,271	73,054	51,184
90	90	124,238	72,840	51,398	17,325,873	72,840	51,398
91	91	124,238	72,624	51,614	17,274,259	72,624	51,614
92	92	124,238	72,408	51,830	17,222,429	72,408	51,830
93	93	124,238	72,191	52,047	17,170,382	72,191	52,047
94	94	124,238	71,973	52,266	17,118,116	71,973	52,266
95	95	124,238	71,753	52,485	17,065,631	71,753	52,485
96	96	124,238	71,533	52,705	17,012,927	71,533	52,705
97	97	124,238	71,313	52,926	16,960,001	71,313	52,926
98	98	124,238	71,091	53,147	16,906,854	71,091	53,147
99	99	124,238	70,868	53,370	16,853,483	70,868	53,370
100	100	124,238	70,644	53,594	16,799,889	70,644	53,594
101	101	124,238	70,420	53,819	16,746,071	70,420	53,819
102	102	124,238	70,194	54,044	16,692,027	70,194	54,044
103	103	124,238	69,967	54,271	16,637,756	69,967	54,271
104	104	124,238	69,740	54,498	16,583,258	69,740	54,498
105	105	124,238	69,511	54,727	16,528,531	69,511	54,727
106	106	124,238	69,282	54,956	16,473,575	69,282	54,956
107	107	124,238	69,052	55,186	16,418,389	69,052	55,186
108	108	124,238	68,820	55,418	16,362,971	68,820	55,418
109	109	124,238	68,588	55,650	16,307,321	68,588	55,650
110	110	124,238	68,355	55,883	16,251,438	68,355	55,883
111	111	124,238	68,121	56,118	16,195,320	68,121	56,118
112	112	124,238	67,885	56,353	16,138,968	67,885	56,353
113	113	124,238	67,649	56,589	16,082,379	67,649	56,589
114	114	124,238	67,412	56,826	16,025,552	67,412	56,826
115	115	124,238	67,174	57,064	15,968,488	67,174	57,064
116	116	124,238	66,935	57,304	15,911,185	66,935	57,304
117	117	124,238	66,694	57,544	15,853,641	66,694	57,544
118	118	124,238	66,453	57,785	15,795,856	66,453	57,785
119	119	124,238	66,211	58,027	15,737,829	66,211	58,027
120	120	124,238	65,968	58,270	15,679,558	65,968	58,270

Hotel Amortization Schedule

Amount of Mortgage	19,568,503
Amort Period	10
Interest Rate	6.03%
Number of Payments	1
Years	25
Payment	126,439

Years	Period	Debt Service	Interest	Principle	Amount Outstanding	Accumlative Interest	Accumlative Principle	
	0				19,568,503			
1	1	126,439	98,332	28,108	19,540,395	98,332	28,108	
2	2	126,439	98,190	28,249	19,512,147	98,190	28,249	
3	3	126,439	98,049	28,391	19,483,756	98,049	28,391	
4	4	126,439	97,906	28,533	19,455,223	97,906	28,533	
5	5	126,439	97,762	28,677	19,426,546	97,762	28,677	
6	6	126,439	97,618	28,821	19,397,725	97,618	28,821	
7	7	126,439	97,474	28,966	19,368,759	97,474	28,966	
8	8	126,439	97,328	29,111	19,339,648	97,328	29,111	
9	9	126,439	97,182	29,258	19,310,391	97,182	29,258	
10	10	126,439	97,035	29,405	19,280,986	97,035	29,405	
11	11	126,439	96,887	29,552	19,251,434	96,887	29,552	
12	12	126,439	96,738	29,701	19,221,733	96,738	29,701	1,170,501
13	13	126,439	96,589	29,850	19,191,883	96,589	29,850	
14	14	126,439	96,439	30,000	19,161,883	96,439	30,000	
15	15	126,439	96,288	30,151	19,131,732	96,288	30,151	
16	16	126,439	96,137	30,302	19,101,430	96,137	30,302	
17	17	126,439	95,985	30,455	19,070,975	95,985	30,455	
18	18	126,439	95,832	30,608	19,040,368	95,832	30,608	
19	19	126,439	95,678	30,761	19,009,606	95,678	30,761	
20	20	126,439	95,523	30,916	18,978,690	95,523	30,916	
21	21	126,439	95,368	31,071	18,947,619	95,368	31,071	
22	22	126,439	95,212	31,227	18,916,392	95,212	31,227	
23	23	126,439	95,055	31,384	18,885,007	95,055	31,384	
24	24	126,439	94,897	31,542	18,853,465	94,897	31,542	1,149,003
25	25	126,439	94,739	31,701	18,821,765	94,739	31,701	
26	26	126,439	94,579	31,860	18,789,905	94,579	31,860	
27	27	126,439	94,419	32,020	18,757,885	94,419	32,020	
28	28	126,439	94,258	32,181	18,725,704	94,258	32,181	
29	29	126,439	94,097	32,343	18,693,361	94,097	32,343	
30	30	126,439	93,934	32,505	18,660,856	93,934	32,505	
31	31	126,439	93,771	32,668	18,628,188	93,771	32,668	
32	32	126,439	93,607	32,833	18,595,355	93,607	32,833	
33	33	126,439	93,442	32,998	18,562,358	93,442	32,998	
34	34	126,439	93,276	33,163	18,529,194	93,276	33,163	
35	35	126,439	93,109	33,330	18,495,864	93,109	33,330	
36	36	126,439	92,942	33,498	18,462,367	92,942	33,498	1,126,172
37	37	126,439	92,773	33,666	18,428,701	92,773	33,666	
38	38	126,439	92,604	33,835	18,394,866	92,604	33,835	
39	39	126,439	92,434	34,005	18,360,861	92,434	34,005	
40	40	126,439	92,263	34,176	18,326,685	92,263	34,176	
41	41	126,439	92,092	34,348	18,292,337	92,092	34,348	
42	42	126,439	91,919	34,520	18,257,817	91,919	34,520	
43	43	126,439	91,746	34,694	18,223,123	91,746	34,694	
44	44	126,439	91,571	34,868	18,188,255	91,571	34,868	
45	45	126,439	91,396	35,043	18,153,212	91,396	35,043	
46	46	126,439	91,220	35,219	18,117,993	91,220	35,219	
47	47	126,439	91,043	35,396	18,082,596	91,043	35,396	
48	48	126,439	90,865	35,574	18,047,022	90,865	35,574	1,101,926
49	49	126,439	90,686	35,753	18,011,269	90,686	35,753	
50	50	126,439	90,507	35,933	17,975,337	90,507	35,933	
51	51	126,439	90,326	36,113	17,939,223	90,326	36,113	
52	52	126,439	90,145	36,295	17,902,929	90,145	36,295	
53	53	126,439	89,962	36,477	17,866,452	89,962	36,477	
54	54	126,439	89,779	36,660	17,829,791	89,779	36,660	
55	55	126,439	89,595	36,845	17,792,947	89,595	36,845	
56	56	126,439	89,410	37,030	17,755,917	89,410	37,030	
57	57	126,439	89,223	37,216	17,718,701	89,223	37,216	
58	58	126,439	89,036	37,403	17,681,299	89,036	37,403	
59	59	126,439	88,849	37,591	17,643,708	88,849	37,591	
60	60	126,439	88,660	37,780	17,605,928	88,660	37,780	1,076,177
61	61	126,439	88,470	37,969	17,567,959	88,470	37,969	
62	62	126,439	88,279	38,160	17,529,799	88,279	38,160	
63	63	126,439	88,087	38,352	17,491,447	88,087	38,352	
64	64	126,439	87,895	38,545	17,452,902	87,895	38,545	
65	65	126,439	87,701	38,738	17,414,164	87,701	38,738	
66	66	126,439	87,506	38,933	17,375,231	87,506	38,933	
67	67	126,439	87,311	39,129	17,336,102	87,311	39,129	
68	68	126,439	87,114	39,325	17,296,777	87,114	39,325	
69	69	126,439	86,916	39,523	17,257,254	86,916	39,523	
70	70	126,439	86,718	39,722	17,217,532	86,718	39,722	
71	71	126,439	86,518	39,921	17,177,611	86,518	39,921	
72	72	126,439	86,317	40,122	17,137,489	86,317	40,122	1,048,832
73	73	126,439	86,116	40,323	17,097,166	86,116	40,323	
74	74	126,439	85,913	40,526	17,056,640	85,913	40,526	
75	75	126,439	85,710	40,730	17,015,910	85,710	40,730	
76	76	126,439	85,505	40,934	16,974,976	85,505	40,934	
77	77	126,439	85,299	41,140	16,933,836	85,299	41,140	
78	78	126,439	85,093	41,347	16,892,489	85,093	41,347	
79	79	126,439	84,885	41,554	16,850,935	84,885	41,554	
80	80	126,439	84,676	41,763	16,809,171	84,676	41,763	
81	81	126,439	84,466	41,973	16,767,198	84,466	41,973	
82	82	126,439	84,255	42,184	16,725,014	84,255	42,184	
83	83	126,439	84,043	42,396	16,682,618	84,043	42,396	
84	84	126,439	83,830	42,609	16,640,009	83,830	42,609	1,019,791
85	85	126,439	83,616	42,823	16,597,186	83,616	42,823	
86	86	126,439	83,401	43,038	16,554,148	83,401	43,038	
87	87	126,439	83,185	43,255	16,510,893	83,185	43,255	
88	88	126,439	82,967	43,472	16,467,421	82,967	43,472	
89	89	126,439	82,749	43,690	16,423,730	82,749	43,690	
90	90	126,439	82,529	43,910	16,379,820	82,529	43,910	
91	91	126,439	82,309	44,131	16,335,690	82,309	44,131	
92	92	126,439	82,087	44,352	16,291,337	82,087	44,352	
93	93	126,439	81,864	44,575	16,246,762	81,864	44,575	
94	94	126,439	81,640	44,799	16,201,963	81,640	44,799	
95	95	126,439	81,415	45,024	16,156,939	81,415	45,024	
96	96	126,439	81,189	45,251	16,111,688	81,189	45,251	988,950
97	97	126,439	80,961	45,478	16,066,210	80,961	45,478	
98	98	126,439	80,733	45,707	16,020,503	80,733	45,707	
99	99	126,439	80,503	45,936	15,974,567	80,503	45,936	
100	100	126,439	80,272	46,167	15,928,400	80,272	46,167	
101	101	126,439	80,040	46,399	15,882,001	80,040	46,399	
102	102	126,439	79,807	46,632	15,835,369	79,807	46,632	
103	103	126,439	79,573	46,867	15,788,502	79,573	46,867	
104	104	126,439	79,337	47,102	15,741,400	79,337	47,102	
105	105	126,439	79,101	47,339	15,694,062	79,101	47,339	
106	106	126,439	78,863	47,577	15,646,485	78,863	47,577	
107	107	126,439	78,624	47,816	15,598,669	78,624	47,816	
108	108	126,439	78,383	48,056	15,550,614	78,383	48,056	956,196
109	109	126,439	78,142	48,297	15,502,316	78,142	48,297	
110	110	126,439	77,899	48,540	15,453,776	77,899	48,540	
111	111	126,439	77,655	48,784	15,404,992	77,655	48,784	
112	112	126,439	77,410	49,029	15,355,963	77,410	49,029	
113	113	126,439	77,164	49,276	15,306,687	77,164	49,276	
114	114	126,439	76,916	49,523	15,257,164	76,916	49,523	
115	115	126,439	76,667	49,772	15,207,392	76,667	49,772	
116	116	126,439	76,417	50,022	15,157,370	76,417	50,022	
117	117	126,439	76,166	50,273	15,107,097	76,166	50,273	
118	118	126,439	75,913	50,526	15,056,571	75,913	50,526	
119	119	126,439	75,659	50,780	15,005,791	75,659	50,780	
120	120	126,439	75,404	51,035	14,954,755	75,404	51,035	921,413

OFFICE ANALYSIS SUMMARY

GSF	126,491	**Going In Cap Rate**	7.50%
RSF	98,388	**Terminal Cap Rate**	9.50%
PARKING SPACES	55	**Cost of Sale**	3.00%
AVERAGE RENT	38.67	**10 Year Treasury**	3.03%
RETAIL RENT	34.00	**Risk Premium**	6.47%
RETAIL RENTABLE SQ FT.	7,491	**Discount Rate**	9.5%
POTENTIAL GROSS INCOME	4,808,843	**Current Value**	33,329,422
VACANCY	10.00%	**Equity Requirement**	11,665,298
EFFECTIVE GROSS INCOME	4,327,958	**Loan Amount**	21,664,124
OPERATING EXPENSE RATIO	42.24%	**LTV**	65.00%
NOI	2,499,707	**Annual**	1,601,101
DEVELOPMENT COSTS	21,706,740	**Monthly Payment**	133,425
SUPPORTABLE MORTGAGE AMOUNT	33,329,422	**Constant**	1,601,101
CAP RATE	7.50%	**DSCR**	1.50
ACQUISITION AMOUNT	11,622,682	**NPV**	(2,356,640)

APARTMENT ANALYSIS SUMMARY

GSF	126,491	**Going In Cap Rate**	6.00%
AVG PRICE PER UNIT PER MONTH	2,100	**Terminal Cap Rate**	7.00%
NUMBER OF UNITS	110	**Cost of Sale**	3.00%
PARKING SPACES	99	**10 Year Treasury**	3.03%
RETAIL RENT	34	**Risk Premium**	5.88%
RETAIL RENTABLE SQ FT.	6,700	**Discount Rate**	9%
POTENTIAL GROSS INCOME	3,141,770	**Current Value**	30,269,682
STABILIZED OCCUPANCY	93.00%	**Equity Requirement**	9,080,905
EFFECTIVE GROSS INCOME	2,921,847	**Loan Amount**	21,188,778
OPERATING EXPENSE RATIO	37.84%	**LTV**	70.00%
NOI	1,816,181	**Annual**	1,490,857
DEVELOPMENT COSTS	21,112,302	**Monthly Payment**	124,238
SUPPORTABLE MORTGAGE AMOUNT	30,269,682	**Constant**	1,490,857
CAP RATE	6.00%	**DSCR**	1.19
ACQUISITION AMOUNT	9,157,380	**NPV**	(494,994)

FULL SERVICE HOTEL ANALYSIS SUMMARY

GSF	126,491	**Going In Cap Rate**	8.50%
RSF	89,111	**Terminal Cap Rate**	9.50%
TOTAL KEYS	128	**Cost of Sale**	3.00%
ROOMS AVAILABLE	46,720	**10 Year Treasury**	3.03%
ROOMS OCCUPIED	35,040	**Risk Premium**	10.00%
PARKING SPACES	99	**Discount Rate**	13.03%
ADR	239	**Current Value**	32,614,172
OCC	75%	**Equity Requirement**	13,045,669
EFFECTIVE GROSS INCOME	8803252.719	**Loan Amount**	19,568,503
OPERATING EXPENSE RATIO	64.67%	**LTV**	60.00%
NOI	2,772,205	**Annual**	1,517,271
DEVELOPMENT COSTS	23,519,873	**Monthly Payment**	126,439
SUPPORTABLE MORTGAGE AMOUNT	32,614,172	**Constant**	1,517,271
CAP RATE	8.50%	**DSCR**	1.83
ACQUISITION AMOUNT	9,094,298	**NPV**	287,347

USES

	OFFICE	MULTIFAMILY	FULL SERVICE HOTEL
STABILIZED NOI	2,499,707	1,816,181	2,772,205
ASSET COST	21,706,740	21,112,302	23,519,873
MARKET CAP RATE	7.50%	6.00%	8.50%
DISCOUNT RATE	9.50%	9%	13%
MARKET VALUE	33,329,422	30,269,682	32,614,172
ACQUISITION VALUE	11,622,682	9,157,380	9,094,298
IRR	6.64%	8.22%	13.41%
SALE	72.25%	80.94%	45.53%
CASH FLOW	27.75%	19.06%	54.47%
NPV	(2,356,640)	(494,994)	287,347

Luxury	**Upper Upscale**	**Upscale**
Four Seasons	Doubletree	Aloft
Parky Hyatt	Embassy Suites	Courtyard
Inter-contiental	Hilton	Crowne Plaza
Ritz Carlton	Hyatt	Four Points
W Hotel	Kimpton	Hilton Garden Inn
	Marriott	Radisson
	Shearton	Residence Inn
	Westin	Wyndham

Midscale with F&B	**Midscale without F&B**	**Economy**
Best Western	Comfort Inn	Days Inn
Clarion	Fairfield Inn	Motel 6
Holiday Inn	Hampton Inn	Red Roof Inn
Quality Inn	La Quinta Inn	Travelodge
Ramada		

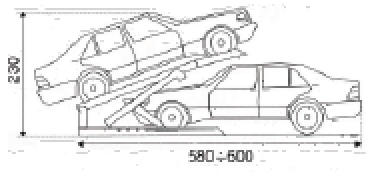
Full - Service	**Select-Service**	**Exte**	**Limited Service**
Four Seasons	Aloft	Emb	Days Inn
	Courtyard	Resi	Motel 6
W Hotel	Four Points		Red Roof Inn
Haytt	Hilton Garden Inn		Travelodge
Kimpton	Hyatt Place		Comfort Inn
Marriott			Fairfield Inn
Westin			Hampton Inn

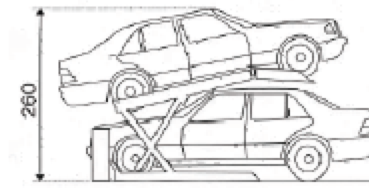
APPENDIX XIV: STACKED PARKING

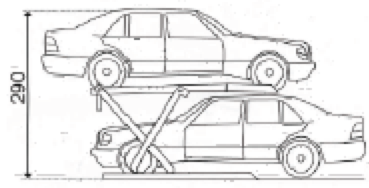
Individual Scissor Style

Parking Lift for Low Ceiling

Model#: B-Power Commercial Duty

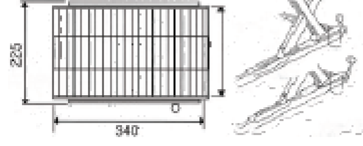






TECHNICAL FEATURES:
WORKING, electro-hydraulic
ENGINE, single phase 200 V., three phase 220/380 V., 1.5 Kw
CONTROLS, low voltage, 24 V., "man present" system equipped with key.

Capacity, 4400lb. Kg. 2000
Weight, 1654lb / 750 Kg.



SAFETY DEVICES
Mechanical safety device
Limit down control valve
Max loading valve
Operates through personal key only
Wheels stop knocker for the upper car
Dead Man safety lock present low voltage push-button
Wheels stop knocker for the lower car
Manual Lowering valve in case of power failure.

For Additional Information Contact Us at: +1-800-422-5438

www.parkmatic.com

E-mail: info@parkmatic.com

APPENDIX XV: PARKING GARAGE LAYOUT