

Hospitality Acquisition Example

Project Assumptions

Property Information

Property Name	Hospitality Acquisition Example
Location	Houston, TX
Property Use	Hospitality
Rooms	98
Analysis Begin	November 2016
Annual Inflation Rate	3.0%
Unit of Measure	Square Feet
Currency	Dollar

Acquisition Assumptions

Project Type	Acquisition
Acquisition Cost	\$9,000,000
Other Costs	\$1,500,000
	\$0
Acquisition Cost	\$10,500,000
Due Diligence/Closing Costs	0.50% \$52,500
Unleveraged Acquisition Cost	\$10,552,500
Initial Loan Origination Fee	1.00% \$73,868
Leveraged Acquisition Cost	\$10,626,368

Initial Capital Structure

Debt: (LTV)	70.0%	\$7,386,750
Equity		\$3,239,618
Total		\$10,626,368

Tax Assumptions

Ordinary Income Marginal Tax Rate	35.0%
Capital Gains Tax Rate	20.0%
Cost Recovery Recapture Tax Rate	25.0%

Desired Equity Return (Discount Rate) 10.0%

Developer Equity	10.0%	\$323,962
JV Partner Preferred Equity	90.0%	\$2,915,656

Please refer to the Equity Investor Returns worksheet for waterfall information.

Cost Recovery Assumptions

Assessed Value of Land	86%
Assessed Value of Improvements	14%
Cost Recovery Method	Straight Line
Useful Life	39
C.R. 1st & Last Years (11.5 months)	2.457%
C.R. Interim Years (12 Months)	2.564%

Debt Structure Assumptions

Interest Only Loan

Will there be an Interest Only Period?	No
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Amortizing Debt Service

Amortization Type	American
Amortizing Loan Amount	\$7,386,750
Term (Months)	120
Amortization (Months)	240
Start Rate	4.75%
Origination Fee	1.00%
Exit Fee	0.00%
Rate Type	Floating
Grow Rate	2.00% every 3 years

Sale Assumptions

Year of Sale	10
Terminal Value Calculation Method	Cap Rate
Cost of Sale	2.0%
Exit Cap Rate	7.50%



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Date: March 4, 2017

Schedule of Cash Flows

Period		1	2	3	4	5	6	7	8	9	10	11
		Nov 16 - Oct 17	Nov 17 - Oct 18	Nov 18 - Oct 19	Nov 19 - Oct 20	Nov 20 - Oct 21	Nov 21 - Oct 22	Nov 22 - Oct 23	Nov 23 - Oct 24	Nov 24 - Oct 25	Nov 25 - Oct 26	Nov 26 - Oct 27
Operating Statistics	Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Rooms		98	98	98	98	98	98	98	98	98	98	98
Room Nights		35,770	35,770	35,770	35,770	35,770	35,770	35,770	35,770	35,770	35,770	35,770
Occupancy		65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%
Occupied Rooms		23,251	23,251	23,251	23,251	23,251	23,251	23,251	23,251	23,251	23,251	23,251
Average Daily Rate (ADR)		\$105	\$108	\$111	\$115	\$118	\$122	\$125	\$129	\$133	\$137	\$141
RevPAR		\$68.25	\$70.30	\$72.41	\$74.58	\$76.82	\$79.12	\$81.49	\$83.94	\$86.46	\$89.05	\$91.72
Income												
Revenues												
Rooms		2,441,303	2,514,542	2,589,978	2,667,677	2,747,707	2,830,138	2,915,043	3,002,494	3,092,570	3,185,347	3,280,907
Telecommunications		845	870	896	923	951	980	1,009	1,039	1,070	1,103	1,136
Food & Beverage		100,000	103,000	106,090	109,273	112,551	115,927	119,405	122,987	126,677	130,477	134,392
Other Income		31,000	31,930	32,888	33,875	34,891	35,937	37,016	38,126	39,270	40,448	41,661
Total Revenues		2,573,148	2,650,342	2,729,852	2,811,748	2,896,099	2,982,983	3,072,473	3,164,647	3,259,587	3,357,375	3,458,095
Departmental Expenses												
Rooms		572,672	589,852	607,548	625,774	644,547	663,884	683,800	704,314	725,444	747,207	769,623
Telecommunications		8,321	8,571	8,828	9,093	9,365	9,646	9,936	10,234	10,541	10,857	11,183
Food & Beverage		89,000	91,670	94,420	97,253	100,170	103,175	106,271	109,459	112,743	116,125	119,609
Other Expenses		19,315	19,894	20,491	21,106	21,739	22,391	23,063	23,755	24,468	25,202	25,958
Total Departmental Expenses		689,308	709,987	731,287	753,225	775,822	799,097	823,070	847,762	873,195	899,391	926,372
Gross Operating Income		1,883,840	1,940,355	1,998,565	2,058,522	2,120,277	2,183,886	2,249,403	2,316,885	2,386,393	2,457,984	2,531,723
Expenses		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Undistributed Expenses												
Management Fee		85,229	87,786	90,419	93,132	95,926	98,804	101,768	104,821	107,966	111,205	114,541
Administrative & General		19,467	20,051	20,653	21,272	21,910	22,568	23,245	23,942	24,660	25,400	26,162
Marketing		122,381	126,052	129,834	133,729	137,741	141,873	146,129	150,513	155,029	159,679	164,470
Fanchise Fee		181,926	187,384	193,005	198,795	204,759	210,902	217,229	223,746	230,458	237,372	244,493
Repairs & Maintenance		108,774	112,037	115,398	118,860	122,426	126,099	129,882	133,778	137,792	141,925	146,183
Utilities		76,282	78,570	80,928	83,355	85,856	88,432	91,085	93,817	96,632	99,531	102,517
Total Undistributed Expenses		594,059	611,881	630,237	649,144	668,619	688,677	709,338	730,618	752,536	775,112	798,366
Gross Operating Profit		1,289,781	1,328,474	1,368,328	1,409,378	1,451,658	1,495,208	1,540,066	1,586,268	1,633,856	1,682,872	1,733,358
Fixed Expenses												
Property Taxes		140,962	145,191	149,547	154,033	158,654	163,414	168,316	173,365	178,566	183,923	189,441
Insurance		23,289	23,988	24,707	25,449	26,212	26,998	27,808	28,643	29,502	30,387	31,298
Miscellaneous		0	0	0	0	0	0	0	0	0	0	0
Total Fixed Expenses		164,251	169,179	174,254	179,482	184,866	190,412	196,124	202,008	208,068	214,310	220,740
Total Operating Expenses		758,310	781,059	804,491	828,626	853,485	879,089	905,462	932,626	960,604	989,423	1,019,105
NOI Before Reserves		1,125,530	1,159,295	1,194,074	1,229,896	1,266,793	1,304,797	1,343,942	1,384,260	1,425,788	1,468,562	1,512,618
Operating Reserves												
Cap Ex Reserve		0	0	0	0	0	0	0	0	0	0	0
Replacement Reserves	0.0%	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Total Reserves		50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Net Operating Income		1,075,530	1,109,295	1,144,074	1,179,896	1,216,793	1,254,797	1,293,942	1,334,260	1,375,788	1,418,562	1,462,618

Date: March 4, 2017

Schedule of Prospective Cash Flows

Period	1	2	3	4	5	6	7	8	9	10
	Nov 16 - Oct 17	Nov 17 - Oct 18	Nov 18 - Oct 19	Nov 19 - Oct 20	Nov 20 - Oct 21	Nov 21 - Oct 22	Nov 22 - Oct 23	Nov 23 - Oct 24	Nov 24 - Oct 25	Nov 25 - Oct 26
Net Operating Income	1,075,530	1,109,295	1,144,074	1,179,896	1,216,793	1,254,797	1,293,942	1,334,260	1,375,788	1,418,562
Debt Service										
Interest	345,974	334,961	323,414	443,769	428,654	412,486	513,819	493,065	470,420	549,234
Principal	226,845	237,858	249,405	217,084	232,199	248,367	227,828	248,582	271,227	262,971
Total Debt Service	572,819	572,819	572,819	660,853	660,853	660,853	741,647	741,647	741,647	812,205
Cash Flow After Debt Service	502,710	536,476	571,255	519,043	555,939	593,943	552,295	592,613	634,141	606,357
Capital Expenses										
Capital Expenditures	0	0	0	0	0	0	0	0	0	0
Replacement Reserves Expenditures	0	0	0	0	0	0	0	0	0	0
Total Capital Expenses	0	0	0	0	0	0	0	0	0	0
Expenses Paid from Reserves										
Less: Cap Ex Paid from Reserves	0	0	0	0	0	0	0	0	0	0
Less: User Defined Paid from Reserves	0	0	0	0	0	0	0	0	0	0
Net Capital Expenses	0	0	0	0	0	0	0	0	0	0
Other Non-Regular Income										
Other Non-Regular Income	0	0	0	0	0	0	0	0	0	0
Other Non-Regular Expenses	0	0	0	0	0	0	0	0	0	0
Return of Reserve Funds	0	0	0	0	0	0	0	0	0	500,000
Total Non-Regular Income	0	0	0	0	0	0	0	0	0	500,000
Cash Flow Before Taxes	502,710	536,476	571,255	519,043	555,939	593,943	552,295	592,613	634,141	1,106,357
Tax Liability*										
Cost Recovery Improvements	37,039	38,652	38,652	38,652	38,652	38,652	38,652	38,652	38,652	37,039
Loan Costs Amortization	7,387	7,387	7,387	7,387	7,387	7,387	7,387	7,387	7,387	7,387
Taxable Income	735,129	778,295	824,621	740,088	792,100	846,271	784,084	845,156	909,329	874,901
Tax Liability (Savings) at 35%	257,295	272,403	288,617	259,031	277,235	296,195	274,429	295,805	318,265	306,216
Cash Flow After Taxes	245,415	264,073	282,638	260,012	278,705	297,749	277,866	296,808	315,876	800,141

*Does not include Capital Expenses as they are often subject to separate tax treatment.

This pro forma does not constitute tax advice. Please consult a professional tax advisor.

Reserve Account Balances

Period	1	2	3	4	5	6	7	8	9	10
	Nov 16 - Oct 17	Nov 17 - Oct 18	Nov 18 - Oct 19	Nov 19 - Oct 20	Nov 20 - Oct 21	Nov 21 - Oct 22	Nov 22 - Oct 23	Nov 23 - Oct 24	Nov 24 - Oct 25	Nov 25 - Oct 26
Cap Ex Reserve										
Beginning Balance	0	0	0	0	0	0	0	0	0	0
Contributions	0	0	0	0	0	0	0	0	0	0
Expenses Paid	0	0	0	0	0	0	0	0	0	0
Ending Balance	0	0	0	0	0	0	0	0	0	0
Replacement Reserves										
Beginning Balance	0	50,000	100,000	150,000	200,000	250,000	300,000	350,000	400,000	450,000
Contributions	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Expenses Paid	0	0	0	0	0	0	0	0	0	0
Ending Balance	50,000	100,000	150,000	200,000	250,000	300,000	350,000	400,000	450,000	500,000
Total Reserve Balances	50,000	100,000	150,000	200,000	250,000	300,000	350,000	400,000	450,000	500,000

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Date: March 4, 2017

Hospitality Acquisition Example

Project Return Summary

Summary

Units	98
Acquisition Price	\$10,500,000
Other Costs	\$126,368
Equity	\$3,239,618
Debt	\$7,386,750
LTV	70%

Sale Analysis

Acquisition Price	\$10,500,000
Per Unit	\$107,143
Sale Price	\$20,168,239
Per Unit	\$205,798
Appreciation	92.1%
Avg. App/Year	9.2%

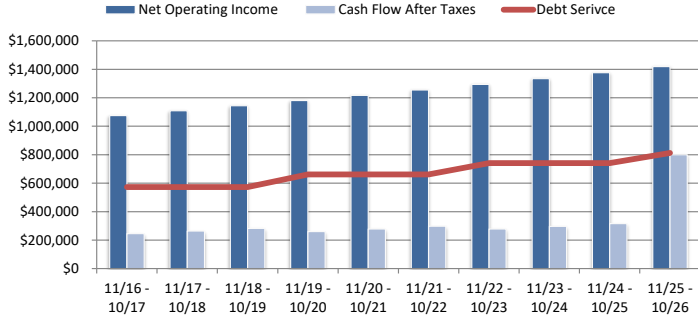
Cash Flows

	Before Tax	After Tax
Operating Cash Flows	\$6,164,774	\$3,319,283
Net Sale Proceeds	\$14,800,490	\$12,862,191
Total Cash Flow	\$20,965,264	\$16,181,473
Profit	\$17,725,646	\$12,941,856
Equity Multiple	5.47x	3.99x

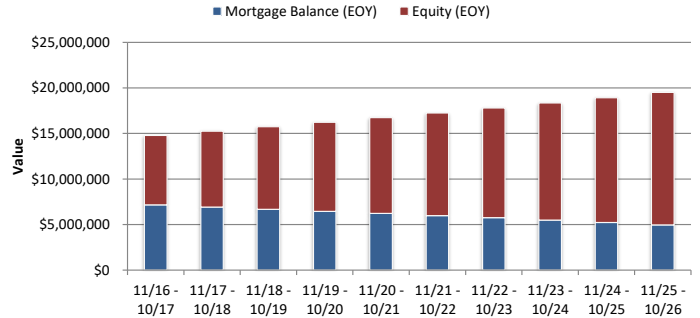
IRR & Present Value

Unleveraged IRR	15.7%
Unleveraged PV at 10%	\$15,250,000
Leveraged IRR	27.0%
Leveraged PV at 10%	\$16,710,000
After Tax IRR (Leveraged)	20.3%
After Tax PV at 10%	\$14,240,000

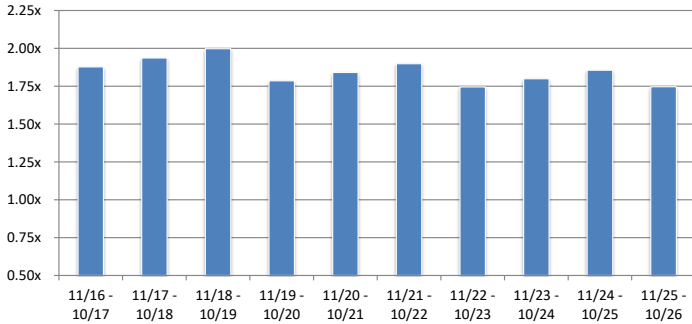
Annual Income Projections



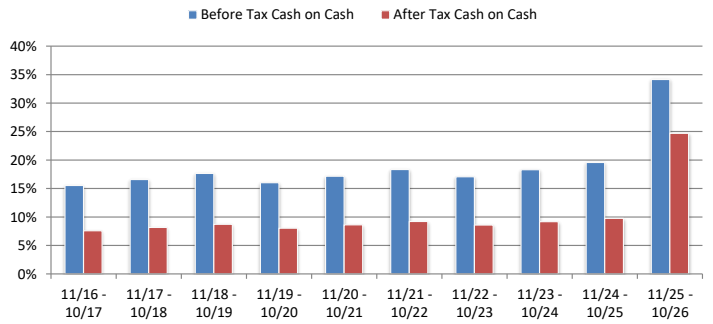
Debt vs. Equity



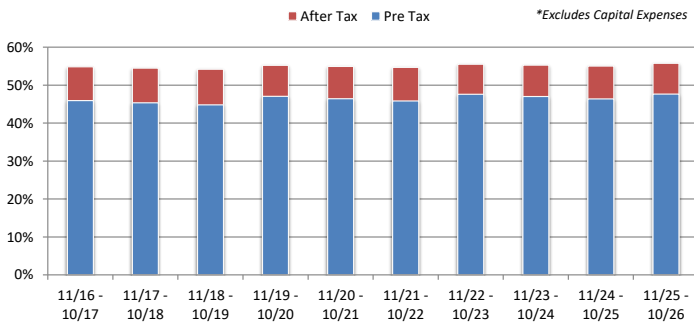
Debt Service Coverage Ratio



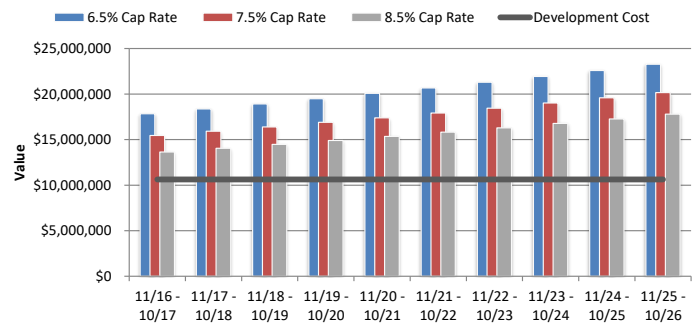
Annual Cash on Cash Return



Break Even Occupancy



Value Sensitivity



Summary & Ratios

	1	2	3	4	5	6	7	8	9	10
	Nov 16 - Oct 17	Nov 17 - Oct 18	Nov 18 - Oct 19	Nov 19 - Oct 20	Nov 20 - Oct 21	Nov 21 - Oct 22	Nov 22 - Oct 23	Nov 23 - Oct 24	Nov 24 - Oct 25	Nov 25 - Oct 26
Operating Summary										
Effective Gross Income	1,883,840	1,940,355	1,998,565	2,058,522	2,120,277	2,183,886	2,249,403	2,316,885	2,386,393	2,457,984
Operating Expenses	(758,310)	(781,059)	(804,491)	(828,626)	(853,485)	(879,089)	(905,462)	(932,626)	(960,604)	(989,423)
Operating Reserves	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
Net Operating Income	1,075,530	1,109,295	1,144,074	1,179,896	1,216,793	1,254,797	1,293,942	1,334,260	1,375,788	1,418,562
Less: Debt Service	(572,819)	(572,819)	(572,819)	(660,853)	(660,853)	(660,853)	(741,647)	(741,647)	(741,647)	(812,205)
Cash Flow After Debt Service	502,710	536,476	571,255	519,043	555,939	593,943	552,295	592,613	634,141	606,357
Non-Regular Income										500,000
Sale Price Based on 7.5% Exit Cap Rate										20,168,239
Less: Mortgage Balance										(4,964,384)
Less: Cost of Sale										(403,365)
Cash Flow Before Taxes	502,710	536,476	571,255	519,043	555,939	593,943	552,295	592,613	634,141	15,906,846
Less: Taxes	(257,295)	(272,403)	(288,617)	(259,031)	(277,235)	(296,195)	(274,429)	(295,805)	(318,265)	(2,244,515)
Cash Flow After Taxes	245,415	264,073	282,638	260,012	278,705	297,749	277,866	296,808	315,876	13,662,332

Value Summary

Cap Rate Based on Acquisition Cost	10.59%	10.91%	11.24%	11.57%	11.92%	12.28%	12.65%	13.03%	13.42%	13.82%
Value Based on 7.5% Exit Cap Rate	14,790,605	15,254,323	15,731,953	16,223,900	16,730,621	17,252,555	17,790,127	18,343,842	18,914,156	19,501,572
Mortgage Balance (EOY)	7,159,905	6,922,048	6,672,642	6,455,558	6,223,359	5,974,992	5,747,164	5,498,582	5,227,355	4,964,384
Equity (EOY)	7,630,700	8,332,276	9,059,311	9,768,342	10,507,262	11,277,563	12,042,963	12,845,260	13,686,801	14,537,188

Operating Ratios

Net Income Multiplier*	9.88	9.58	9.29	9.01	8.73	8.47	8.21	7.96	7.72	7.49
Operating Expense Ratio	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
Cash on Cash Return (Pre Tax)	15.5%	16.6%	17.6%	16.0%	17.2%	18.3%	17.0%	18.3%	19.6%	34.2%
Cash on Cash Return (Post Tax)	7.6%	8.2%	8.7%	8.0%	8.6%	9.2%	8.6%	9.2%	9.8%	24.7%

*Based on Acquisition Cost

Lender Ratios

Loan to Value Ratio (EOY)	48%	45%	42%	40%	37%	35%	32%	30%	28%	25%
Debt to Equity Ratio (EOY)	0.94	0.83	0.74	0.66	0.59	0.53	0.48	0.43	0.38	0.34
Debt Service Coverage Ratio	1.88x	1.94x	2.00x	1.79x	1.84x	1.90x	1.74x	1.80x	1.86x	1.75x
Break Even Occupancy (Pre Tax)	0.46x	0.45x	0.45x	0.47x	0.46x	0.46x	0.48x	0.47x	0.46x	0.48x
Break Even Occupancy (Post Tax)	55%	54%	54%	55%	55%	55%	56%	55%	55%	56%
Debt Yield	15.0%	16.0%	17.1%	18.3%	19.6%	21.0%	22.5%	24.3%	26.3%	28.6%

Performance Summary over 10 Years

	Pre Tax	Post Tax
Initial Equity	(3,239,618)	(3,239,618)
Operating Cash Flows	6,164,774	3,319,283
Net Reversion Proceeds	14,800,490	12,862,191
Net Cash Flow	17,725,646	12,941,856
Net Present Value at 10%	6,086,516	3,615,231
Leveraged IRR	27.0%	20.3%

Project Return Details

Unlevered Returns

	1	2	3	4	5	6	7	8	9	10	
Net Operating Income	1,075,530	1,109,295	1,144,074	1,179,896	1,216,793	1,254,797	1,293,942	1,334,260	1,375,788	1,418,562	
Less: Net Capital Expenses	-	-	-	-	-	-	-	-	-	-	
Non-Regular Income	-	-	-	-	-	-	-	-	-	500,000	
Operating Cash Flow	1,075,530	1,109,295	1,144,074	1,179,896	1,216,793	1,254,797	1,293,942	1,334,260	1,375,788	1,918,562	
Reversion Cash Flow	-	-	-	-	-	-	-	-	-	20,168,239	
Less: Cost of Sale	-	-	-	-	-	-	-	-	-	(403,365)	
Net Cash Flow	(10,552,500)	1,075,530	1,109,295	1,144,074	1,179,896	1,216,793	1,254,797	1,293,942	1,334,260	1,375,788	21,683,436
<i>Cash on Cash Return</i>		10.2%	10.5%	10.8%	11.2%	11.5%	11.9%	12.3%	12.6%	13.0%	205.5%

Net Cash Flow	\$22,115,310
Net Present Value at 10%	\$4,701,115
Unleveraged IRR	15.7%
Avg. Operating Cash on Cash	12.2%
Avg. Cash on Cash	31.0%
Unleveraged PV at 10% Rounded (\$10,000's)	\$15,250,000
Per Unit	\$155,612

Levered Cash Flow

	1	2	3	4	5	6	7	8	9	10	
Net Operating Income	1,075,530	1,109,295	1,144,074	1,179,896	1,216,793	1,254,797	1,293,942	1,334,260	1,375,788	1,418,562	
Refinance Proceeds	-	-	-	-	-	-	-	-	-	-	
Less: Debt Service	(572,819)	(572,819)	(572,819)	(660,853)	(660,853)	(660,853)	(741,647)	(741,647)	(741,647)	(812,205)	
Less: Mortgage Origination Fee	-	-	-	-	-	-	-	-	-	-	
Cash Flow After Debt Service	502,710	536,476	571,255	519,043	555,939	593,943	552,295	592,613	634,141	606,357	
Less: Net Capital Expenses	-	-	-	-	-	-	-	-	-	-	
Non-Regular Income	-	-	-	-	-	-	-	-	-	500,000	
Distributable Cash Flow	502,710	536,476	571,255	519,043	555,939	593,943	552,295	592,613	634,141	1,106,357	
Reversion Cash Flow	-	-	-	-	-	-	-	-	-	20,168,239	
Less: Cost of Sale	-	-	-	-	-	-	-	-	-	(403,365)	
Less: Mortgage Balance	-	-	-	-	-	-	-	-	-	(4,964,384)	
Less: Mortgage Exit Fee	-	-	-	-	-	-	-	-	-	-	
Net Cash Flow	(3,239,618)	502,710	536,476	571,255	519,043	555,939	593,943	552,295	592,613	634,141	15,906,846
<i>Cash on Cash Return</i>		15.5%	16.6%	17.6%	16.0%	17.2%	18.3%	17.0%	18.3%	19.6%	491.0%

Net Leveraged Cash Flow	\$17,725,646
Net Present Value at 10%	\$6,086,516
Leveraged IRR	27.0%
Avg. Operating Cash on Cash	19.0%
Avg. Cash on Cash	64.7%
Present Value of Cash Flows at 10%	\$9,326,133
Plus: Original Loan Amount	\$7,386,750
Total Leveraged Present Value	\$16,712,883
Rounded (\$10,000's)	\$16,710,000
Per Unit	\$170,510

After Tax Returns

	1	2	3	4	5	6	7	8	9	10	
Basis Calculation											
Basis at Acquisition	-	-	-	-	-	-	-	-	-	10,552,500	
+ Capital Additions	-	-	-	-	-	-	-	-	-	-	
Cost Recovery (Depreciation) Taken	-	-	-	-	-	-	-	-	-	(383,297)	
Adjusted Basis at Sale	-	-	-	-	-	-	-	-	-	10,169,203	
Capital Gain Calculation											
Sale Price	-	-	-	-	-	-	-	-	-	20,168,239	
Less Cost of Sale	-	-	-	-	-	-	-	-	-	(403,365)	
Less Adjusted Basis at Sale	-	-	-	-	-	-	-	-	-	(10,169,203)	
Gain (Loss)	-	-	-	-	-	-	-	-	-	9,595,671	
Straight Line Cost Recovery (Limited to Gain)	-	-	-	-	-	-	-	-	-	383,297	
Capital Gain from Appreciation	-	-	-	-	-	-	-	-	-	9,212,374	
Unamortized Loan Fees (Costs)	-	-	-	-	-	-	-	-	-	-	
Sale Proceeds Calculation											
Sale Price	-	-	-	-	-	-	-	-	-	20,168,239	
Less Cost of Sale	-	-	-	-	-	-	-	-	-	(403,365)	
Less Mortgage Exit Fee	-	-	-	-	-	-	-	-	-	-	
Less Mortgage Balance	-	-	-	-	-	-	-	-	-	(4,964,384)	
Sale Proceeds Before Tax	-	-	-	-	-	-	-	-	-	14,800,490	
Less Tax on Ordinary Income at 35%	-	-	-	-	-	-	-	-	-	-	
Less Tax on Cost Recovery Recapture at 25%	-	-	-	-	-	-	-	-	-	(95,824)	
Less Tax on Capital Gain at 20%	-	-	-	-	-	-	-	-	-	(1,842,475)	
Sale Proceeds After Tax	-	-	-	-	-	-	-	-	-	12,862,191	
Proceeds After Taxes											
Cash Flow Before Taxes	502,710	536,476	571,255	519,043	555,939	593,943	552,295	592,613	634,141	1,106,357	
Less: Annual Operating Tax Liability	(257,295)	(272,403)	(288,617)	(259,031)	(277,235)	(296,195)	(274,429)	(295,805)	(318,265)	(306,216)	
Cash Flow After Taxes	245,415	264,073	282,638	260,012	278,705	297,749	277,866	296,808	315,876	800,141	
Sale Proceeds After Taxes	-	-	-	-	-	-	-	-	-	12,862,191	
Annual Proceeds After Taxes	(3,239,618)	245,415	264,073	282,638	260,012	278,705	277,866	296,808	315,876	13,662,332	
<i>Cash on Cash Return</i>		7.6%	8.2%	8.7%	8.0%	8.6%	9.2%	8.6%	9.2%	9.8%	421.7%

Net Cash Flows	\$12,941,856
Net Present Value at 10%	\$3,615,231
Effective Tax Rate	24.8%
After Tax Leveraged IRR	20.3%
Avg. Operating Cash on Cash	10.2%
Avg. Cash on Cash	49.9%
Present Value of Cash Flows at 10%	\$6,854,849
Plus: Original Loan Amount	\$7,386,750
Total After Tax Leveraged Present Value	\$14,241,599
Rounded (\$10,000's)	\$14,240,000
Per Unit	\$145,306

Loan Amortization Schedule

Interest Only Loan

Loan Amount	-
Term	-
Rate	-
Funding Status	-

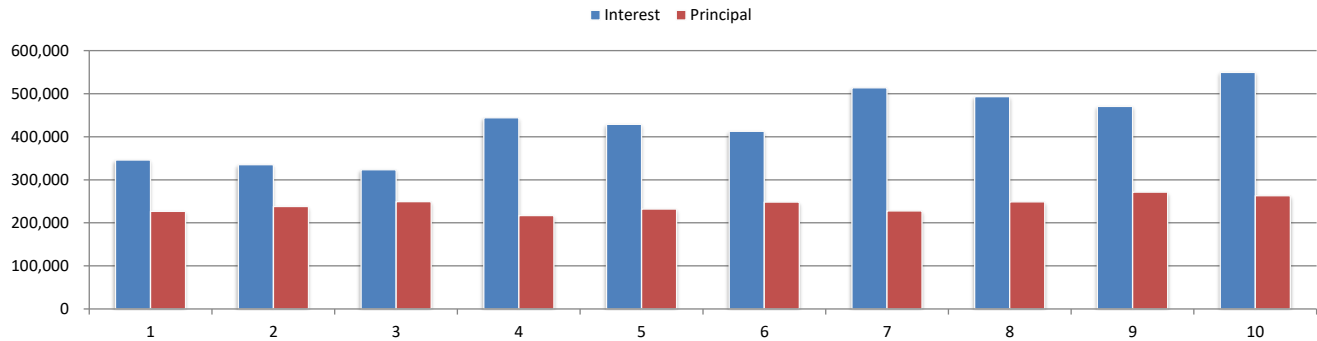
Amortizing Loan

Loan Amount	\$7,386,750
Term	120
Amortization	240
Rate	4.75%
Rate Type	Floating

Annual Summary

Year	Dates	Loan Type	Effective Rate	Beginning Balance	Interest	Principal	Total Payments	Ending Balance
1	Nov 16 - Oct 17	Amortizing	4.75%	7,386,750	345,974	226,845	572,819	7,159,905
2	Nov 17 - Oct 18	Amortizing	4.75%	7,159,905	334,961	237,858	572,819	6,922,048
3	Nov 18 - Oct 19	Amortizing	4.75%	6,922,048	323,414	249,405	572,819	6,672,642
4	Nov 19 - Oct 20	Amortizing	6.75%	6,672,642	443,769	217,084	660,853	6,455,558
5	Nov 20 - Oct 21	Amortizing	6.75%	6,455,558	428,654	232,199	660,853	6,223,359
6	Nov 21 - Oct 22	Amortizing	6.75%	6,223,359	412,486	248,367	660,853	5,974,992
7	Nov 22 - Oct 23	Amortizing	8.75%	5,974,992	513,819	227,828	741,647	5,747,164
8	Nov 23 - Oct 24	Amortizing	8.75%	5,747,164	493,065	248,582	741,647	5,498,582
9	Nov 24 - Oct 25	Amortizing	8.75%	5,498,582	470,420	271,227	741,647	5,227,355
10	Nov 25 - Oct 26	Amortizing	10.75%	5,227,355	549,234	262,971	812,205	4,964,384
Total			6.83%	-	4,315,796	2,422,366	6,738,162	-

Annual Interest vs. Principal



Sources & Uses

Period	-	1	2	3	4	5	6	7	8	9	10	Total
		Nov 16 - Oct 17	Nov 17 - Oct 18	Nov 18 - Oct 19	Nov 19 - Oct 20	Nov 20 - Oct 21	Nov 21 - Oct 22	Nov 22 - Oct 23	Nov 23 - Oct 24	Nov 24 - Oct 25	Nov 25 - Oct 26	
Sources Of Capital												
Debt Proceeds	7,386,750	-	-	-	-	-	-	-	-	-	-	7,386,750
Equity Contributions	3,239,618	-	-	-	-	-	-	-	-	-	-	3,239,618
Net Operating Income	-	1,075,530	1,109,295	1,144,074	1,179,896	1,216,793	1,254,797	1,293,942	1,334,260	1,375,788	1,418,562	12,402,936
Non-Regular Income	-	-	-	-	-	-	-	-	-	-	500,000	500,000
Gross Proceeds from Sale	-	-	-	-	-	-	-	-	-	-	20,168,239	20,168,239
Total Sources Of Capital	10,626,368	1,075,530	1,109,295	1,144,074	1,179,896	1,216,793	1,254,797	1,293,942	1,334,260	1,375,788	22,086,800	43,697,542
Uses Of Capital												
Acquisition Price	10,500,000	-	-	-	-	-	-	-	-	-	-	10,500,000
Costs and Fees	126,368	-	-	-	-	-	-	-	-	-	403,365	529,732
Mortgage Balance	-	-	-	-	-	-	-	-	-	-	4,964,384	4,964,384
Annual Interest Expense	-	345,974	334,961	323,414	443,769	428,654	412,486	513,819	493,065	470,420	549,234	4,315,796
Annual Principal Paydown	-	226,845	237,858	249,405	217,084	232,199	248,367	227,828	248,582	271,227	262,971	2,422,366
Operating Tax Liability	-	257,295	272,403	288,617	259,031	277,235	296,195	274,429	295,805	318,265	306,216	2,845,491
Cost Recovery Tax Liability	-	-	-	-	-	-	-	-	-	-	95,824	95,824
Capital Gains Tax Liability	-	-	-	-	-	-	-	-	-	-	1,842,475	1,842,475
Equity Returns	-	245,415	264,073	282,638	260,012	278,705	297,749	277,866	296,808	315,876	13,662,332	16,181,473
Total Uses Of Capital	10,626,368	1,075,530	1,109,295	1,144,074	1,179,896	1,216,793	1,254,797	1,293,942	1,334,260	1,375,788	22,086,800	43,697,542



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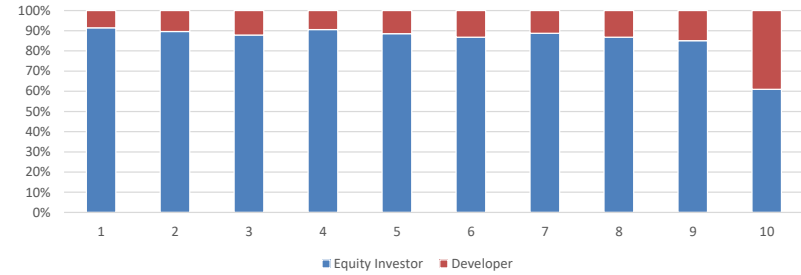
Date: March 4, 2017

Pre-Tax Equity Investor Returns

Cash Flow Distribution

	Method	Basis	Rate	Equity Investor Split	Developer Split
Initial Equity Contribution				90.0%	10.0%
Preferred Return	Cumulative	Cash on Cash	10.0%	100.0%	0.0%
Hurdle 1		Cash on Cash	12.0%	90.0%	10.0%
Hurdle 2		Cash on Cash	14.0%	80.0%	20.0%
Hurdle 3		Cash on Cash	16.0%	70.0%	30.0%
Final Split				60.0%	40.0%

Annual Cash Flow Waterfall Summary



Cash Flow Waterfall Summary

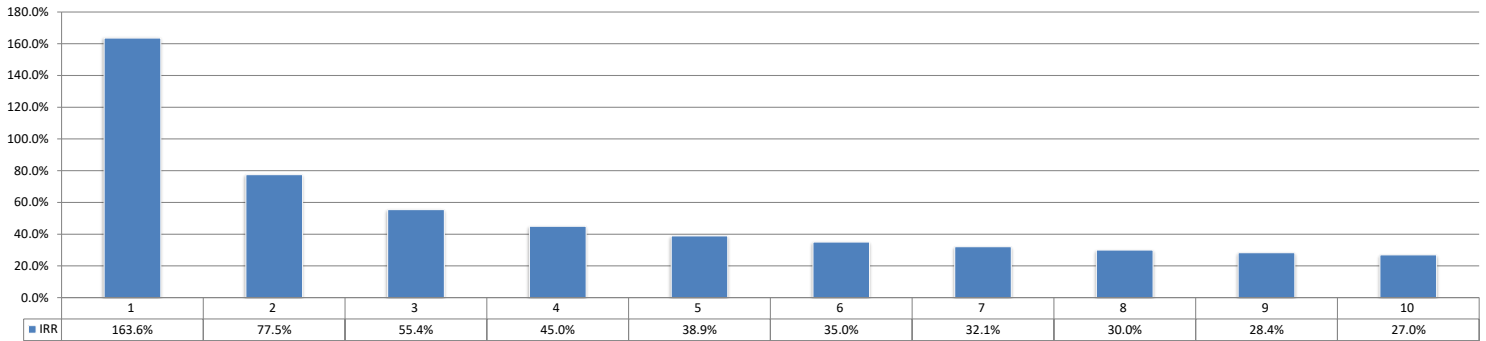
Period	0	1	2	3	4	5	6	7	8	9	10
Pre-Tax Net Cash Flow	(3,239,618)	502,710	536,476	571,255	519,043	555,939	593,943	552,295	592,613	634,141	15,906,846
Equity Investor											
Cash Flow Paid at Preferred Return	(2,915,656)	291,566	291,566	291,566	291,566	291,566	291,566	291,566	291,566	291,566	291,566
Cash Flow Paid at Hurdle 1	-	58,313	58,313	58,313	58,313	58,313	58,313	58,313	58,313	58,313	58,313
Cash Flow Paid at Hurdle 2	-	58,313	58,313	58,313	58,313	58,313	58,313	58,313	58,313	58,313	58,313
Cash Flow Paid at Hurdle 3	-	51,423	58,313	58,313	58,313	58,313	58,313	58,313	58,313	58,313	58,313
Cash Flow Paid at Final Split	-	-	14,354	35,221	3,894	26,031	48,834	23,845	48,035	72,953	9,236,576
Total Cash Flow to Equity Investor	(2,915,656)	459,615	480,858	501,726	470,399	492,536	515,339	490,350	514,540	539,458	9,703,080
<i>Annual Cash on Cash</i>		15.8%	16.5%	17.2%	16.1%	16.9%	17.7%	16.8%	17.6%	18.5%	332.8%
Net Cash Flow		11,252,245									
IRR		23.6%									
Average Annual Cash on Cash Return		48.6%									
Developer											
Cash Flow Paid at Preferred Return	(323,962)	-	-	-	-	-	-	-	-	-	-
Cash Flow Paid at Hurdle 1	-	6,479	6,479	6,479	6,479	6,479	6,479	6,479	6,479	6,479	6,479
Cash Flow Paid at Hurdle 2	-	14,578	14,578	14,578	14,578	14,578	14,578	14,578	14,578	14,578	14,578
Cash Flow Paid at Hurdle 3	-	22,038	24,991	24,991	24,991	24,991	24,991	24,991	24,991	24,991	24,991
Cash Flow Paid at Final Split	-	-	9,569	23,481	2,596	17,354	32,556	15,896	32,024	48,635	6,157,717
Total Cash Flow to Developer	(323,962)	43,096	55,618	69,529	48,645	63,403	78,605	61,945	78,072	94,684	6,203,766
<i>Annual Cash on Cash</i>		13.3%	17.2%	21.5%	15.0%	19.6%	24.3%	19.1%	24.1%	29.2%	1915.0%
Net Cash Flow		6,473,401									
IRR		41.5%									
Average Annual Cash on Cash Return		209.8%									

This pro forma does not constitute tax advice. Please consult a professional tax advisor.

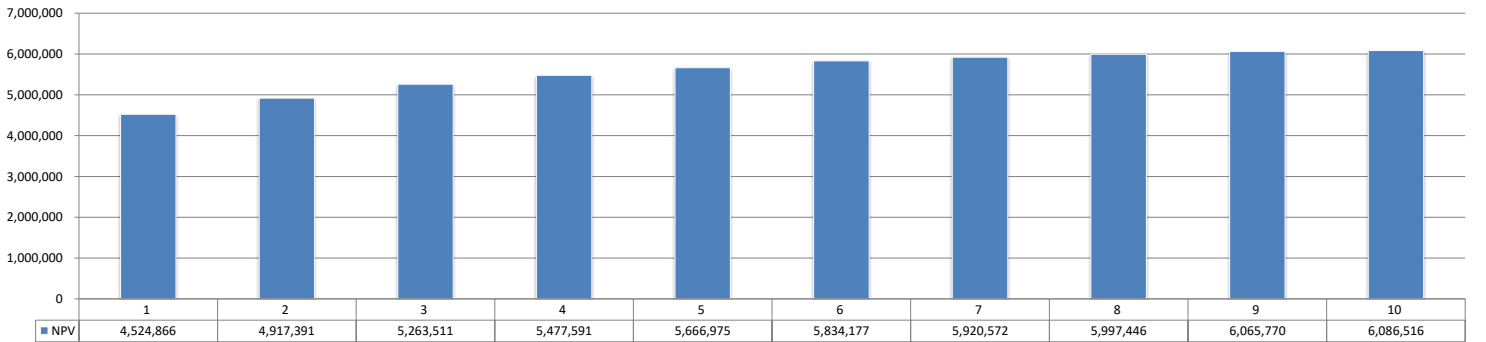
Holding Period Sensitivity Analysis

These charts show the project's performance based on Disposition year. They assume continued financing regardless of term.

IRR Based on Hold Period



NPV Based on Hold Period



Project Level IRR Sensitivity

Period	1	2	3	4	5	6	7	8	9	10	11
NOI (excluding Reserves)	1,125,530	1,159,295	1,194,074	1,229,896	1,266,793	1,304,797	1,343,942	1,384,260	1,425,788	1,468,562	1,512,618
Refinance Proceeds	0	0	0	0	0	0	0	0	0	0	0
Less: Reserves	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
Less: Debt Service	(572,819)	(572,819)	(572,819)	(660,853)	(660,853)	(660,853)	(741,647)	(741,647)	(741,647)	(812,205)	0
Cash Flow After Debt Service	502,710	536,476	571,255	519,043	555,939	593,943	552,295	592,613	634,141	606,357	1,462,618
Less: Mortgage Origination Fee	0	0	0	0	0	0	0	0	0	0	0
Less: Capital Expenses	0	0	0	0	0	0	0	0	0	0	0
Other Non-Regular Income	0	0	0	0	0	0	0	0	0	0	0
Distributable Cash Flow	502,710	536,476	571,255	519,043	555,939	593,943	552,295	592,613	634,141	606,357	1,462,618
Reversion Analysis (if sold in this year)											
Reversion Cash Flow	15,457,272	15,920,990	16,398,620	16,890,567	17,397,288	17,919,222	18,456,794	19,010,509	19,580,823	20,168,239	
Less: Cost of Sale	(309,145)	(318,420)	(327,972)	(337,811)	(347,946)	(358,384)	(369,136)	(380,210)	(391,616)	(403,365)	
Less: Mortgage Exit Fee	0	0	0	0	0	0	0	0	0	0	
Less: Mortgage Balance	(7,159,905)	(6,922,048)	(6,672,642)	(6,455,558)	(6,223,359)	(5,974,992)	(5,747,164)	(5,498,582)	(5,227,355)	(4,964,384)	
Return of Reserve Funds	50,000	100,000	150,000	200,000	250,000	300,000	350,000	400,000	450,000	500,000	
Reversion Balance	8,038,221	8,780,523	9,548,005	10,297,197	11,075,983	11,885,845	12,690,494	13,531,716	14,411,851	15,300,490	

Periods	0	1	2	3	4	5	6	7	8	9	10	IRR	NPV
1	(3,239,618)	8,540,932	-	-	-	-	-	-	-	-	-	163.6%	#####
2	(3,239,618)	502,710	9,316,999	-	-	-	-	-	-	-	-	77.5%	#####
3	(3,239,618)	502,710	536,476	10,119,260	-	-	-	-	-	-	-	55.4%	#####
4	(3,239,618)	502,710	536,476	571,255	10,816,241	-	-	-	-	-	-	45.0%	#####
5	(3,239,618)	502,710	536,476	571,255	519,043	11,631,922	-	-	-	-	-	38.9%	#####
6	(3,239,618)	502,710	536,476	571,255	519,043	555,939	12,479,788	-	-	-	-	35.0%	#####
7	(3,239,618)	502,710	536,476	571,255	519,043	555,939	593,943	13,242,789	-	-	-	32.1%	#####
8	(3,239,618)	502,710	536,476	571,255	519,043	555,939	593,943	552,295	14,124,329	-	-	30.0%	#####
9	(3,239,618)	502,710	536,476	571,255	519,043	555,939	593,943	552,295	592,613	15,045,992	-	28.4%	#####
10	(3,239,618)	502,710	536,476	571,255	519,043	555,939	593,943	552,295	592,613	634,141	15,906,846	27.0%	#####