

The XYZ Hotel, 123 Main Street
Summary of Major Assumptions - 1/13/2017

GENERAL INFORMATION			
Hotel Type:	Full Service		
Property Name and address:	The XYZ Hotel, 123 Main Street		
Rooms	Retail Space		
Total Keys	50	Retail Tenant #1	2,500 RSF
Rooms to Renovate	50	Retail Tenant #2	1,500 RSF
Average Room SF	400 SF	Retail Tenant #3	1,000 RSF
Total Room SF	20,000 SF	Total Retail	5,000 RSF
Gross Square Footage *	35,000 SF	Parking Information	
Efficiency Factor	57.14%	Structured Parking	50 Spaces
		Surface Parking	20 Spaces
Additional Space Use		Total Hotel Parking	70 Spaces
Food & Beverage	2,000 SF	Building Total SF	
Function	500 SF	Total Hotel Room SF	20,000 SF
Spa	2,000 SF	Total Retail and Additional SF	12,250 SF
Admin./Mechanical	750 SF	Gross Building SF	32,250 SF
Public Area	2,000 SF	Building Gross SF Used	92.14%
Total Additional Space	7,250 SF	<i>* Excludes parking SF</i>	

TIMING AND RENOVATION			
Acquisition Timing	Month #	Duration	Date
Date of Purchase	0		6/1/2020
Renovation Timing			
Renovation Start	1		7/1/2020
Renovation Duration		6 Months	
Renovation Completion	6		12/1/2020
Average Room Renovation Duration (Downtime)			2 Month(s)
Construction activity results in sales loss to rooms under renovation?			No

ACQUISITION USES OF FUNDS				
<i>TTM Net Operating Income: \$649,500</i>		<i>Going-in Cap Rate on TTM NOI: 9.62%</i>		
Purchase Price		Total	% Total Costs	Per Key
Closing Costs	\$100,000	Pre-funded Reserves		
		Hotel	\$6,750,000	87.45%
		Retail	\$200,000	2.59%
Room Renovation (see comment)			\$510,545	6.61%
Eligible Loan Costs			\$7,460,545	96.65%
Acquisition Fee	1.00%	Purch. Price	\$67,500	0.87%
Broker Fee	0.75%	Purch. Price	\$50,625	0.66%
Recording Fees/Misc.	0.25%	Purch. Price	\$16,875	0.22%
Transfer Tax	0.50%	Purch. Price	\$33,750	0.44%
Total Unleveraged Uses of Funds			\$7,629,295	98.84%
Mortgage Broker Fee	0.85% of Loan Amt.		\$41,220	0.53%
Loan Fee	1.00% of Loan Amt.		\$48,494	0.63%
Total Leveraged Uses of Funds			\$7,719,008	100.00%

SOURCES OF FUNDS						
Equity	% Sponsor Equity	% Total Equity	Equity at Closing	% Total Costs	Through Disposition	
Sponsor/Owner	10.00%	1.00%	\$28,697	0.37%	Deficit Funding ^	Total Equity with Deficits
Equity Partner	90.00%	9.00%	\$258,269	3.35%	\$983	\$29,680
Overall Sponsor/Owner		10.00%	\$286,965	3.72%	\$8,851	\$267,120
Third Party Investor Equity		90.00%	\$2,582,688	33.46%	\$9,834	\$296,800
Total Equity		100.00%	\$2,869,654	37.18%	\$88,508	\$2,671,196
Senior Acquisition Loan			Loan Size			Per Key
Funding Date	6/1/2020	% Eligible Loan Costs	\$4,849,354 *	62.82%		\$96,987
Annual Interest Rate	6.00%	Loan Term				
Monthly Payment	(\$31,244)	Amortization Period				
Broker Fee	0.85%	Interest-Only Period				
Loan Fee	1.00%					
Total Sources of Funds			\$7,719,008	100.00%		Per Key \$154,380

** This value excludes the cost of loan fees, which are funded by equity. ^ Any operating or financing-related deficits are assumed funded by equity.*

EQUITY JOINT VENTURE PARTNERSHIP WATERFALL STRUCTURE						Description
<i>Waterfall #1</i>						
Partnership Structure						
		Pref: 10%	Tier 1: 12%	Tier 2: 15%	Tier 3: 20%	Tier 4: > 20%
Sponsor Equity	<i>Profit >></i>	10.00%	10.00%	10.00%	10.00%	10.00%
Sponsor Promote	<i>Sharing >></i>	0.00%	10.00%	15.00%	20.00%	40.00%
Investor Equity	<i>Splits >></i>	90.00%	80.00%	75.00%	70.00%	50.00%
		100.00%	100.00%	100.00%	100.00%	100.00%
<i>Note: By its nature, the Preferred Return includes the Return of Capital.</i>						
<i>Waterfall #2</i>						
Intra-Sponsor Structure						
		Pref: 8%	Tier 1: 10%	Tier 2: 14%	Tier 3: 18%	Tier 4: > 18%
Owner Equity	<i>Profit >></i>	10.00%	10.00%	10.00%	10.00%	10.00%
Owner Promote	<i>Sharing >></i>	0.00%	5.00%	20.00%	25.00%	50.00%
Partner Equity	<i>Splits >></i>	90.00%	85.00%	70.00%	65.00%	40.00%
		100.00%	100.00%	100.00%	100.00%	100.00%

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OPERATING ASSUMPTIONS						
Trailing 12 Months Actuals		Yr 1 Escalation from TTM				
Available Rooms	18,250	Income Inflation	3.00%			
Occupied Rooms	10,585	Operating Exp. Inflation	3.00%			
Occupancy	58.00%	Management Fee:				
ADR	\$110.00	3.00% Total Sales				
RevPAR	\$63.80					
SALES	TTM	% Total Sales	POR	PAR	Annual Growth Rate	Year 6
Rooms	\$1,225,000	60%	115.73	24,500	3.00%	\$1,470,950
Food and Beverage	\$425,000	21%	40.15	8,500	3.00%	\$507,472
Telecommunications	\$65,000	3%	6.14	1,300	3.00%	\$77,613
Minor Operating Depts.	\$50,000	2%	4.72	1,000	3.00%	\$59,703
Parking	\$130,000	6%	12.28	2,600	3.00%	\$155,227
Small Shop Retail NNN NOI	\$105,000	5%	9.92	2,100	3.00%	\$125,375
Rentals & Other Income	\$55,000	3%	5.20	1,100	3.00%	\$65,673
Total	\$2,055,000	100%	194.14	41,100		\$2,462,013
DEPARTMENTAL EXPENSES		% Departmental Sales				
Rooms	\$400,000	33%	37.79	8,000	3.00%	\$477,621
Food and Beverage	\$300,000	71%	28.34	6,000	3.00%	\$358,216
Telecommunications	\$75,000	115%	7.09	1,500	3.00%	\$89,554
Minor Operating Depts.	\$15,000	30%	1.42	300	3.00%	\$17,911
Parking	\$35,000	27%	3.31	700	3.00%	\$41,792
Rentals & Other Income	\$20,000	36%	1.82	400	3.00%	\$23,881
Total	\$845,000	43%	79.83	16,900		\$1,008,974
DEPARTMENTAL PROFIT	\$1,210,000	59%	114.31	24,200		
VARIABLE EXPENSES *		% Total Sales				
General & Administrative	\$95,000	5%	8.97	1,900	3.00%	\$113,435
Sales & Marketing	\$125,000	6%	11.81	2,500	3.00%	\$149,257
Credit Card Commissions	\$50,000	2%	4.72	1,000	3.00%	\$59,703
Franchise & Royalty Fees	\$15,000	1%	1.42	300	3.00%	\$17,911
Property Repairs & Maintenance	\$55,000	3%	5.20	1,100	3.00%	\$65,673
Utilities	\$75,000	4%	7.09	1,500	3.00%	\$89,554
Total	\$415,000	20%	39.21	8,300		\$495,532
HOUSE PROFIT	\$795,000	39%	75.11	15,900		
FIXED & OTHER EXPENSES		Cost/Room				
Ground Lease	\$25,000	\$500	2.36	500	3.00%	\$29,851
Base Management Fee	\$50,000	\$1,000	4.72	1,000	3.00%	\$73,860
Property Taxes	\$25,000	\$500	2.36	500	3.00%	\$29,851
Insurance	\$45,000	\$900	4.25	900	3.00%	\$53,732
Reserve - CapEx	\$50,000	\$1,000	4.72	1,000	3.00%	\$59,703
Other	\$13,000	\$260	1.23	260	3.00%	\$15,523
Total	\$208,000	\$4,160	19.65	4,160		\$262,521
TOTAL NET HOUSE PROFIT	\$587,000	29%	55.46	11,740		
Incentive Management Fee	\$50,000		4.72	1,000		
NOI	\$537,000	26%	50.73	10,740		\$694,987
EBITDA	\$587,000	29%	55.46	11,740		
RETAIL						
	Suite SF	TTM NOI	Annual Rent			
Retail Tenant #1	2,500 RSF	\$56,250	\$22.50 PSF	Expense/CapEx Growth	3.00%	
Retail Tenant #2	1,500 RSF	\$33,750	\$22.50 PSF	Vacancy	3.00%	
Retail Tenant #3	1,000 RSF	\$22,500	\$22.50 PSF	Credit & Collection Loss	1.00%	
Total/Blended	5,000 RSF	\$112,500	\$22.50 PSF	CapEx Reserve	\$0.25 Per RSF/year	

FUTURE OPERATING ASSUMPTIONS											
Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	
Occupancy	58.00%	60.00%	62.00%	63.00%	64.00%	65.00%	66.00%	67.00%	68.00%	69.00%	70.00%
Unescalated Future ADR (Pro-forma Values are Escalated)											
	\$115	\$117	\$119	\$121	\$122	\$124	\$126	\$128	\$130	\$132	\$135
Renovation Cost/Key											
	\$10,000	\$10,300	\$10,609	\$10,927	\$11,255	\$11,593	\$11,941	\$12,299	\$12,668	\$13,048	\$13,439
Future RevPAR											
Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	
	\$67	\$72	\$78	\$83	\$88	\$93	\$99	\$105	\$112	\$119	\$127
Future ADR (Values Escalated)											
Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	
	\$115	\$121	\$126	\$132	\$138	\$144	\$150	\$157	\$165	\$172	\$181

PERMANENT LOAN (REFINANCING)			
<u>Loan Timing and Rate</u>		<u>Proceeds</u>	
Loan Size Basis	Maximum Loan Available	Annual NOI at Point of Refinancing	\$763,788
Month of Refi.	(Enter 0 if no refi) Month 36	Remaining Principal at Time of Refinancing	\$4,679,238
Date of Refinancing	6/1/2023	Loan Amount ^	\$7,374,502
		Monthly Payment	(\$45,286)
Loan Term / Amort. Period	25 Years / 25 Years	LTV	70.00%
Interest Rate	5.50%	Excess Proceeds to Equity	\$2,695,265
Interest-Only Period	1.00 Year(s)	Loan/Broker Fees/Closing Costs	2.00%
		Loan/Broker Fees/Closing Cost Amount	\$147,490

DISPOSITION						
<u>Hotel Sale</u>	Year 10	<u>Per Key</u>	<u>Total</u>	<u>Retail Sale</u>	Year 9	
Point of Sale	Month 120 6/1/2030			Point of Sale	Month 108 6/1/2029	
Sale Cap Rate	10.00% on Forward 12 Months NOI			Sale Cap Rate	9.00% on Trailing 12 Months NOI	
NOI for valuation		\$16,431	\$821,544	NOI for valuation	\$138,260	
Sale Price		\$164,309	\$8,215,442	Sale Price	\$1,536,227	
Selling Costs	4.00%		(\$328,618)	Selling Costs	4.00%	(\$61,449)
Net Sale Proceeds			\$7,886,824	Net Sale Proceeds		\$1,474,778
Less Outstanding Perm. Loan Principal			(\$4,938,455)			
Net Sale Proceeds After Debt Repayment		\$58,967	\$2,948,370			

RETURNS SUMMARY *				
	Sponsor/Owner	Equity Partner	Third Party Investor	Total
Equity Investment	\$29,680	\$267,120	\$2,671,196	\$2,967,996
Net Return on Equity	\$1,199,836	\$943,435	\$4,209,651	\$6,352,922
Multiple on Equity	41.43x	4.65x	2.58x	3.14x
IRR	59.98%	29.46%	22.09%	24.60%
NPV at 8.00%				\$2,914,326

NOTES	
POR: Per Occupied Room	^ If taking the Maximum Loan Available, the lesser of the 3 Maximum Loan Proceeds Amounts.
PAR: Per Available Room	* Returns are calculated off of monthly cash flows.
RevPAR: Revenue Per Available Room	
ADR: Average Daily Rate	

Capital Structure for Acquisition, Operation, and Renovation, if any

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	Acquisition				Operation/ Renovation	Total Equity **	
	Acquisition Debt	Acquisition Equity Amount **	% Equity	Total Acquisition Costs	% Total Acquisition Costs	Deficits, pro-rata	
Sponsor/Owner Equity		\$28,697	1.00%		0.37%	\$983	\$29,680
Partner Equity		\$258,269	9.00%		3.35%	\$8,851	\$267,120
Third Party Investor Equity		\$2,582,688	90.00%		33.46%	\$88,508	\$2,671,196
Acquisition Senior Loan *	\$4,849,354				62.82%		
Total Sources of Funds	\$4,849,354	\$2,869,654		\$7,719,008	100%	\$98,342	\$2,967,996

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

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

Joint Venture Partnership Returns

The XYZ Hotel, 123 Main Street

	Sponsor/Owner	Equity Partner	Third Party Investor	Total Project	Top-Level Sponsor (Owner and Equity Partner)
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Equity Investment incl. Op. Def.	\$29,680	\$267,120	\$2,671,196	\$2,967,996	\$296,800
Share of Equity Investment	1.00%	9.00%	90.00%	100.00%	10.00%
Gross Return	\$1,229,516	\$1,210,555	\$6,880,848	\$9,320,918	\$2,440,071
Net Profit (Return on Equity)	\$1,199,836	\$943,435	\$4,209,651	\$6,352,922	\$2,143,271
Multiple on Equity	41.43x	4.53x	2.58x	3.14x	8.22x
Internal Rate of Return	59.98%	29.46%	22.09%	24.60%	36.75%
Time from Equity Investment to Return (months)	120	120	120	120	120

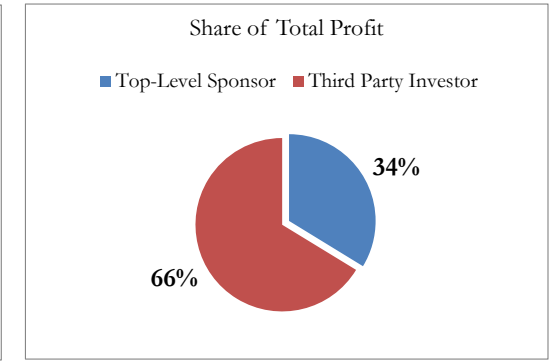
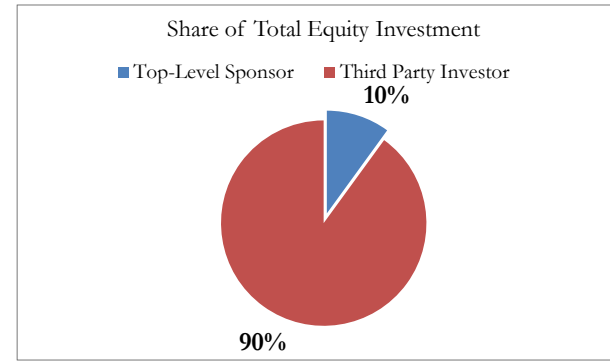
Waterfall #1 Summary - Top-Level Sponsor and Third Party Investor

Tier	Top-Level Sponsor (Owner and Equity Partner)	Sponsor/Owner Share	Third Party Investor Cashflow	Third Party Investor Share	Total Cashflow
Tier 1	\$383,306	10%	\$3,449,750	90%	\$3,833,056
Tier 2	\$51,536	20%	\$206,144	80%	\$257,680
Tier 3	\$140,590	25%	\$421,769	75%	\$562,358
Tier 4	\$703,909	30%	\$1,642,454	70%	\$2,346,362
Tier 5	\$1,160,731	50%	\$1,160,731	50%	\$2,321,462
Total	\$2,440,071	26%	\$6,880,848	74%	\$9,320,918
Less Equity Investment	(\$296,800)	10%	(\$2,671,196)	90%	(\$2,967,996)
Net Profit (Return on Equity)	\$2,143,271	34%	\$4,209,651	66%	\$6,352,922

Waterfall #2 Summary - Sponsor/Owner and Equity Partner

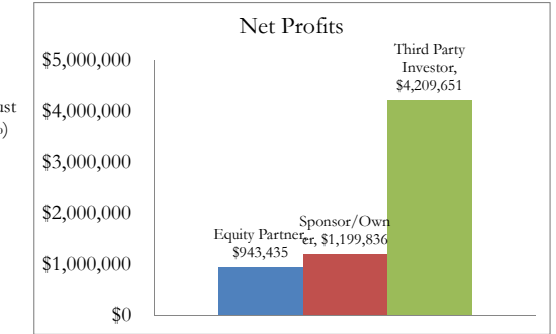
Tier	Sponsor/Owner Cashflow	Sponsor/Owner Share	Equity Partner Cashflow	Equity Partner Share	Total Cashflow
Tier 1	\$36,353	10%	\$327,174	90%	\$363,526
Tier 2	\$3,146	15%	\$17,825	85%	\$20,970
Tier 3	\$18,772	30%	\$43,802	70%	\$62,574
Tier 4	\$34,376	35%	\$63,840	65%	\$98,216
Tier 5	\$1,136,870	60%	\$757,913	40%	\$1,894,783
Total	\$1,229,516	50%	\$1,210,555	50%	\$2,440,071
Less Equity Investment	(\$29,680)	10%	(\$267,120)	90%	(\$296,800)
Net Profit (Return on Equity)	\$1,199,836	56%	\$943,435	44%	\$2,143,271

Waterfall #1 Check	\$0
Waterfall #2 Check	\$0



Waterfall #1 Structure - Top-Level Sponsor and Third Party Investor

Tier	IRR Hurdle Ranges	Sponsor/Owner		Total Non-Investor Profit		Investor Profit Share	Total (must be 100%)
		Promote	Share	Investor Profit Share	Investor Profit Share		
Tier 1	From 0% through 10%	0%	10%	10%	90%	100%	
Tier 2	Above 10% through 12%	10%	20%	20%	80%	100%	
Tier 3	Above 12% through 15%	15%	25%	25%	75%	100%	
Tier 4	Above 15% through 20%	20%	30%	30%	70%	100%	
Tier 5	Above 20%	40%	50%	50%	50%	100%	



Waterfall #2 Structure - Sponsor/Owner and Equity Partner

Tier	IRR Hurdle Ranges	Sponsor/Owner		Total Non-Investor Profit		Investor Profit Share	Total (must be 100%)
		Promote	Share	Sponsor/Owner Profit Share	Equity Partner Profit Share		
Tier 1	From 0% through 8%	0%	8%	10%	90%	100%	
Tier 2	Above 8% through 10%	5%	15%	15%	85%	100%	
Tier 3	Above 10% through 14%	20%	20%	30%	70%	100%	
Tier 4	Above 14% through 18%	25%	25%	35%	65%	100%	
Tier 5	Above 18%	50%	50%	60%	40%	100%	

