



September 7, 2012

Mr. James A. Tinson, AIA
Chief Executive Officer
Hart Howerton
10 East 40th Street
New York, NY 10016

[Via e-mail to jtinson@harthowerton.com](mailto:jtinson@harthowerton.com)

Dear Mr. Tinson:

At this juncture in our engagement, we are pleased to present this letter which summarizes a number of our strategic considerations and recommendations regarding various component hotel concepts proposed for the redevelopment of the Concord Resort ("the Resort") in Monticello, New York. We discuss each proposed hotel concept individually herein. We are also proceeding to prepare financial operating projections based on this development program.

Casino Hotel

The proposed casino hotel is outside the scope of our work; however, this facility will materially impact the positioning of other hotel concepts depending on the scope of its meeting/exhibit space program. It is our understanding this facility is to include 20,000 to 40,000 square feet of such space, with the exact sizing yet to be determined. We believe that such a venue would replicate, to some degree, meeting space(s) programmed into other hotel concepts at the Resort and, as such, would represent a degree of competition for meetings, symposia, exhibitions and other events. To the extent possible, we have considered this variable in the formulation of our recommendations.

Indoor Waterpark Hotel

We recommend the indoor waterpark hotel be positioned as a 425-room full-service hotel with a 90,000 square-foot indoor waterpark, either affiliated with the Great Wolf Lodge chain, Wilderness Territories chain, or be similar in character and market orientation. We recommend this facility open either concurrently with the casino hotel or as soon as possible thereafter, primarily for the following two reasons:

- Our research indicates demand for this caliber of indoor waterpark hotel at this location is deep and the market should be able to readily absorb the new facility.
- We are aware of at least two other comparable indoor waterpark hotel projects in the region, now in the early planning stages, which could

potentially be dissuaded from moving forward if clear steps toward a facility opening at the Resort could be demonstrated.

We believe an indoor waterpark hotel property of the type and size recommended could be reasonably expected to reach a stabilized annual occupancy in the vicinity of 73 percent at an average daily room rate (“ADR”) of approximately \$340 (expressed in current-value dollars) upon stabilization by the third full operating year.

Resort Hotel and Conference Center

We recommend the resort hotel and conference center be positioned as a 225-room, full-service hotel of 3.5-to four-star quality with approximately 20,000 square feet of meeting space. From a meetings perspective, this hotel should chiefly target corporate and professional association demand, as opposed to the more social group orientation of the waterpark and casino hotel facilities. We also recommend this property offer an on-site spa and be operated synergistically with the “Monster” golf course. For example, the golf course’s clubhouse could be located within this facility to maximize utilization of public and food and beverage venues.

The proposed site of this hotel, at the “Resort Core” bookending the Entertainment Village and overlooking a lake, has several implications that warrant mention here:

- The aesthetic and area amenity advantages specific to this site would contribute positively to the experience of many guests.
- The site’s relative remoteness from the Monster would present logistical challenges that must be satisfactorily reconciled in order to maximize the course’s contribution to the marketing of the property.

We feel that a serviceable reconciliation of logistical challenges would enable the site’s positive attributes to, on balance, overcome its weaknesses. The overall market demand mix for this hotel is estimated to approximate:

- 40 percent corporate and professional association meetings;
- 40 percent leisure (including golf, spa and other “getaway” recreation; and,
- 20 percent other demand including overflow demand from the casino and waterpark hotels.

Considering seasonal factors and an evaluation of competitive supply and demand, we estimate a hotel of the type and size recommended could be reasonably expected to reach a stabilized annual occupancy in the vicinity of 64 percent at an ADR of approximately

\$205 (expressed in current-value dollars) upon stabilization by the fourth full operating year.

We recommend this property be planned for an open approximately two to three years following the casino hotel's open. Such timing should enable an evaluation of that property's position within the meetings market which, in turn, should inform a complimentary positioning of this hotel's meeting and events program.

Adventure Hotel

We recommend the adventure hotel be positioned as a 40-unit full-service themed hotel. This property should also offer a variety of "low-impact" outdoor recreation activities such as horseback riding, fishing, shooting, hiking and biking. We recommend these activities be supported on-site and also by leveraging the region's rich natural land and water features through guided and unguided excursions. Considering seasonal trends in visitation and the activities this property could offer, we recommend the adventure hotel be operated (at least initially) six months of the year, from May through October. Core facilities comprising this property should include the following:

- 40 guest lodging units, including a mix of family-sized and couple-sized units;
- A central dining and informal meeting/staging facility; and,
- Activity support facilities.

We believe this concept would likely benefit from positive prior roll-outs of the casino, indoor waterpark and resort hotel, each of which should build awareness for the overall Resort. Considering seasonal factors and an evaluation of competitive supply and demand, we estimate a hotel of the type and size recommended could be reasonably expected to reach a stabilized seasonal occupancy in the vicinity of 73 percent at an ADR of approximately \$276 (expressed in current-value dollars) upon stabilization by the fourth full operating year.

Limited-Service Hotel

We recommend the limited-service hotel be positioned as a midscale or economy property of approximately 80 rooms, affiliated with a quality national chain. The existing lodging stock in the local area is generally aged and of low-quality and, if positioned competitively from a room rate perspective, the proposed hotel should be able to effectively penetrate the existing demand base.

This hotel should also be an attractive alternative to more price-sensitive travelers visiting the casino, indoor waterpark and other developments at the Resort, as well as an attractive alternative for overflow demand from the Resort during peak demand periods.

Given this hotel's location and market orientation, it will likely have minimal strategic impact on development of the overall Resort. The timing of this hotel's opening could be determined fundamentally from two approaches, with each posing advantages and disadvantages:

- Target an early opening of the hotel, prior to the development of the casino, in order to accommodate workers and other visitors to the Resort during the construction phase. If contracts can be secured with the Resort's construction workforce, the hotel would immediately enjoy a stable source of demand. However, this timing could necessarily delay the casino's opening (as it would have to be open prior to large-scale construction on the casino). Additionally, demand induced by the other Resort components would not materialize until several years after the hotel's opening.
- Target a later opening for the hotel, as the Resort reaches full build-out. This timing would enable the hotel to enter the market when lodging demand growth induced by the Resort has fully materialized. However, this later planned opening risks the potential development of some other outside hotel project which could displace the market need for this concept.

Considering competitive market factors and the potential for new lodging demand induced by the Resort, we estimate a hotel of the type and size recommended could be reasonably expected to reach a stabilized annual occupancy in the vicinity of 70 percent at an ADR of approximately \$95 (expressed in current-value dollars) upon stabilization. The "ramp-up" period to stabilization would be contingent on the timing of the hotel's opening, with an earlier open date likely yielding a longer ramp-up and a later opening yielding a shorter ramp-up.

Bed & Breakfast

Contingent on demand experienced as the Resort matures, we also envision the potential for a small, upscale "bed & breakfast" style hotel which would be most suitably located within the Entertainment Village. This hotel should be modest in size, at 35 rooms, and significantly differentiated from other hotel concepts at the Resort with an emphasis on quiet, refined comfort. Assuming successful roll-outs of other hotel concepts, occupancies at this hotel could be reasonably expected to reach approximately 65 percent, with a ADR in the vicinity of \$150.

Hotel Concept Positioning Perspective

The table on the following page summarizes our estimates of stabilized occupancy and average daily room rate for each of the five hotel concepts within our project scope.

Stabilized Performance Estimates			
Property	No. of Rooms	Estimated Occupancy	Estimated ADR (2012 \$)
Indoor Waterpark Hotel	400	73%	\$340
Resort Hotel	225	64%	\$205
Adventure Hotel	40	73%	\$276
Limited-Service Hotel	80	70%	\$95
Bed & Breakfast	<u>35</u>	<u>65%</u>	<u>\$150</u>
Total / Range	<u>780</u>	<u>64% to 73%</u>	<u>\$95 to \$276</u>
Source: PKF Consulting			

As the table indicates, the five hotel concepts represent total of 780 guestrooms and a continuum of average room rates from \$95 to \$340. These disparate product offerings and pricing positions will help enable the Resort’s hotel portfolio to target a wide spectrum of market demand.

* * * *

As in all studies of this type, the estimated results are based upon competent and efficient management and presume no significant changes in the competitive position of the lodging industry in the market area from those set forth in this letter. The conclusions reached are based upon our present knowledge of the competitive lodging market as of September 5, 2012. Since the estimated operating results are based on estimates and assumptions that are subject to uncertainty and variation, we do not represent them as results that will actually be achieved.

This letter has been prepared for your use and guidance in strategic planning and may be provided, in its entirety, to prospective franchisors, developers, lenders, equity partners, and government agencies as desired. The letter and its contents, however, may not be quoted in any appraisal, prospectus or other document without our prior written consent.

We appreciate this opportunity to be of service.

Sincerely yours,

A handwritten signature in cursive script that reads "PKF Consulting".

PKF Consulting

Proposed Indoor Waterpark Hotel
 Projected Operating Results
 Expressed in Current-Value 2012 \$

	Year 1		Year 2		Year 3		Year 4		Year 5	
Number of Units:	425		425		425		425		425	
Number of Annual Rooms Available:	155,125		155,125		155,125		155,125		155,125	
Number of Rooms Occupied:	102,380		110,140		113,240		113,240		113,240	
Annual Occupancy:	66%		71%		73%		73%		73%	
Average Daily Rate:	\$327.00		\$333.00		\$340.00		\$340.00		\$340.00	
Revenue Per Available Room:	\$215.82		\$236.43		\$248.20		\$248.20		\$248.20	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Revenues										
Rooms	\$33,478,000	67.2%	\$36,677,000	67.7%	\$38,502,000	68.2%	\$38,502,000	68.2%	\$38,502,000	68.2%
Food & Beverage	8,429,000	16.9%	9,011,000	16.6%	9,243,000	16.4%	9,243,000	16.4%	9,243,000	16.4%
Waterpark	614,000	1.2%	661,000	1.2%	679,000	1.2%	679,000	1.2%	679,000	1.2%
Miscellaneous	1,536,000	3.1%	1,652,000	3.0%	1,699,000	3.0%	1,699,000	3.0%	1,699,000	3.0%
Retail	4,607,000	9.3%	4,956,000	9.1%	5,096,000	9.0%	5,096,000	9.0%	5,096,000	9.0%
Spa	1,126,000	2.3%	1,212,000	2.2%	1,246,000	2.2%	1,246,000	2.2%	1,246,000	2.2%
Total Revenues	49,790,000	100.0%	54,169,000	100.0%	56,465,000	100.0%	56,465,000	100.0%	56,465,000	100.0%
Departmental Expenses										
Rooms	4,868,000	14.5%	5,043,000	13.7%	5,112,000	13.3%	5,112,000	13.3%	5,112,000	13.3%
Food & Beverage	6,319,000	75.0%	6,570,000	72.9%	6,671,000	72.2%	6,671,000	72.2%	6,671,000	72.2%
Waterpark	2,210,000	359.9%	2,210,000	334.3%	2,210,000	325.5%	2,210,000	325.5%	2,210,000	325.5%
Miscellaneous	998,000	65.0%	1,074,000	65.0%	1,104,000	65.0%	1,104,000	65.0%	1,104,000	65.0%
Retail	2,396,000	52.0%	2,577,000	52.0%	2,650,000	52.0%	2,650,000	52.0%	2,650,000	52.0%
Spa	676,000	60.0%	727,000	60.0%	747,000	60.0%	747,000	60.0%	747,000	60.0%
Total Departmental Expenses	17,467,000	35.1%	18,201,000	33.6%	18,494,000	32.8%	18,494,000	32.8%	18,494,000	32.8%
Departmental Profit	32,323,000	64.9%	35,968,000	66.4%	37,971,000	67.2%	37,971,000	67.2%	37,971,000	67.2%
Undistributed Expenses										
Administrative & General	3,971,000	8.0%	4,058,000	7.5%	4,104,000	7.3%	4,104,000	7.3%	4,104,000	7.3%
Marketing	4,675,000	9.4%	4,463,000	8.2%	4,250,000	7.5%	4,250,000	7.5%	4,250,000	7.5%
Property Operation and Maintenance	1,721,000	3.5%	1,913,000	3.5%	1,913,000	3.4%	1,913,000	3.4%	1,913,000	3.4%
Utility Costs	2,704,000	5.4%	2,715,000	5.0%	2,720,000	4.8%	2,720,000	4.8%	2,720,000	4.8%
Total Undistributed Operating Expenses	13,071,000	26.3%	13,149,000	24.3%	12,987,000	23.0%	12,987,000	23.0%	12,987,000	23.0%
Gross Operating Profit	19,252,000	38.7%	22,819,000	42.1%	24,984,000	44.2%	24,984,000	44.2%	24,984,000	44.2%
Base Management Fee	2,987,000	6.0%	3,250,000	6.0%	3,388,000	6.0%	3,388,000	6.0%	3,388,000	6.0%
Fixed Expenses										
Property Taxes	1,245,000	2.5%	1,354,000	2.5%	1,412,000	2.5%	1,412,000	2.5%	1,412,000	2.5%
Insurance	616,000	1.2%	616,000	1.1%	616,000	1.1%	616,000	1.1%	616,000	1.1%
Total Fixed Expenses	1,861,000	3.7%	1,970,000	3.6%	2,028,000	3.6%	2,028,000	3.6%	2,028,000	3.6%
Net Operating Income	14,404,000	28.9%	17,599,000	32.5%	19,568,000	34.7%	19,568,000	34.7%	19,568,000	34.7%
FF&E Reserve	1,494,000	3.0%	2,167,000	4.0%	2,823,000	5.0%	2,823,000	5.0%	2,823,000	5.0%
Net Operating Income After Reserve	\$12,910,000	25.9%	\$15,432,000	28.5%	\$16,745,000	29.7%	\$16,745,000	29.7%	\$16,745,000	29.7%
Source: <i>PKF Consulting</i>										

Note: "Waterpark" department includes fees for day-pass waterpark admissions

Proposed Conference Resort

Projected Operating Results
Expressed in Current-Value 2012 \$

	Year 1		Year 2		Year 3		Year 4		Year 5	
Number of Units:	225		225		225		225		225	
Number of Annual Rooms Available:	82,125		82,125		82,125		82,125		82,125	
Number of Rooms Occupied:	45,170		49,280		51,740		52,560		52,560	
Annual Occupancy:	55.0%		60.0%		63.0%		64.0%		64.0%	
Average Daily Rate:	\$220.00		\$220.00		\$220.00		\$220.00		\$220.00	
Revenue Per Available Room:	\$121.00		\$132.00		\$138.60		\$140.80		\$140.80	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Revenues										
Rooms	\$9,937,000	49.5%	\$10,842,000	49.5%	\$11,383,000	49.5%	\$11,563,000	49.5%	\$11,563,000	49.5%
Food & Beverage	7,453,000	37.1%	8,131,000	37.1%	8,537,000	37.1%	8,672,000	37.1%	8,672,000	37.1%
Spa	2,033,000	10.1%	2,218,000	10.1%	2,328,000	10.1%	2,365,000	10.1%	2,365,000	10.1%
Other Operated Departments	440,000	2.2%	480,000	2.2%	504,000	2.2%	512,000	2.2%	512,000	2.2%
Rentals and Other Income	203,000	1.0%	222,000	1.0%	233,000	1.0%	237,000	1.0%	237,000	1.0%
Total Revenues	20,066,000	100.0%	21,893,000	100.0%	22,985,000	100.0%	23,349,000	100.0%	23,349,000	100.0%
Departmental Expenses										
Rooms	2,416,000	24.3%	2,476,000	22.8%	2,511,000	22.1%	2,523,000	21.8%	2,523,000	21.8%
Food & Beverage	5,717,000	76.7%	6,010,000	73.9%	6,186,000	72.5%	6,244,000	72.0%	6,244,000	72.0%
Spa	1,524,000	75.0%	1,663,000	75.0%	1,746,000	75.0%	1,774,000	75.0%	1,774,000	75.0%
Other Operated Departments	645,000	146.6%	703,000	146.5%	739,000	146.6%	750,000	146.5%	750,000	146.5%
Total Departmental Expenses	10,302,000	51.3%	10,852,000	49.6%	11,182,000	48.6%	11,291,000	48.4%	11,291,000	48.4%
Departmental Profit	9,764,000	48.7%	11,041,000	50.4%	11,803,000	51.4%	12,058,000	51.6%	12,058,000	51.6%
Undistributed Expenses										
Administrative & General	1,819,000	9.1%	1,855,000	8.5%	1,877,000	8.2%	1,884,000	8.1%	1,884,000	8.1%
Marketing	1,800,000	9.0%	1,800,000	8.2%	1,800,000	7.8%	1,800,000	7.7%	1,800,000	7.7%
Property Operation and Maintenance	830,000	4.1%	927,000	4.2%	927,000	4.0%	927,000	4.0%	927,000	4.0%
Utility Costs	878,000	4.4%	884,000	4.0%	888,000	3.9%	889,000	3.8%	889,000	3.8%
Total Undistributed Operating Expenses	5,327,000	26.5%	5,466,000	25.0%	5,492,000	23.9%	5,500,000	23.6%	5,500,000	23.6%
Gross Operating Profit	4,437,000	22.1%	5,575,000	25.5%	6,311,000	27.5%	6,558,000	28.1%	6,558,000	28.1%
Base Management Fee	602,000	3.0%	657,000	3.0%	690,000	3.0%	700,000	3.0%	700,000	3.0%
Fixed Expenses										
Property Taxes	401,000	2.0%	438,000	2.0%	460,000	2.0%	467,000	2.0%	467,000	2.0%
Insurance	135,000	0.7%	135,000	0.6%	135,000	0.6%	135,000	0.6%	135,000	0.6%
Total Fixed Expenses	536,000	2.7%	573,000	2.6%	595,000	2.6%	602,000	2.6%	602,000	2.6%
Net Operating Income	3,299,000	16.4%	4,345,000	19.8%	5,026,000	21.9%	5,256,000	22.5%	5,256,000	22.5%
FF&E Reserve	401,000	2.0%	657,000	3.0%	919,000	4.0%	934,000	4.0%	934,000	4.0%
Net Operating Income After Reserve	\$2,898,000	14.4%	\$3,688,000	16.8%	\$4,107,000	17.9%	\$4,322,000	18.5%	\$4,322,000	18.5%

Source: **PKF Consulting**

Proposed Adventure Resort Hotel

Projected Operating Results
Expressed in Current-Value 2012 \$

	Year 1		Year 2		Year 3		Year 4		Year 5	
Number of Units:	40		40		40		40		40	
Number of Annual Rooms Available:	7,360		7,360		7,360		7,360		7,360	
Number of Rooms Occupied:	4,860		5,150		5,300		5,370		5,370	
Annual Occupancy:	66%		70%		72%		73%		73%	
Average Daily Rate:	\$251.00		\$261.00		\$273.00		\$276.00		\$276.00	
Revenue Per Available Room:	\$165.66		\$182.70		\$196.56		\$201.48		\$201.48	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Revenues										
Rooms	\$1,220,000	59.6%	\$1,344,000	60.5%	\$1,447,000	61.6%	\$1,482,000	61.9%	\$1,482,000	61.9%
Food & Beverage	535,000	26.1%	567,000	25.5%	583,000	24.8%	591,000	24.7%	591,000	24.7%
Other Operated Departments	219,000	10.7%	232,000	10.5%	239,000	10.2%	242,000	10.1%	242,000	10.1%
Rentals and Other Income	73,000	3.6%	77,000	3.5%	80,000	3.4%	81,000	3.4%	81,000	3.4%
Total Revenues	2,047,000	100.0%	2,220,000	100.0%	2,349,000	100.0%	2,396,000	100.0%	2,396,000	100.0%
Departmental Expenses										
Rooms	430,000	35.2%	433,000	32.2%	434,000	30.0%	434,000	29.3%	434,000	29.3%
Food & Beverage	419,000	78.3%	433,000	76.4%	440,000	75.5%	444,000	75.1%	444,000	75.1%
Other Operated Departments	98,000	44.7%	104,000	44.8%	107,000	44.8%	109,000	45.0%	109,000	45.0%
Total Departmental Expenses	947,000	46.3%	970,000	43.7%	981,000	41.8%	987,000	41.2%	987,000	41.2%
Departmental Profit	1,100,000	53.7%	1,250,000	56.3%	1,368,000	58.2%	1,409,000	58.8%	1,409,000	58.8%
Undistributed Expenses										
Administrative & General	280,000	13.7%	280,000	12.6%	280,000	11.9%	280,000	11.7%	280,000	11.7%
Marketing	160,000	7.8%	160,000	7.2%	160,000	6.8%	160,000	6.7%	160,000	6.7%
Property Operation and Maintenance	62,000	3.0%	66,000	3.0%	69,000	2.9%	69,000	2.9%	69,000	2.9%
Utility Costs	68,000	3.3%	68,000	3.1%	68,000	2.9%	68,000	2.8%	68,000	2.8%
Total Undistributed Operating Expenses	570,000	27.8%	574,000	25.9%	577,000	24.6%	577,000	24.1%	577,000	24.1%
Gross Operating Profit	530,000	25.9%	676,000	30.5%	791,000	33.7%	832,000	34.7%	832,000	34.7%
Base Management Fee	61,000	3.0%	67,000	3.0%	70,000	3.0%	72,000	3.0%	72,000	3.0%
Fixed Expenses										
Property Taxes	40,000	2.0%	40,000	1.8%	40,000	1.7%	40,000	1.7%	40,000	1.7%
Insurance	10,000	0.5%	10,000	0.5%	10,000	0.4%	10,000	0.4%	10,000	0.4%
Total Fixed Expenses	50,000	2.4%	50,000	2.3%	50,000	2.1%	50,000	2.1%	50,000	2.1%
Net Operating Income	419,000	20.5%	559,000	25.2%	671,000	28.6%	710,000	29.6%	710,000	29.6%
FF&E Reserve	41,000	2.0%	67,000	3.0%	94,000	4.0%	96,000	4.0%	96,000	4.0%
Net Operating Income After Reserve	\$378,000	18.5%	\$492,000	22.2%	\$577,000	24.6%	\$614,000	25.6%	\$614,000	25.6%
Source: PKF Consulting										

Proposed Limited Service Hotel

Projected Operating Results

Expressed in Current-Value 2012 \$

	Year 1		Year 2		Year 3		Year 4		Year 5	
Number of Units:	80		80		80		80		80	
Number of Annual Rooms Available:	29,200		29,200		29,200		29,200		29,200	
Number of Rooms Occupied:	18,100		19,860		20,440		20,440		20,440	
Annual Occupancy:	62%		68%		70%		70%		70%	
Average Daily Rate:	\$95.00		\$95.00		\$95.00		\$95.00		\$95.00	
Revenue Per Available Room:	\$58.90		\$64.60		\$66.50		\$66.50		\$66.50	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Revenues										
Rooms	\$1,720,000	98.2%	\$1,887,000	98.2%	\$1,942,000	98.2%	\$1,942,000	98.2%	\$1,942,000	98.2%
Other Operated Departments	23,000	1.3%	25,000	1.3%	26,000	1.3%	26,000	1.3%	26,000	1.3%
Rentals and Other Income	9,000	0.5%	10,000	0.5%	10,000	0.5%	10,000	0.5%	10,000	0.5%
Total Revenues	1,752,000	100.0%	1,922,000	100.0%	1,978,000	100.0%	1,978,000	100.0%	1,978,000	100.0%
Departmental Expenses										
Rooms	462,000	26.9%	484,000	25.6%	491,000	25.3%	491,000	25.3%	491,000	25.3%
Other Operated Departments	25,000	108.7%	27,000	108.0%	28,000	107.7%	28,000	107.7%	28,000	107.7%
Total Departmental Expenses	487,000	27.8%	511,000	26.6%	519,000	26.2%	519,000	26.2%	519,000	26.2%
Departmental Profit	1,265,000	72.2%	1,411,000	73.4%	1,459,000	73.8%	1,459,000	73.8%	1,459,000	73.8%
Undistributed Expenses										
Administrative & General	211,000	12.0%	214,000	11.1%	216,000	10.9%	216,000	10.9%	216,000	10.9%
Marketing	194,000	11.1%	205,000	10.7%	209,000	10.6%	209,000	10.6%	209,000	10.6%
Property Operation and Maintenance	95,000	5.4%	97,000	5.0%	97,000	4.9%	97,000	4.9%	97,000	4.9%
Utility Costs	78,000	4.5%	89,000	4.6%	90,000	4.6%	90,000	4.6%	90,000	4.6%
Total Undistributed Operating Expenses	578,000	33.0%	605,000	31.5%	612,000	30.9%	612,000	30.9%	612,000	30.9%
Gross Operating Profit	687,000	39.2%	806,000	41.9%	847,000	42.8%	847,000	42.8%	847,000	42.8%
Base Management Fee	53,000	3.0%	58,000	3.0%	59,000	3.0%	59,000	3.0%	59,000	3.0%
Fixed Expenses										
Property Taxes	72,000	4.1%	72,000	3.7%	72,000	3.6%	72,000	3.6%	72,000	3.6%
Insurance	18,000	1.0%	18,000	0.9%	18,000	0.9%	18,000	0.9%	18,000	0.9%
Total Fixed Expenses	90,000	5.1%	90,000	4.7%	90,000	4.6%	90,000	4.6%	90,000	4.6%
Net Operating Income	544,000	31.1%	658,000	34.2%	698,000	35.3%	698,000	35.3%	698,000	35.3%
FF&E Reserve	35,000	2.0%	58,000	3.0%	79,000	4.0%	79,000	4.0%	79,000	4.0%
Net Operating Income After Reserve	\$509,000	29.1%	\$600,000	31.2%	\$619,000	31.3%	\$619,000	31.3%	\$619,000	31.3%

Source: *PKF Consulting*

Proposed Limited Service Hotel

Projected Operating Results

Expressed in Current-Value 2012 \$

	Year 1		Year 2		Year 3		Year 4		Year 5	
Number of Units:	100		100		100		100		100	
Number of Annual Rooms Available:	36,500		36,500		36,500		36,500		36,500	
Number of Rooms Occupied:	22,630		24,820		25,550		25,550		25,550	
Annual Occupancy:	62%		68%		70%		70%		70%	
Average Daily Rate:	\$95.00		\$95.00		\$95.00		\$95.00		\$95.00	
Revenue Per Available Room:	\$58.90		\$64.60		\$66.50		\$66.50		\$66.50	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Revenues										
Rooms	\$2,150,000	98.2%	\$2,358,000	98.2%	\$2,427,000	98.2%	\$2,427,000	98.2%	\$2,427,000	98.2%
Other Operated Departments	28,000	1.3%	31,000	1.3%	32,000	1.3%	32,000	1.3%	32,000	1.3%
Rentals and Other Income	11,000	0.5%	12,000	0.5%	13,000	0.5%	13,000	0.5%	13,000	0.5%
Total Revenues	2,189,000	100.0%	2,401,000	100.0%	2,472,000	100.0%	2,472,000	100.0%	2,472,000	100.0%
Departmental Expenses										
Rooms	578,000	26.9%	604,000	25.6%	613,000	25.3%	613,000	25.3%	613,000	25.3%
Other Operated Departments	31,000	110.7%	34,000	109.7%	35,000	109.4%	35,000	109.4%	35,000	109.4%
Total Departmental Expenses	609,000	27.8%	638,000	26.6%	648,000	26.2%	648,000	26.2%	648,000	26.2%
Departmental Profit	1,580,000	72.2%	1,763,000	73.4%	1,824,000	73.8%	1,824,000	73.8%	1,824,000	73.8%
Undistributed Expenses										
Administrative & General	239,000	10.9%	243,000	10.1%	244,000	9.9%	244,000	9.9%	244,000	9.9%
Marketing	222,000	10.1%	236,000	9.8%	241,000	9.7%	241,000	9.7%	241,000	9.7%
Property Operation and Maintenance	108,000	4.9%	111,000	4.6%	111,000	4.5%	111,000	4.5%	111,000	4.5%
Utility Costs	93,000	4.2%	106,000	4.4%	107,000	4.3%	107,000	4.3%	107,000	4.3%
Total Undistributed Operating Expenses	662,000	30.2%	696,000	29.0%	703,000	28.4%	703,000	28.4%	703,000	28.4%
Gross Operating Profit	918,000	41.9%	1,067,000	44.4%	1,121,000	45.3%	1,121,000	45.3%	1,121,000	45.3%
Base Management Fee	66,000	3.0%	72,000	3.0%	74,000	3.0%	74,000	3.0%	74,000	3.0%
Fixed Expenses										
Property Taxes	88,000	4.0%	88,000	3.7%	88,000	3.6%	88,000	3.6%	88,000	3.6%
Insurance	20,000	0.9%	20,000	0.8%	20,000	0.8%	20,000	0.8%	20,000	0.8%
Total Fixed Expenses	108,000	4.9%	108,000	4.5%	108,000	4.4%	108,000	4.4%	108,000	4.4%
Net Operating Income	744,000	34.0%	887,000	36.9%	939,000	38.0%	939,000	38.0%	939,000	38.0%
FF&E Reserve	44,000	2.0%	72,000	3.0%	99,000	4.0%	99,000	4.0%	99,000	4.0%
Net Operating Income After Reserve	\$700,000	32.0%	\$815,000	33.9%	\$840,000	34.0%	\$840,000	34.0%	\$840,000	34.0%

Source: *PKF Consulting*

Proposed Bed & Breakfast Hotel

Projected Operating Results

Expressed in Current-Value 2012 \$

	Year 1		Year 2		Year 3		Year 4		Year 5	
Number of Units:	35		35		35		35		35	
Number of Annual Rooms Available:	12,775		12,775		12,775		12,775		12,775	
Number of Rooms Occupied:	7,670		8,180		8,300		8,300		8,300	
Annual Occupancy:	60%		64%		65%		65%		65%	
Average Daily Rate:	\$150.00		\$150.00		\$150.00		\$150.00		\$150.00	
Revenue Per Available Room:	\$90.00		\$96.00		\$97.50		\$97.50		\$97.50	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Revenues										
Rooms	\$1,151,000	96.7%	\$1,227,000	96.8%	\$1,245,000	96.8%	\$1,245,000	96.8%	\$1,245,000	96.8%
Other Operated Departments	27,000	2.3%	29,000	2.3%	29,000	2.3%	29,000	2.3%	29,000	2.3%
Total Revenues	1,190,000	100.0%	1,268,000	100.0%	1,286,000	100.0%	1,286,000	100.0%	1,286,000	100.0%
Departmental Expenses										
Rooms	280,000	24.3%	288,000	23.5%	291,000	23.4%	291,000	23.4%	291,000	23.4%
Other Operated Departments	21,000	77.8%	23,000	79.3%	23,000	79.3%	23,000	79.3%	23,000	79.3%
Total Departmental Expenses	360,000	30.3%	373,000	29.4%	376,000	29.2%	376,000	29.2%	376,000	29.2%
Departmental Profit	830,000	69.7%	895,000	70.6%	910,000	70.8%	910,000	70.8%	910,000	70.8%
Undistributed Expenses										
Administrative & General	164,000	13.8%	165,000	13.0%	166,000	12.9%	166,000	12.9%	166,000	12.9%
Marketing	63,000	5.3%	63,000	5.0%	63,000	4.9%	63,000	4.9%	63,000	4.9%
Property Operation and Maintenance	62,000	5.2%	63,000	5.0%	63,000	4.9%	63,000	4.9%	63,000	4.9%
Utility Costs	59,000	5.0%	59,000	4.7%	59,000	4.6%	59,000	4.6%	59,000	4.6%
Total Undistributed Operating Expenses	348,000	29.2%	350,000	27.6%	351,000	27.3%	351,000	27.3%	351,000	27.3%
Gross Operating Profit	482,000	40.5%	545,000	43.0%	559,000	43.5%	559,000	43.5%	559,000	43.5%
Base Management Fee	36,000	3.0%	38,000	3.0%	39,000	3.0%	39,000	3.0%	39,000	3.0%
Fixed Expenses										
Property Taxes	35,000	2.9%	35,000	2.8%	35,000	2.7%	35,000	2.7%	35,000	2.7%
Insurance	21,000	1.8%	21,000	1.7%	21,000	1.6%	21,000	1.6%	21,000	1.6%
Total Fixed Expenses	56,000	4.7%	56,000	4.4%	56,000	4.4%	56,000	4.4%	56,000	4.4%
Net Operating Income	390,000	32.8%	451,000	35.6%	464,000	36.1%	464,000	36.1%	464,000	36.1%
FF&E Reserve	24,000	2.0%	38,000	3.0%	51,000	4.0%	51,000	4.0%	51,000	4.0%
Net Operating Income After Reserve	\$366,000	30.8%	\$413,000	32.6%	\$413,000	32.1%	\$413,000	32.1%	\$413,000	32.1%

Source: **PKF Consulting**