

CITY OF JEFFERSON, WISCONSIN

**Market Feasibility Study for a Proposed
Midscale Limited-Service Hotel to be located in
Jefferson, Wisconsin**

October 2017

Patek Hospitality Consultants, Inc.
N57 W27841 Walnut Grove Court
Sussex, Wisconsin 53089
(262) 538-0445

October 13, 2017

Mr. Tim Freitag
City Administrator
317 South Main Street
Jefferson, Wisconsin 53549

Dear Mr. Freitag:

In accordance with our agreement, Patek Hospitality Consultants, Inc. has completed a study of potential market demand and has prepared a statement of estimated annual operating results for a proposed 50-room midscale limited-service hotel to be located in Jefferson, Wisconsin.

As in all studies of this type, the estimated results are based upon competent and efficient management and an effective marketing program and presume no significant change in the competitive position of the hotel industry from that set forth in this report. We have no responsibility to update this report for events and circumstances occurring after completion of our fieldwork conducted late July 2017. These projections are based on estimates, assumptions and other information developed from our research and we do not warrant that they will be attained. We did not consider the legal and regulatory requirements applicable to this project, including zoning, permits, licenses and other state and local government regulations.

This report has been prepared for your use and guidance in determining whether a hotel should be pursued in Jefferson. We understand this document could be used to attract a developer, a franchise or management agreement, and for financing and investment purposes. Neither our name nor the material submitted may be used in any prospectus or used in offerings or representations in connection with the sale of securities or participation interests without our express written permission.

Please do not hesitate to call if we may be of further assistance in the interpretation and application of our findings, recommendations and conclusions. We appreciate the cooperation you extended to us during the course of our engagement.

Sincerely,

Patek Hospitality
Consultants, Inc.
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Consultants, Inc.
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Date: 2017.10.31 10:58:42 -0500
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EXECUTIVE SUMMARY

Brand Name:	To be determined
Number of Rooms:	50
Opening Date	Mid-2019
Occupancy (Stabilized):	64%
Average Daily Rate (ADR 2017 dollars):	\$96.00
Stabilized Year:	Third year of operation (2021)

Site Analysis – We reviewed and evaluated four potential sites in Jefferson and considered access, visibility, proximity to demand sources, and proximity to support amenities of each one and ranked them as excellent to poor. We provided an overall ranking in order to assist the City of Jefferson in their assessment of a proposed hotel location.

Competitive Lodging Supply:

Holiday Inn Express & Suites - Fort Atkinson	78 Rooms
Comfort Suites - Johnson Creek	100
Holiday Inn Express – Watertown	79
Super 8 - Watertown	45
Baymont Inn – Whitewater	60
Super 8 – Whitewater	<u>51</u>
Total Rooms	413

Competitive Market Performance (STR)	Occup.	ADR	RevPAR
Year-end 2011	54.2%	\$72.99	\$39.56
Year-end 2012	51.3%	\$76.40	\$39.17
Year-end 2013	49.7%	\$84.05	\$41.76
Year-end 2014	50.9%	\$86.22	\$43.87
Year-end 2015	54.5%	\$89.32	\$48.64
Year-end 2016	56.2%	\$92.86	\$52.19
YTD July 2016	55.1%	\$91.95	\$50.70
YTD July 2017	52.1%	\$95.32	\$49.66

**Projections –Proposed Midscale Limited-Service Hotel
Jefferson, Wisconsin**

Year	Occupancy	ADR	RevPAR*
Year 1	54.0%	\$101.90	\$55.03
Year 2	59.0	104.90	61.89
Year 3	64.0	108.00	69.12
Year 4	64.0	111.30	71.23
Year 5	64.0	114.60	73.34

**RevPAR = Revenue Per Available Room (occupancy x average daily rate (ADR))*

Estimated opening date of mid-2019

Source: Patek Hospitality Consultants, Inc.

PROJECT CONCEPT AND RECOMMENDATIONS

It is recommended the proposed midscale limited-service hotel be developed with approximately 50 guest rooms. As a midscale limited-service property type, the proposed hotel should offer complimentary breakfast, free high speed Internet, business center, on-site convenience store, on-site fitness center, guest laundry, indoor pool and whirlpool, and an on-site wine and beer bar. Some or all of the guest rooms should include refrigerator and microwave; flat panel TVs, coffee maker, iron and ironing board, and hair dryers. The guest rooms should include a mix of double queen and king bedded rooms. We also recommend four extended-stay suites that would include small kitchen facilities that could accommodate those guests staying for an extended period of time or families needing extra space. We recommend the guest room breakdown be as follows:

Guest Room Breakdown Proposed Midscale Limited-Service Hotel Jefferson, Wisconsin

Room Type	Number of Rooms	Percent to Total
Double Queen	25	50.0%
King	21	42.0
Extended-Stay Suite	<u>4</u>	<u>8.0</u>
Total	50	100.0%

Source: Patek Hospitality Consultants, Inc.

In addition to the above-mentioned facilities and amenities, we recommend a meeting room to accommodate up to 30 people that could be utilized by the community as well as hotel guests. This could be used for corporate meetings, training, receptions, reunions, and other smaller events.

Adequate parking per local zoning should be provided. Oversized parking may need to be considered for guests with larger vehicles/trailers.

SITE ANALYSIS

During our meeting and tour of the community we discussed four potential sites for development of a new hotel in Jefferson. We reviewed each of the four sites and considered factors such as access and visibility and proximity to demand and support amenities. We discuss the location of these four sites below and weigh the four criteria on a scale of Excellent to Poor.

Site #1 Pitzner Parkway near Jefferson County Fair Park This site is located in the northeast quadrant of STH 26 Bypass and U.S. Highway 18, just north of USH 18 on Pitzner Parkway. The Jefferson County Fair Park is located just to the east and is accessed off of North Jackson Avenue. There is about 18 acres of vacant land along Pitzner Parkway that is owned by Spangler and is within a TIF District. The potential site would be located north of

a fitness center that was partially built but never opened. The surrounding area is farmland to the west of STH 26 Bypass and residential and some commercial to the east. STH 18 (Racine Street) is a major east/west thoroughfare through Jefferson and intersects with Business 26 in downtown Jefferson. Access would be very convenient and visibility is excellent for southbound travelers on Bypass 26 with limited visibility for northbound travelers until exiting the highway. Proximity to corporate and other demand generators is convenient as this site is centrally located in Jefferson; proximity to the fair park is excellent. The closest food and beverage operation is the Fairview Sports Bar & Banquet Hall just west of Jackson Avenue on STH 18. Downtown Jefferson is about one mile east of this site.

Site #2 Riverfront Location (former County shops site) This is a 20-acre site that is currently owned by Jefferson County however the City of Jefferson is interested in purchasing the site and have begun talks to do so. It is located on the west side of Business Highway 26 at Puerner Street and situated on the Rock River. Discussions have taken place to re-develop this parcel with a boat launch, a restaurant, and possibly residential while keeping river frontage as green space. The Rock River offers recreational opportunities throughout Jefferson, Jefferson County, and beyond, as it runs for 320 miles from Fond du Lac County, Wisconsin to Rock Island, Illinois. Access to the site is convenient off of Business Highway 26. The site is located about five blocks north of downtown Jefferson where there are a few dining spots; demand generators would find this site convenient, as it is centrally located and is walkable to downtown, area neighborhoods, and the Fair Park.

Site #3 Interchange of Business and Bypass 26 (north side of Jefferson) This site is located north of the North Industrial Park and is comprised of about 40 acres of farmland that is privately owned. By Fall 2017, all utilities will be extended to this area. This site is in the vicinity of a 100-acre parcel owned by the city of Jefferson that has been mentioned as a possible location for the College of Osteopathic Medicine. The 100-acre parcel is one of two potential sites that are still being considered by Jefferson for the College. This site is close to Valero Renewable Fuels and Jefferson Mid-State Auto Auction. Within the Industrial Park, Generac, Kendall Packaging Corp., Carrico Aquatic Resources, and American Weld Designs have facilities along with some smaller businesses. The site would have good access and visibility from Business 26 and would be the closest to I-94, which is about six miles north of Jefferson and is the primary route between Milwaukee and Madison. There are a few demand generators in the immediate area as mentioned however there are no restaurants or support amenities near the site. Downtown Jefferson is about two miles south.

Site #4 South End of Jefferson (where Business and Bypass 26 intersect) There are 200 acres that Jefferson County owns in the northeast quadrant of the interchange of Business and Bypass 26, on the north side of Business 26. This area is also a potential location for the College of Osteopathic Medicine. The southern sector of Jefferson is comprised of the South Industrial Park where Americold, LD Foods, and Generac's 600,000 square foot logistics facility are located to name a few of the businesses. There is also more

commercial development to the northeast of this interchange including a Wal-Mart Supercenter, McDonalds, Little Caesar's Pizza, Shell and Kwik Trip service stations. A 41-room Rodeway Inn is located on Business 26, across from the Wal-Mart. A Country Market grocery store is closed and the strip center where it is located will be redeveloped into several new stores. Access would be convenient to this site and the site would be visible from Bypass 26. The site is proximate to demand sources and a few support amenities like fast food and retail.

These are the four sites that were discussed and shown to us during our tour and are the four sites we considered for development of the proposed hotel. Following is a table that shows the four sites and the factors used to evaluate each site as they currently exist with a rating of excellent to poor.

**Evaluation of the Four Potential Hotel Sites
Jefferson, Wisconsin**

Site	Access	Visibility	Proximity to Demand	Proximity to Support Amenities	Intangibles*	Overall Evaluation and Rank
#1Pitzner Parkway	Excellent	Very Good	Very Good	Fair	Privately owned	Very Good
#2 Riverfront	Good	Good	Very Good	Good	County owned, city wants to buy Unique opportunity on the Rock River	Good to Very Good
#3 North End	Very Good	Very Good	Very Good	Poor	City owned	Good
#4 South End	Excellent	Very Good	Very Good	Very Good	County owned	Very Good

**Intangibles include other factors than those evaluated, mainly ownership status*

Source: Patek Hospitality Consultants, Inc.

It is difficult to recommend a particular site for development of the proposed hotel, as all of these sites have their strengths and weaknesses. It is our opinion that all four sites could be considered for development of the hotel and that there is not a "bad" site among the four.

Sites 1, 3, and 4 are right off of Bypass 26 and would provide very good access, which is something that travelers unfamiliar with an area would appreciate and even those visitors familiar with Jefferson would find convenient. Site 3 is lacking in support amenities such as restaurants and is furthest from any existing commercial development while Sites 1, 2 and 4 are within a reasonable drive of existing dining establishments. Sites 3 and 4 are potential locations for the College of Osteopathic Medicine, which is not a done deal and it would be difficult for us to recommend either one of these sites based on a significant

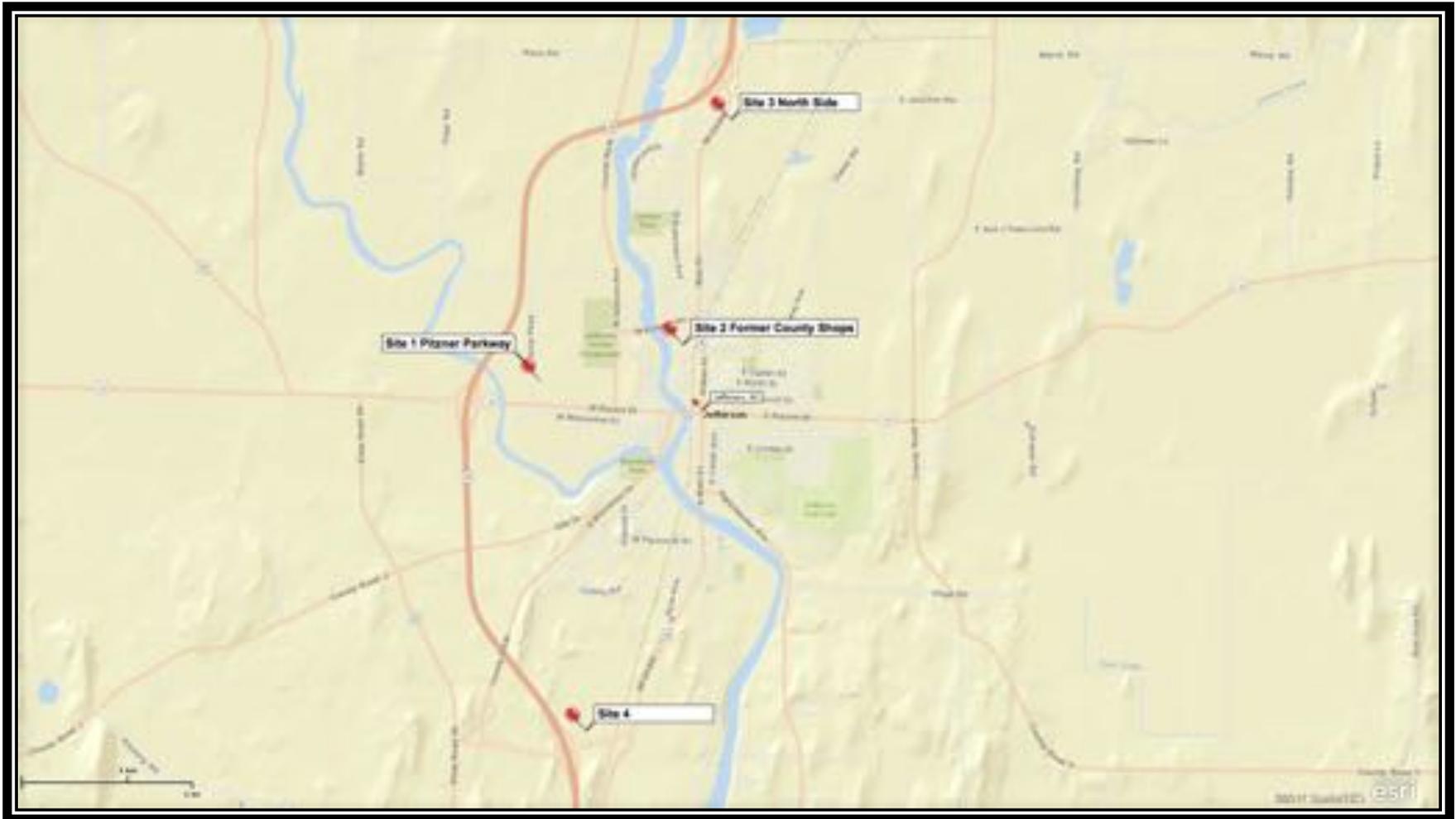
development like the college that is still preliminary. Site 1 is located immediately adjacent to probably the largest demand generator, the Jefferson County Fair Park and that makes this an attractive site for that reason. Site 3 is the closest to Interstate 94, which is a potential demand generator as Jefferson is located between Milwaukee and Madison. Site 2 is intriguing, as it offers something unique being located on the Rock River. If the city purchases this 20-acre site from the County and the riverfront is redeveloped with commercial development such as a boat launch, restaurant, and other projects that the mayor discussed with us, this could be a viable site offering recreational opportunities, proximity to downtown Jefferson and dining spots, walkability, and centrally located within the community and the area's demand generators. While it lacks a location on Bypass 26, it is accessible via the Business 26 or the USH 18 interchanges with the Bypass.

Site 3 is owned by the City of Jefferson, which may be an advantage when negotiating with a hotel developer; the same could be said about Sites 2 and 4 that are owned by Jefferson County. We understand that the owner of Site 1 is interested in discussing the opportunity of a hotel being developed on their vacant parcel.

With any of these sites, it will be key to develop the area around the hotel with at least a restaurant and other commercial development suitable for the particular location. Additional research would need to be conducted to check the parcels for availability, zoning, cost, and infrastructure/utilities.

A map of the four potential sites within Jefferson and a second map identifying the location of potential demand generators follow.

**POTENTIAL SITES FOR PROPOSED MIDSCALE LIMITED-SERVICE HOTEL
JEFFERSON, WISCONSIN**



MARKET AREA OVERVIEW

Jefferson and Jefferson County

The City of Jefferson is centrally located in Jefferson County and is the county seat. The City of Jefferson is located midway between Wisconsin's two largest cities, Milwaukee and Madison, 45 miles and 35 miles, respectively via Interstate 94 or USH 18. Jefferson is surrounded by Johnson Creek and Watertown to the north, Lake Mills to the west, Fort Atkinson to the south, Whitewater to the southeast, and the town of Jefferson and rural Jefferson County to the east.

Demographics, Business and Economic Base

Although there is no correlation between the size of an area's population and its level of transient visitation, historical and projected population trends often reflect the economic climate of a locale. Population trends for the cities of Jefferson, Fort Atkinson, Watertown, and Whitewater, as well as Jefferson County and the state of Wisconsin, are presented in the following table.

Population Estimates

Location	Census 2000	Census 2010	% Change 2000-2010	Estimated 2016	% Change 2010-2016
City of Jefferson	7,338	7,973	8.6%	8,024	1.6%
City of Fort Atkinson	11,621	12,368	6.4%	12,541	1.2%
City of Watertown	21,598	23,861	10.5%	23,817	(0.2%)
City of Whitewater	13,437	14,390	7.1%	14,517	0.9%
Jefferson County	74,021	83,686	13.1%	84,625	0.6%
State of Wisconsin	5,363,675	5,686,986	6.0%	5,778,708	1.6%

Source: U.S. Census Bureau

According to the U.S. Census Bureau, the median household income in 2015 for the city of Jefferson was \$47,817 as compared to Jefferson County at \$56,877, and the state of Wisconsin at \$53,357. The median household income for Fort Atkinson was \$50,072, Watertown was \$49,442, and Whitewater was \$30,173.

Labor force estimates for 2015, 2016, and the month of July 2017 for Jefferson County and the state of Wisconsin is presented in the following table:

Labor Force Estimates Jefferson County and State of Wisconsin 2015, 2016 and Month of July 2017

Category	2015		2016		Month of July 2017	
	County	State	County	State	County	State
Labor Force	45,688	3,094,857	47,748	3,120,229	46,256	3,136,701
Employed	43,748	2,953,580	43,902	2,991,033	44,787	3,049,015
Unemployed	1,940	141,277	1,846	129,196	1,469	87,686
Unemployment Rate	4.2%	4.6%	4.0%	4.1%	3.2%	2.8%

Source: worknet.wisconsin.gov

The quarterly census of employment (QCEW) is presented in the following table for Jefferson County for the average monthly employment for first quarter 2017.

QCEW
Jefferson County, Wisconsin
First Quarter Average 2017

Industry	Employment	Percent of Total
Manufacturing	8,399	26.6%
Trade, Transportation, Utilities	6,999	22.1
Education & Health Services	5,571	17.1
Leisure & Hospitality	2,932	9.3
Professional & Business Services	2,622	8.3
Public Administration	1,304	4.1
Construction	1,181	3.6
Financial Activities	844	2.7
Other Services	667	2.1
Natural Resources/Mining	604	1.9
Information	500	1.6
Total	31,621	100.0%

Numbers may not add due to rounding

Source: Wisconsin Department of Workforce Development

The top three industries, manufacturing, trade/transportation/utilities, and education and health services comprised nearly 66.0 percent of the average first quarter employment in Jefferson County.

According to the Jefferson Chamber of Commerce, the largest employers in Jefferson and Jefferson County are as follows:

**Largest Employers
Jefferson and Jefferson County, Wisconsin**

Employer	Location	Number of Employees
Fort Health Care	Fort Atkinson	700
Watertown Regional Medical Center	Watertown	600
Jefferson County	Jefferson	430
Nasco	Fort Atkinson	430
Generac	Jefferson	290
St. Coletta's	Jefferson	290
Wal-Mart	Jefferson	200
Jefferson County Sheriff Dept.	Jefferson	138
Nestle	Jefferson	125
Kendall Packaging	Jefferson	125
Highway Landscapers	Jefferson	125
Basin Machining	Jefferson	125
LD Foods	Jefferson	100
Valero Renewables	Jefferson	88

Source: Jefferson Chamber of Commerce

Transportation

The city of Jefferson is well connected to the region through the existing roadway network. Interstate 94, State Highway Business 26 and Bypass 26, U.S. Highway 18 (West Racine Street), and several county highways, J, W, K, N, and Y serve Jefferson and Jefferson County. Interstate 94 is an east/west interstate highway located about six miles north of the city of Jefferson and travels east 45 miles to Milwaukee and west 35 miles to Madison, where it connects with other highways or continues to major markets like Chicago and Minneapolis/St. Paul, respectively.

State Highway 26 is a two-lane north/south highway that begins in Rock County and extends northeast to Winnebago County; along the route are a few urban multi-lane arterials including Jefferson and Fort Atkinson. In both communities, Business 26 travels through the downtown and Bypass 26 passes on the west side of each city with several exits provided. In Jefferson, there are three exits that provide access to the south, central, and north sectors of the city. The Bypass was completed in 2011, which has rerouted commercial truck and pass-through traffic from downtown to the city's western edge.

U.S. Highway 18 runs east/west through the southern portion of the state of Wisconsin and east of Madison, the highway runs parallel with Interstate 94 ending in downtown Milwaukee at Lincoln Memorial Drive. In Jefferson, USH 18 is known as Racine Street and intersects with Business Highway 26 in the downtown core.

The closest commercial airports would be General Mitchell International Airport located about 60 miles east of Jefferson on the south side of Milwaukee or the Dane County Regional Airport located on the east side of Madison, approximately 40 miles west.

Economic Development

Jefferson County is surrounded by Dodge County to the north, Waukesha County to the east, Walworth County to the southeast, Rock County to the southwest, and Dane County to the west. Proximity to these surrounding counties uniquely positions Jefferson County to communities such as Madison, the state capitol and home of the University of Wisconsin in Dane County, Janesville/Beloit in Rock County, and Waukesha and proximity to the major metropolitan area of Milwaukee and Milwaukee County in Waukesha County.

Jefferson County offers a diversified economy with just over 25 percent of its economic base in manufacturing, a figure that is higher than both the state and the nation. The service industry also represents a significant employment sector. Over 10,000 jobs are linked to agriculture, which is a \$1.5 billion industry in the County. Jefferson County offers several “niche” economic sectors that include advanced manufacturing, food processing, and biofuels.

Some of the larger employers in the County include Fort Healthcare, Inc., Nasco, Jones Dairy Farm, Spacesaver, OSI, Jefferson County, Master Mold, Standard Process, Trek Bicycle Corp., Watertown Regional Medical Center, Bethesda Lutheran Communities, Generac, and Universal Electronics, Inc.

A diversified and stable economy is good news for Jefferson County after four companies announced in 2015 that 1,000 people would be laid off beginning in 2015 and into 2016. The companies included McCain Foods in Fort Atkinson, Littlefuse Inc. formerly Hamlin Inc. of Lake Mills, Tyson Foods in Jefferson, and Eaton Corp. in Watertown. The largest closure impacted the city of Jefferson when Tyson Foods announced in November 2015 that the plant would be closing and 400 employees would be laid off beginning in mid-2016 after being in business for 141 years. The layoffs in Jefferson County accounted for 10 percent of the planned layoffs in the state of Wisconsin in 2015. Although these layoffs were difficult to manage at the time, the current unemployment rate of 3.2 percent reflects a recovery.

Jefferson, the county seat, is located nearly midway between the two largest cities in the state of Wisconsin and is six miles south of Interstate 94, the highway that connects the two cities. There are two business parks in Jefferson, North and South Industrial Parks. Companies located in those parks include American Weld Design, Carrico Aquatic Resources, Inc., Generac, Kendall Packaging, Milwaukee Delivery, Slewfoot Signs, Parkway Center, Remis Power Systems, Americold Logistics, LD Foods, Jefferson Current Electric, Peter Brothers Trucking, Koenig Concrete, United Drilling Co., and Basin Precision Machining. Some of Jefferson’s earliest manufacturing and industrial companies that still exist today include Nestle Purina PetCare, Arrow Inc., Foremost Buildings, Inc., and Wisconsin Plastic Drain Tile.

In addition to these companies, Jefferson is also home to St. Coletta, a provider of support services for adults with developmental disabilities by offering residential and vocational

programs. The company is headquartered in Jefferson and has locations throughout southern Wisconsin and northern Illinois. As the county seat, the city of Jefferson retains about 95 percent of the county's operations within the city limits with about 430 employees. According to city officials, the companies and organizations mentioned in this report are stable. In August 2017, Generac announced a \$73 million expansion that could create 400 jobs over the next five years at several of its facilities in the state of Wisconsin including Jefferson. The other facilities to be expanded included its corporate headquarters in Waukesha and plants in Oshkosh, Eagle, Whitewater, and Berlin.

As mentioned in the Site Analysis section, the city of Jefferson owns 100 acres on the north side of the city, just north of the North Industrial Park. This site has been mentioned as a possible location for the College of Osteopathic Medicine that is being considered for the city of Jefferson. The alternative site for the College is a 200-acre parcel located on the south side of the community that is owned by Jefferson County, specifically the northeast quadrant of Business and Bypass Highway 26. While this is a significant project (\$125 million) for the city of Jefferson and Jefferson County, the development of the College continues to have challenges with funding and no further information has been made available since October 2016 as to if and when it will be built. According to city officials, the College is attempting to raise funds through philanthropy and bond funding and is in the early stages of accreditation; the city of Jefferson has indicated that the College needs to be open by 2020, which means the project would need to begin construction in 2018. If the College opens, it would be a significant development for this area however due to its uncertainty, we have not made it a focus of our hotel analysis.

The former Country Market strip center in the southern sector of Jefferson is slated for redevelopment that will include Theisens, an Iowa-based retailer, an auto parts store, and Dollar General; a fourth retailer is to be located in a former bank building.

Tourism

Jefferson County ranked #29 of 72 counties in Wisconsin based on direct visitor spending in 2016. Direct visitor spending in 2016 totaled \$94.2 million, up 4.0 percent from the 2015 figure of \$90.6 million. Total business sales were also up 4.0 percent in 2016 from \$159.6 million to \$165.9 million. Tourism-related employment was up 2.2 percent.

The Jefferson County area is known as the Glacial Heritage Area (GHA), an area that is promoted by the Jefferson County Economic Development Corporation as the "outdoor recreation epicenter of the Midwest". The GHA is a network of parks, wildlife and natural areas, historic and cultural sites, waterways and preserves, all connected by trails and waterways. GHA has a formal partnership with the Wisconsin Department of Natural Resources. The focus is to increase the area's exposure of recreation opportunities to roughly half the state's population between the Madison and Milwaukee corridor that includes hiking, biking, fishing, watching wildlife, camping, hunting, horseback riding, cross country skiing, winter sports, and other outdoor activities.

Jefferson County is also the closest rural outdoor recreation hub to those larger metropolitan areas mentioned in the previous section and is designed to connect visitors to the recreation, conservation, and tourism offered in the area. The GHA is primarily in Jefferson County with some portions in Rock, Dodge, and Dane counties.

The Rock and Crawfish Rivers run through Jefferson. The Rock River Trail was designated a National Trails Water System in 2013 to promote the 320 miles of the Rock River. The trails runs along the Rock River beginning in Fond du Lac County in the north to the Mississippi River in Rock Island, Illinois in the south.

Each community in Jefferson County has its own recreation, shopping, dining, and the arts that they promote. Other popular tourism activities include the 52-mile Glacial Drumlin State Bike Trail that parallels I-94 between Waukesha and Dane counties, Fireside Dinner Theater, Kettle Moraine State Forest, Harry Potter Festival, Jefferson County Fair, Lake Mills Main Street, the Trek Bicycle Tour, and the University of Wisconsin Whitewater campus. The agri-tourism industry has seen growth with the opening of wineries, distilleries, and breweries throughout the county.

The Jefferson County Fair Park is located in Jefferson near the intersection of Bypass 26 and USH 18 on the west side of Jefferson. The fair park has been in existence since 1853 and the Jefferson County Fair is considered one of the premier county fairs in the state of Wisconsin. Approximately 43,000 people attend the county fair annually which is held in July. Over the last five years, attendance has ranged from a low of 37,927 in 2016 to a high of 47,547 in 2013.

The facilities at the fair park are varied and include the Activity Center, a 12,000 square foot multi-purpose building that can be rented and has hosted receptions, dances, Gemuetlichkeit Days, auctions, flea markets, trade shows, and animal shows and seminars. Other exhibit/meeting/banquet facilities include the Commercial Exhibit Hall with 6,720 square feet, the East Exhibit Hall with 8,960 square feet, the West Exhibit Hall with 6,400 square feet that can be opened up to the Activity Center for larger convention space, and M.A.P. Exhibit Hall with 6,000 square feet that can be used for horse shows and trade shows. In addition to the exhibit halls, there are seven barns, a grandstand, and horse arena. There are also 199 RV camping sites and ten acres for tent camping. Over the past 20+ years, the fair park has made extensive improvements to the facilities that are used throughout the year.

In 2016, 216 events were hosted at the fair park over 241 days. Of those events, 125 were paid events, 64 were UW Extension/4-H events, and 27 were other interdepartmental events. It was estimated between 200,000 and 250,000 people drive into the fair park annually. According to the website and our discussions with park management, activities and events that take place include:

- Horse shows every weekend between May and October
- Spring and fall Car Show and Swap Meet
- Gemuetlichkeit Days Festival
- Dairyland Classic Dog Show – May
- Wisconsin Livestock Spring Preview
- Jefferson County Fair - July
- Wisconsin Sheep & Wool Festival – September
- The Activity Center is rented almost every weekend for flea markets, family reunions, auctions, dances, banquets, Home Show, Snowmobile Grass Drags, picnics, dairy shows, rabbit shows, dog shows, llama and alpaca, rabies clinics, camping rallies, youth rally, meetings, dairy breakfast, pet swaps, 4-H project meetings, and a number of other uses.

Management of the fair park discussed a feasibility study that would be conducted to determine the need for additional convention/arena space at the park. It is envisioned that a new facility could be two levels, where the main floor would house conference/meeting/banquet space and the lower level would be a show ring/arena. A permanent restaurant is also being considered. If developed, it would be built in the northwest corner of the park. If this building were to be built and if the proposed hotel were to be built on Site #1 (from our Site Analysis section), it has already been determined that additional infrastructure work would have to be undertaken to improve the roadways around the Fair Park.

Meeting and banquet venues aside from the fair park include Fairview Sports Bar & Banquet Hall that has a capacity for about 125 people. The Jefferson Golf Course is expanding their banquet space. The golf course can currently seat about 100 people in the Neighbors Restaurant that is also used for banquets, which is not an ideal situation. By the end of October 2017, the golf course will have new banquet space for about 300 people as well as an outdoor wedding site. Other banquet/wedding venues in Jefferson County include the Business Center in downtown Jefferson, Windwood of Watertown Golf Course, Milford Hills Hunt Club in Johnson Creek, Jansen's Banquet Hall in Fort Atkinson, and the Comfort Suites Johnson Creek.

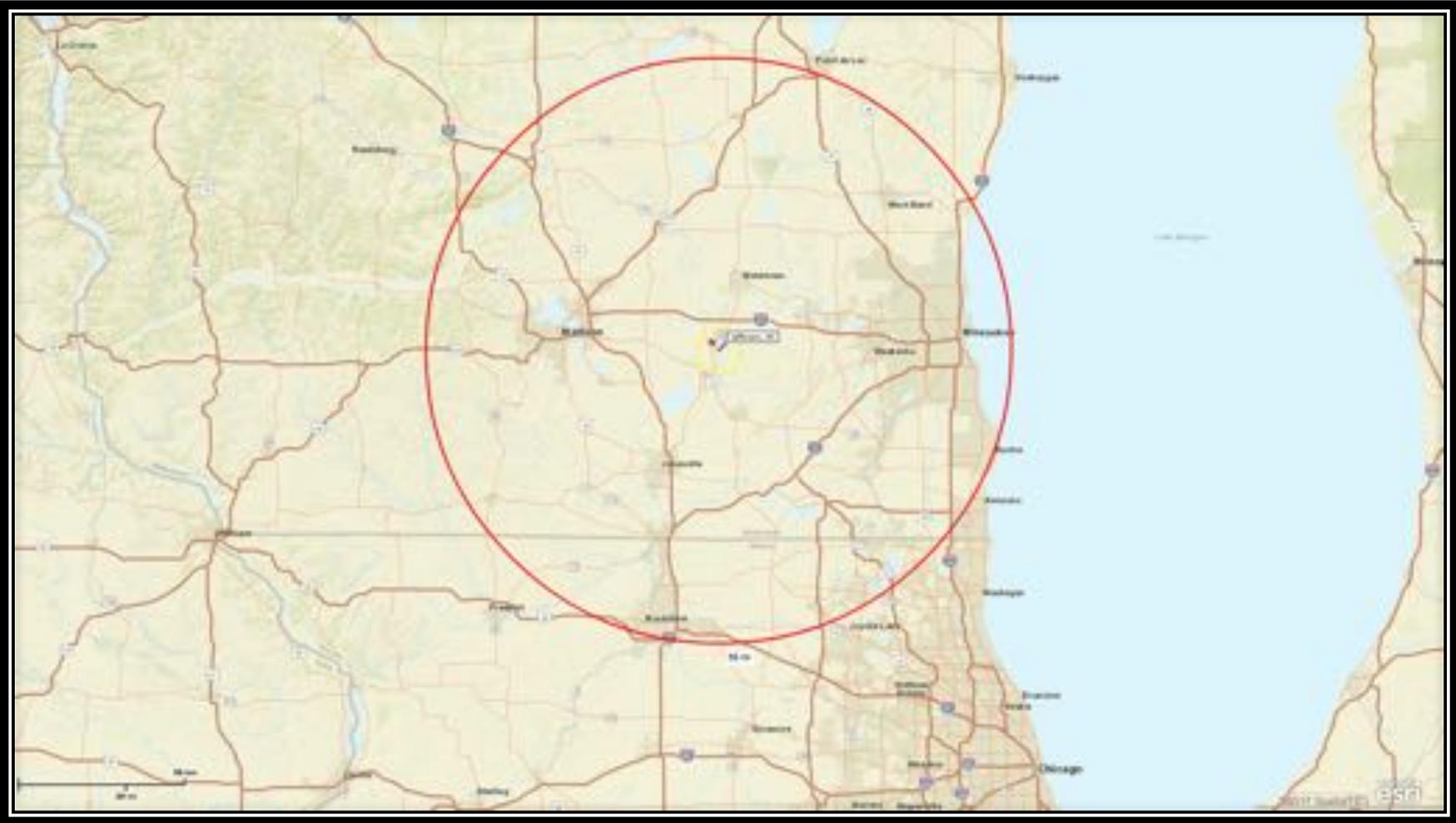
A unique event being held for the first time in Jefferson in 2017 is the Harry Potter Festival. During the third weekend in October, the city of Jefferson will play host to fans of the Harry Potter series. This is the third year for the festival; for the first two years, it was held in Edgerton, which it quickly outgrew. Attendance for the first year was about 5,500 people, in the second year attendance was estimated to be about 40,000 people and 38 states were represented. It is anticipated the festival could become an annual event in Jefferson.

Sporting events are popular throughout Jefferson County ranging from youth sports to college athletics at UW-Whitewater.

To further increase tourism and visitors to Jefferson, the Chamber of Commerce and the city of Jefferson have begun a new marketing program that includes new promotions and branding efforts.

A regional map of Jefferson and Jefferson County follow.

**REGIONAL LOCATION
JEFFERSON, WISCONSIN**



HOTEL SUPPLY AND DEMAND ANALYSIS

Lodging Supply

The city of Jefferson currently offers two lodging properties, the 41-room Rodeway Inn and the 30-room Hilltop Motel. The Rodeway Inn is an economy concept and part of the Choice Hotels International brand of hotels. The property is not considered competitive to the proposed hotel due to its low rate structure, orientation toward the price conscious traveler, and product quality. The Hilltop Motel is considered non-competitive due to its product quality and low rates. Both properties are located in the south sector of Jefferson.

Based on our discussions with local officials and the interviews we conducted with local demand generators, we determined that demand generated in Jefferson is seeking accommodations outside of Jefferson and staying in Fort Atkinson, Johnson Creek, and to a lesser extent Watertown and Whitewater (mostly during peak periods of demand such as the Jefferson County Fair).

Based on our research in Jefferson and Jefferson County, we assembled a competitive set of six hotels with 413 guest rooms that we believe would provide competition to the proposed midscale limited-service hotel. This competitive set was selected based on location, brand affiliation, rate structure, and/or property type. While each property would provide varying degrees of competition, we believe collectively this comp set includes the hotels being utilized by Jefferson demand generators.

Competitive Lodging Properties Jefferson, Wisconsin

Property	Location	Property Class	Number of Rooms	Year Open/Change
Holiday Inn Express & Suites	Fort Atkinson	Upper Midscale	78	2000
Comfort Suites	Johnson Creek	Upper Midscale	100	2005/2012
Holiday Inn Express	Watertown	Upper Midscale	79	1996
Super 8	Watertown	Economy	45	1992
Baymont Inn	Whitewater	Midscale	60	1997/2007
Super 8	Whitewater	Economy	<u>51</u>	1991/2013
Total			413	

Property Class as defined by STR, Inc.

Source: STR, Inc.

The Holiday Inn Express & Suites in Fort Atkinson is considered the most direct competitor for a hotel development in Jefferson. The hotel is located at the interchange of Highway 12 and Bypass 26, about five miles south of the southernmost exit of Jefferson. The Holiday Inn Express & Suites is locally owned and the ownership group is currently under construction with a 78-room Country Inn & Suites adjacent to the Holiday Inn Express & Suites. The Holiday Inn Express & Suites is well managed and is affiliated with a strong

brand. Even though the hotel is 17 years old, the property is well maintained. The Comfort Suites in Johnson Creek is also considered a direct competitor due to its brand affiliation and location near the interchange of I-94 and State Highway 26, a little over six miles north of Jefferson. The hotel is located off of I-94 however the access to the hotel is rather challenging for first time visitors as it is not at the interchange but slightly west and north of Highway 26. The Comfort Suites in our opinion was overbuilt for the market based on the number of rooms (100) and it took longer than expected for the hotel to ramp up. This likely had an impact on the overall historic performance of the comp set. In addition, the Comfort Suites has been sold three times since it's opening in 2005 with the latest sale occurring in August 2016. Change of ownership and/or change in management can also have a negative impact on a hotel's performance in addition to economic factors.

The Holiday Inn Express in Watertown would also be a likely competitor due to its location in Jefferson County although we would expect this to occur more during peak periods of demand rather than on a regular basis. According to property tax records, the Holiday Inn Express Watertown was sold in August 2017.

The Baymont Inn and the two Super 8s are not considered very competitive with a brand new hotel due to their lower rate structure, their product offering and quality, and market orientation to the more price conscious traveler. The Super 8 Whitewater converted to this brand in 2013 after opening as the economy brand of America's Best Value Inn. They were included in the comp set primarily so that a STR report could be run (in order to meet STR Inc.'s rules) and we believe the inclusion of these three hotels has had a negative impact on the performance of the overall comp set.

In our opinion, the fact that the owners of the Holiday Inn Express & Suites in Fort Atkinson are building a second hotel is an indication to us that the market is in need of new quality hotel product.

We anticipate the Holiday Inn Express & Suites in Fort Atkinson and the Holiday Inn Express Watertown as well as the Comfort Suites Johnson Creek to provide the most competition to the proposed midscale limited-service hotel based on their brand affiliation, facilities/amenities offered, and rate structure. The following competitive property profile shows the disparity in posted rack rates between the first three hotels that we consider direct competition and the last three hotels that show a lower rate structure.

We have prepared a competitive property profile describing the features of the competitive set followed by a location map of the Jefferson competitive hotels.

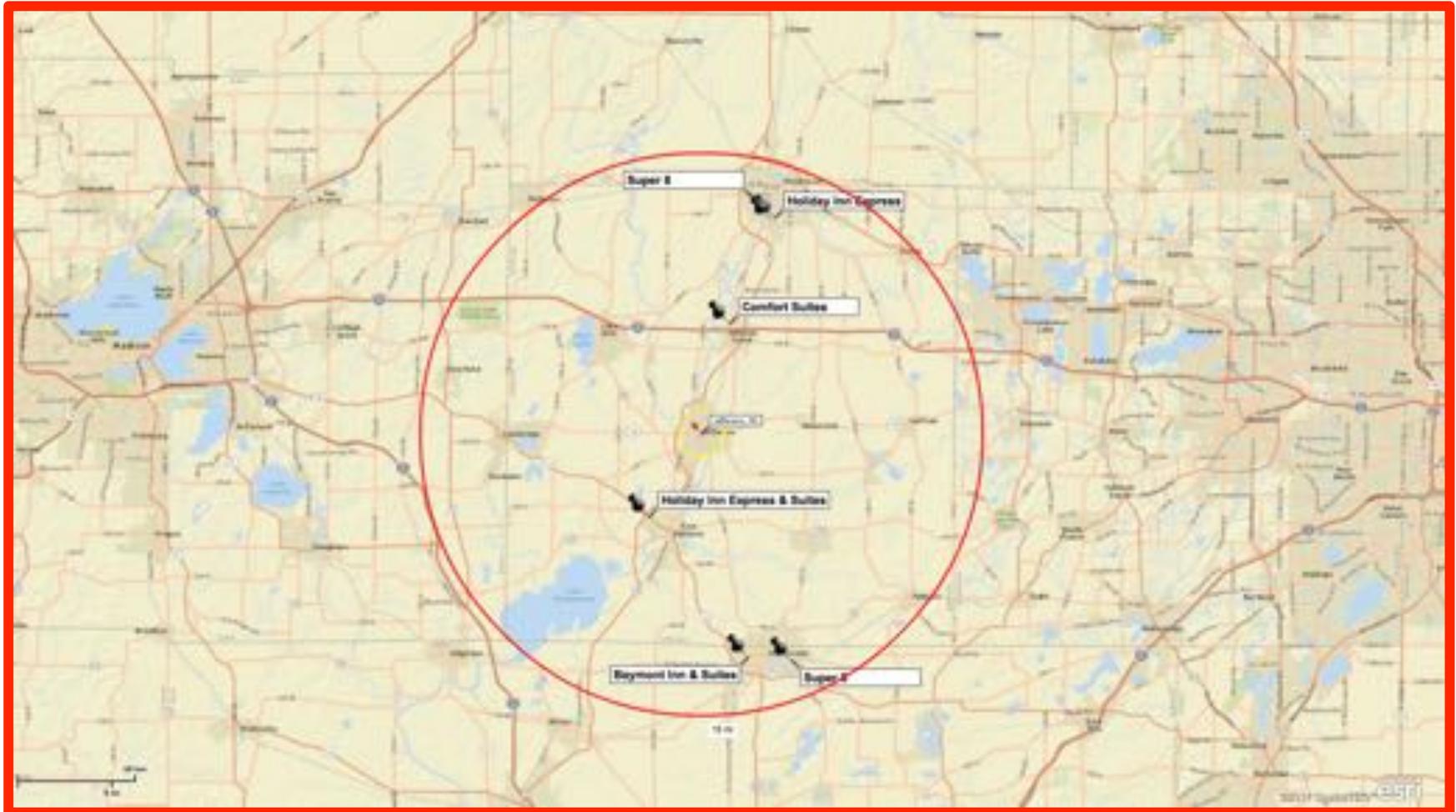
**JEFFERSON, WISCONSIN
PROPOSED MIDSCALE LIMITED-SERVICE HOTEL
COMPETITIVE PROPERTY PROFILE**

	Holiday Inn Express & Suites	Comfort Suites	Holiday Inn Express	Super 8	Baymont Inn & Suites	Super 8
Location	Fort Atkinson	Johnson Creek	Watertown	Watertown	Whitewater	Whitewater
# Of Rooms	78	100	79	45	60	51
Year Opened/Changed	2000	2005/2012	1996	1992	1997/2007	1991/2013
FACILITIES/AMENITIES						
Suites	yes	100	none	none	yes	whirlpool suite
Complimentary Breakfast	yes	yes	yes	yes	yes	yes
Restaurant/Lounge	none	none	none	none	none	none
Meeting Space SF	600 SF	350 people	1,250 SF	350 SF	35 people	none
Other Features	indoor pool, fitness, game room, bus. Ctr.	indoor pool, kiddie pool, hot tub, fitness, bus. Center micro/fridge all rooms	indoor pool, sauna, spa, fitness	indoor pool, hot tub, bus. Center, fitness bus/truck parking	indoor pool, hot tub, fitness, bus. Center micro/fridge all rooms	business center, bus/truck parking
2017 PUBLISHED RATES- 2 Queen Beds						
Weekday, October 2017	\$124.00	\$85.00	\$144.99	\$75.00	\$84.00	\$79.00
Weekend, November 2017	\$184.00	\$149.00	\$124.99	\$72.00	\$119.00	\$109.00
Weekday, May 2018	\$144.00	\$129.00	\$149.99	\$89.00	\$84.00	\$89.00
2016 ESTIMATED MARKET MIX						
Corporate/Individual	65%	65%	65%	45%	55%	50%
Group	5%	10%	5%	0%	0%	0%
Tourist/Leisure	30%	25%	30%	55%	45%	50%
Extended-Stay	0%	0%	0%	0%	0%	0%
TOTAL	100%	100%	100%	100%	100%	100%

Note: Published rates as of Thursday, September 28, 2017 for Tuesday, October 10, 2017, Saturday, November 4 or 11, 2017, and Tuesday, May 15, 2018

Source: Patek Hospitality Consultants, Inc., Hotel Interviews, and Internet

COMPETITIVE HOTEL PROPERTIES JEFFERSON, WISCONSIN



Additions to Supply

During the course of our research, we learned of one hotel that is under construction in the competitive market area and that is a 78-room Country Inn & Suites in Fort Atkinson. The upper midscale limited-service hotel is being developed adjacent to the Holiday Inn Express & Suites by the same owner. We have estimated the hotel would open mid-2018 as it had just started construction during our fieldwork in mid-June. We considered the Country Inn & Suites as a direct competitor to the proposed hotel for Jefferson based on location, facilities and amenities offered, brand affiliation, and rate structure.

We are aware that hotels have been discussed for both Watertown and Waterloo although we believe they are early in the discussion stage and have not included any additional rooms in our supply and demand analysis besides the Country Inn & Suites in mid-2018 and the proposed 50-room hotel for Jefferson in mid-2019.

Based on the opening of the 50-room Subject Hotel and the 78-room Country Inn & Suites in Fort Atkinson, it is estimated a compound annual growth rate of 3.9 percent will be realized between 2016 and 2023. On an annual basis, supply is estimated to increase 0.0 percent in 2017, 9.4 percent in 2018, 14.2 percent in 2019, and 4.8 percent in 2020. The base number of competitive rooms would increase from 413 rooms to 541 rooms or 128 rooms. Demand during this same period is estimated to increase at a compound annual growth rate of 4.4 percent.

Area Room Demand

Hotel room demand is categorized as “demonstrated” demand, or that demand which can be quantified by examining occupancies at existing hotels; “unsatisfied” demand, or that demand which is turned away or denied at existing hotels because of capacity limits and finding accommodations outside the defined competitive market; and “induced” demand, defined as that demand which does not now seek accommodations in the market but which would, given an acceptable quality hotel, the proper sales efforts and the availability of additional rooms supply. In this market, all three types of demand have been evaluated.

Demand for hotel rooms in any given area is measured by occupancy percentages and average daily rates (ADR). Although these statistics vary between properties because of age, location, condition, marketing efforts and seasonality, area averages are useful in analyzing historical trends and projecting future conditions as they relate to the market potential of a proposed project. STR Inc. tracks room supply and demand characteristics in markets across the country, maintains an up-to-date inventory of all hotels and receives actual operating statistics from a large sample in each market. We used this information to supplement our research findings. Information from the STR report is presented in the following table that shows supply, demand, occupancy, average daily rate, and RevPAR on an annual basis for the period 2011-2016 and year-to-date through July 2016 and 2017. The full STR report has been retained in our files.

**Standard Historical Trend
Proposed Midscale Limited-Service Hotel
Jefferson, Wisconsin**

Year	Room Supply	% Change	Room Demand	% Change	Occupancy	ADR ¹	RevPAR ²
2011	151,110	--%	81,900	--%	54.2%	\$72.99	\$39.56
2012	151,110	0.0	77,470	(5.4)	51.3	76.40	39.17
2013	150,620	(0.3)	74,837	(3.4)	49.7	84.05	41.76
2014	150,594	0.0	76,623	2.4	50.9	86.22	43.87
2015	150,745	0.1	82,087	7.1	54.5	89.32	48.64
2016	150,745	0.0	84,720	3.2	56.2	92.86	52.19
2016*	87,556	--	48,280	--	55.1	91.95	50.70
2017*	87,556	0.0	45,618	(5.5)	52.1	95.32	49.66

¹ – ADR = Average Daily Rate

² – RevPAR = Revenue Per Available Room (Occupancy x ADR)

*Through July

Source: STR, Inc.

The STR report included the six hotels with 413 rooms mentioned previously and served as the basis for our analysis going forward.

Occupancy has shown steady growth from 2013-2016 however the competitive set's occupancy is below the national average as shown in the table below. We mentioned earlier in this section that the competitive set includes properties that we believe are capturing a greater share of the corporate and overall demand in this market while at least three of the properties are, in our opinion, performing at less than the market average occupancy, which brings the overall occupancy down. In particular, we believe the Baymont Inn & Suites and the two Super 8s serve a different customer base than the other three hotels in the comp set and what we believe the proposed midscale limited-service hotel in Jefferson would pursue.

Because of some of the lodging product offered in the comp set, we estimate that demand is going outside the competitive market to communities east like Oconomowoc and Delafield or west to Madison depending on where travelers are coming from and what type of accommodations they are looking for. The STR report provides us a base from which to begin our analysis, however we believe that a quality, brand new hotel can induce demand into the market that is currently leaving due to product quality and this is discussed in a later section.

Average daily rate during this six-year period has steadily increased. Increases in ADR have ranged from a low of 2.6 percent in 2014 to a high of 10.0 percent in 2013. The average ADR increase over the historical six-year period was 5.0 percent, which is considered very healthy rate growth. The increase in ADR has helped the RevPAR to steadily increase as well, which is a factor considered important by hotel operators and investors.

For comparison purposes only, we present national performance figures from 2007-2016 as provided by STR, Inc. The data includes properties from large metropolitan areas to small communities and chain scales ranging from luxury to economy. The table below shows the impact the recession had on the national hotel industry from 2008-2010 and the recovery beginning in 2011 that has continued through mid-2017.

**National Hotel Performance Data
2007-2016, Year-to-date August 2017**

Year	Occupancy	ADR	RevPAR
2007	62.9%	\$104.05	\$65.59
2008	60.4	106.55	64.37
2009	55.1	97.51	53.71
2010	57.6	98.08	56.47
2011	60.1	101.64	61.06
2012	61.4	106.10	65.17
2013	62.3	110.35	68.69
2014	64.4	115.79	74.57
2015	65.6	120.01	78.67
2016	65.5	123.97	81.19
YTD August 2016	66.3	124.08	82.24
YTD August 2017	66.6	126.81	84.46

Source: STR, Inc.

The competitive set STR report presents analysis for the day of week, weekday versus weekend that is presented in the following table for the select competitive set. The three-year trailing twelve-month period starts August 2014 and ends July 2017.

**Day of Week Analysis
Select Competitive Set
Jefferson, Wisconsin**

Period	Sun.	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	Avg.
8/14-7/15								
Occupancy	31.5%	46.5%	53.5%	52.0%	50.5%	60.1%	71.9%	52.3%
ADR	\$79.54	\$80.83	\$82.49	\$82.42	\$84.15	\$95.64	\$99.78	\$87.82
RevPAR	\$25.07	\$37.66	\$44.15	\$42.82	\$42.51	\$57.45	\$71.71	\$45.93
8/15-7/16								
Occupancy	33.3%	52.0%	59.8%	57.5%	57.1%	62.5%	72.5%	56.4%
ADR	\$83.73	\$83.50	\$84.16	\$85.13	\$86.53	\$102.13	\$106.76	\$91.56
RevPAR	\$27.92	\$43.41	\$50.35	\$48.94	\$49.41	\$63.84	\$77.43	\$51.62
8/16-7/17								
Occupancy	32.5%	48.3%	56.3%	56.5%	53.5%	60.7%	73.2%	54.4%
ADR	\$84.41	\$87.13	\$87.04	\$88.59	\$89.74	\$104.80	\$110.52	\$94.76
RevPAR	\$27.42	\$42.12	\$49.01	\$50.09	\$48.02	\$63.65	\$80.94	\$51.58
3-yr Avg.								
Occupancy	32.5%	48.9%	56.6%	55.3%	53.7%	61.1%	72.5%	54.4%
ADR	\$82.61	\$83.87	\$84.59	\$85.46	\$86.85	\$100.86	\$105.73	\$91.43
RevPAR	\$26.81	\$41.03	\$47.84	\$47.28	\$46.64	\$61.62	\$76.70	\$49.71

Source: STR, Inc.

The competitive set achieves stronger occupancies and average daily rates on Friday and Saturday nights than the rest of the week, particularly Saturday nights. Weekend demand is generated by the Jefferson County Fair Park, weddings, UW Whitewater football/athletics/events, and during the summer months, outdoor recreational visitors. Tuesday and Wednesday nights are usually peak nights for corporate travelers.

The seasonality of demand is evident in this competitive market. The months of June through October achieve higher occupancies as compared to November through May. June through October occupancies ranged, on average over the six-year period, in the low 60s percent while the remaining months achieved occupancies ranging from the mid 30s percent to the mid 50s percent. However, looking at monthly occupancies in 2015 and 2016, the peak demand months of June through October reflected higher occupancies.

Demand Mix and Projected Growth in Demand

We estimate the 2016 market mix of the competitive supply to be 60 percent Corporate Individual, 5 percent Group/SMERF, and 35 percent Tourist/Other.

Corporate Individual is the largest segment of demand (51,300 room nights) for the competitive market. This segment includes executives, salespeople, vendors, buyers, consultants and other types of people doing business with the corporations and institutions

located in Jefferson, Jefferson County, and the surrounding communities. Based on our knowledge of the competitive market, discussions with city officials, and local hotel operators, we estimated that this market segment could experience a compound annual growth rate of 3.3 percent over the period 2016-2023. Our estimates reflect the opening of the additions to supply which could attract demand that has not previously been accommodated in any of the competitive hotels, induced demand which is demand that is loyal to the franchises entering the market and/or that previously did not patronize the hotels in the competitive supply because they did not meet their needs. The estimated growth in transient individual should vary by year, but be strongest in 2018-2019, reflecting the opening of the proposed hotels.

Group/SMERF demand is defined as corporate groups, conventions and association business that are attending training sessions, retreats, sales meetings, educational/technical sessions and other general types of meetings. Also included in this segment are SMERF (social, military, educational, religious, and fraternal) groups and sports groups. The competitive set is likely not capturing the typical meetings or convention business due to the limited amount of meeting space offered at each of these hotels, with the exception of the Comfort Suites that offers meeting/banquet space for seating up to 350 people. We estimate that weddings and sports groups/teams generate much of the group business for this comp set. Based on our local interviews and knowledge of the market area, we estimated that this market segment could experience a compound annual growth rate of 3.9 percent over the period 2016-2023. We estimated the group segment generated 3,900 room nights in 2016.

The **Tourist/Other** segment with 29,600 room nights is the second largest segment of demand and is comprised of those individual travelers visiting the attractions, festivals, sporting events, and cultural events in Jefferson and Jefferson County. This segment can also include individual SMERF (social, military, educational, religious, and fraternal) travelers. Those attending weddings but not part of a group block would be included in this segment. Jefferson County's location just south of I-94 and nearly midway between the Milwaukee and Madison metropolitan markets provides an alternative lodging location for those visitors traveling between the two cities or for those looking for lodging during peak periods of demand.

Transient traffic typically grows at a lower rate unless there is a new attraction or major development or other specific reason for significant increases in visitation. A new hotel will typically induce demand that has previously not been accommodated by the competitive properties. This is often because of loyalty to a chain, a more desirable location or simply the availability of a new property. This demand segment is the most volatile because visitation can be dependent on the weather, scheduled activities, nation-wide economic conditions and such. Based on all of these factors and our discussions with area hotel operators and other knowledgeable sources, we estimated that this market segment could experience a compound annual growth rate of 6.2 percent annually over the period 2016-2023.

The following table summarizes our estimates regarding market supply and demand during the projection period; the demand estimates include induced demand for the proposed hotels.

**Total Competitive Market
Proposed Midscale Limited-Service Hotel
Jefferson, Wisconsin**

Year	Annual Available Rooms	Annual Growth Supply	Annual Occupied Rooms	Annual Growth Demand	Market Occupancy
2016	150,745	--%	84,800	--%	56.0%
2017	150,745	0.0	86,800	2.4	58.0
2018	164,980	9.4	90,600	4.4	55.0
2019	188,340	14.2	99,200	9.5	53.0
2020	197,465	4.8	105,700	6.6	54.0
2021	197,465	0.0	109,200	3.3	55.0
2022	197,465	0.0	111,800	2.4	57.0
2023	197,465	0.0	114,500	2.4	58.0

Note: Numbers have been rounded. Additions to supply were discussed in a previous section

Source: Patek Hospitality Consultants, Inc.

It should be noted that we did not take into consideration in our analysis the proposed development of the College of Osteopathic Medicine, as it is too preliminary. Should the College be developed in Jefferson and open by 2020, it is expected to have a very positive impact on a new hotel in Jefferson and would likely provide demand that exceeds our estimates.

Between 2016 and 2023, supply is estimated to grow at a compound annual growth rate of 3.9 percent while demand is estimated to grow 4.4 percent during this same period. While we believe that occupancies can exceed our estimates stated above, we also know that unforeseen circumstances can cause occupancies to fall below our estimates. From an historical perspective, a stabilized occupancy of 58.0 percent for the competitive set is reasonable in our opinion.

PROJECTED MARKET POSITION AND PENETRATION OF THE PROPOSED HOTEL

Demand Interviews

A table summarizing our demand interviews is included on the following two pages. In conducting market research for a proposed hotel in Jefferson, we believe it is important to conduct demand interviews with companies and organizations that are generators of hotel room demand. These interviews provide us with insight into the travel volume, needs, hotel preferences, desired room rates, and types of travelers (i.e. executives, sales reps, vendors, meetings, etc.) for each organization. In addition, the interviews help us to gauge the prospective interest in a proposed hotel and provide helpful input for the facilities, amenities, and services for a property. The demand interviews provide us with more qualitative information rather than quantitative data.

We did ask companies to estimate the number of room nights generated by their company

as best as they could. This can sometimes be a difficult task as the company's need for hotel rooms can vary based on production schedules, training and meetings, seasonality, various individuals making the reservation, and whether customers/distributors are visiting other facilities in the region and choose to stay elsewhere. Gathering this information on room nights is very helpful in determining the potential for a new hotel development, however there are other factors that are taken into consideration in making an assessment on a community's ability to support additional rooms. A summary of our demand interviews follows.

Demand Generator Interviews – Jefferson, Wisconsin (conducted July/August 2017)

Company/Contact	Hotels Used/Rate paid	Est. Room Nights* (Range)	Facilities/Amenities Preferred	Location/Comments
Nestle David	Holiday Inn Express – Fort Atkinson. Rate - NA	Varies, 0-40 people/week, training 2-3x/year is higher, other plant visitors 5-10 people/month that may stay 3-4 nights, other visitors may visit 1-2 people/week for 1-2 nights	There is a need for a restaurant. Would like to be closer to amenities like restaurants within walking distance	Most visitors fly into Milwaukee and rent a car. Sees a need for a hotel in Jefferson
Generac John Chris – Corporate Travel Coordinator for Generac	Holiday Inn Express – Fort Atkinson, Comfort Suites Johnson Creek. Rate \$109 at HIEX.	15-20/month for 2-3 nights = 360-720/ room nights/year.	None provided. Believes there is a need as the area is short on restaurants and hotels and it is hard to entertain visitors without these amenities	Corporate HQ is in Waukesha so much of the visitors stay in Waukesha, Pewaukee, Delafield, and Oconomowoc. About 75-80% of their visitors are international
Basin Machining Eric	Holiday Inn Express – Fort Atkinson, \$95.00	Estimated 50-60 room nights annually	None	Some corporate stays in Madison and some corporate jets fly into Watertown. Sees company growth in the next couple years. Likes the Rock River location, as it is walkable to downtown and other places.
St. Coletta Robin	Holiday Inn Express – Fort Atkinson, Comfort Suites. Rate – NA, as a non-profit, they negotiate rates	Figure NA. August-2-day celebration. Families don't typically live nearby and will visit monthly and holidays. Conduct board meetings	None	Like the site close to the Fair Park
Jefferson Golf Course Jill	NA	NA	NA	Believes a hotel is needed, particularly as they are in the process of expanding their banquet space to accommodate up to 300 people. Thinks shuttle service between the hotel and the golf course would be good for the hotel to offer.

Company/Contact	Hotels Used/Rate paid	Est. Room Nights* (Range)	Facilities/Amenities Preferred	Location/Comments
Jefferson Cty. Fair Park Dave	Holiday Inn Express – Fort Atkinson, Comfort Suites and Days Inn Johnson Creek	NA	NA	Likes the location near the fair park. As the fair park continues to bring people in on a regular basis and is looking to expand the conference/banquet business, the need for a hotel becomes even greater. See Tourism section for more discussion on the fair park
Harry Potter Festival Scott	NA	NA	NA	This is the first year that the Festival will be in Jefferson, however, based on last year's figures held in Edgerton, the potential is great for this one weekend in October.
<p><i>NA – Not Available</i> <i>Note: We placed calls to both Kendall Packaging and Valero and had to leave messages; we did not receive a callback</i> <i>Source: Patek Hospitality Consultants, Inc. and Company Interviews</i></p>				

Methodology and Assumptions

We assessed the prospective competitive status of the Subject hotel as compared to the defined competitive lodging supply and as it will be affected by such factors as location, setting, nature and quality of facilities and the extent to which the hotel could capture each demand segment by performing a fair share/penetration analysis. A hotel's fair share of the market is defined as the number of rooms in the hotel divided by the total supply of rooms in the market including the subject hotel. The property is estimated to reach stabilization in 2021 (the third year of operation) and there will be 541 available rooms in the competitive market. Therefore the subject's fair share in the market beginning in the stabilized year is 50 divided by 541 or 9.2 percent.

The methodology used in this analysis considered the factors that we believe could influence the prospective success of the proposed midscale limited-service hotel.

- At the present time, the lodging product located in Jefferson is not meeting the needs of the corporate traveler and for the most part, the leisure traveler either. Visitors are having to travel outside the community for lodging, which is lost tax dollars to Jefferson.
- The hotel will be affiliated with a national hotel brand with a good reservation system and guest loyalty program. The brand is to be determined and will be further discussed with the city of Jefferson.
- The city of Jefferson and surrounding communities have a good base of corporate business that believes a new hotel is needed for Jefferson. Our discussions with the Jefferson Chamber of Commerce and the Jefferson County Fair Park also provided us with information indicating that a new hotel would be supported.
- We discussed four sites for the city of Jefferson to consider for hotel development and all have advantages and disadvantages.

To project occupancy for the proposed hotel we considered the property's recommended facilities, services, and amenities; the site's location; the competitive properties and the competitive environment in which the hotel will operate. The advantages and disadvantages of the site were discussed in the Site Analysis section of this report. Other advantages and disadvantages, as well as other factors that will influence the property's ability to capture market demand (and therefore achieve the projected occupancy and ADR levels) are:

1. The Subject Hotel will be open on or before mid-2019. If the hotel opening is delayed, our estimates regarding future performance could be affected.
2. The Subject Hotel will feature about 50 guest rooms and suites and will include the amenities and facilities discussed in the Project Concept section of this report.

3. A group yet to be determined will own the hotel. It is expected and assumed a reputable and experienced management company will operate the hotel.
4. The additions to supply have been taken into account in our analysis. If additional hotels enter the market during our projection period, our occupancy and average daily rate estimates for the proposed hotel could be impacted.

Penetration Analysis

Factors indicating that a hotel would possess competitive advantages suggest a market penetration rate in excess of 100 percent of fair share while competitive weaknesses are reflected in penetration levels of less than 100 percent. There is usually a period of time required after opening for a new hotel to reach its full market penetration. We estimate that the proposed hotel will achieve a stabilized penetration of 116 percent of fair share that is slightly less than its fair share. Stabilization is estimated to occur in the hotel's third year of operation in 2021. The projected penetration levels reflect the following considerations.

- **Corporate Individual** - We estimated the subject hotel would achieve above its fair share in this segment due to the lack of quality hotel product in Jefferson, a hotel concept that would appeal to business travelers, the facilities and amenities offered and the location within a stable economic environment. We believe the subject hotel can induce demand into the market based on it being a brand new hotel with a national chain affiliation that offers a guest loyalty program and reservation system that can generate a higher percentage of occupancy. We estimated the penetration rates to range between 107 percent and 122 percent throughout the projection period. Our projections for this demand segment are for approximately 7,000 room nights to be accommodated at the Subject hotel in the stabilized year of operation (2021), which represents approximately 60 percent of the hotel's overall captured room nights. This percentage remains stable throughout the projection period.
- **Group/SMERF** - We estimated the subject hotel would achieve above its fair share in this segment, as the property is estimated to capture demand from weddings, sports groups, and blocks of visitors to the Jefferson County Fair Park. We estimated the penetration rates to range between 100 percent and 108 percent throughout the projection period. Our projections for this demand segment are for approximately 500 room nights to be accommodated at the Subject hotel in the stabilized year of operation (third year), which represents approximately 4 percent of the hotel's overall captured room nights. This percentage remains fairly stable throughout the projection period.
- **Tourist/Other** - We estimate the subject hotel will achieve just above its fair share in this segment mainly due to the proximity to the Jefferson County Fair Park, the outdoor recreational activities, UW Whitewater, and location near I-94. The recommended facilities and amenities will appeal to tourists and families alike,

particularly if suites are offered that are typically a larger guest room and all guest rooms would offer refrigerators and microwaves. Weekend getaways and SMERF groups could also find the location and product attractive. We estimate penetration rates to range between 100 percent and 107 percent from 2019-2023. The proposed hotel is expected to accommodate approximately 4,200 room nights in the stabilized year of operation and that figure remains fairly constant throughout the remainder of the projection period. These room nights represent approximately 36 percent of total demand.

We estimate the penetration and segmentation of demand for the proposed midscale limited-service hotel over the five-year period, 2019-2023 to be as follows:

**Estimated Penetration and Market Segmentation
Proposed Midscale Limited-Service Hotel
Jefferson, Wisconsin**

Year/Category	Corporate/Individual	Group/SMERF	Tourist/Other	Overall
Year 1				
Penetration	107%	100%	100%	102%
Room Nights	2,900	200	1,800	4,900
Segmentation %	59%	4%	37%	100%
Year 2				
Penetration	115%	103%	103%	111%
Room Nights	6,400	500	3,900	10,800
Segmentation %	59%	5%	36%	100%
Year 3				
Penetration	122%	108%	107%	116%
Room Nights	7,000	500	4,200	11,700
Segmentation %	60%	4%	36%	100%
Year 4				
Penetration	119%	104%	105%	113%
Room Nights	6,900	500	4,300	11,700
Segmentation %	59%	4%	37%	100%
Year 5				
Penetration	116%	102%	102%	111%
Room Nights	6,900	500	4,300	11,700
Segmentation %	59%	4%	37%	100%

Numbers may be rounded

Source: Patek Hospitality Consultants, Inc.

Projected Performance

We have chosen to use a stabilized occupancy of 64 percent, which we believe will be achieved in the third year of operation (2021). The stabilized occupancy is intended to reflect the anticipated results of the property over its remaining economic life, given any and all changes in the life cycle of the hotel. Therefore, the stabilized occupancy excludes from consideration any abnormal relation of supply and demand as well as any favorable or unfavorable non-recurring conditions that may result in unusually high or low occupancies. Although the Subject hotel may operate at occupancies above this stabilized level, we believe it equally possible for new competition and temporary economic downturns to force the occupancy below this anticipated stabilized level.

Based on the rate structures at the competitive facilities and their locations, quality levels, chain affiliations, services and facilities offered in comparison to the proposed hotel, we estimate the proposed midscale limited-service hotel will be able to achieve an average daily room rate of \$96.00 in 2017 value dollars. It is our opinion the proposed hotel will be able to compete very favorably with the other upper midscale hotels in the market because it will be a brand new hotel. In addition, the competitive hotel market has experienced steady rate growth over the past six years as discussed previously.

The projected rate takes into account rack rates, discounted rates offered to preferred customers, transient discounted rates, and franchise corporate rates. It also considers the mix of demand and achievable rate by market segment. The proposed hotel's ADR will be influenced by the mix of demand and can be maximized by careful balance of room availability and corporate individual, group, and tourist/leisure demand. Rack rates for the proposed hotel are estimated to range from \$89.00-\$139.00 depending on the demand segment and time of year.

Based on the local, regional, and national economic recessionary trends, we have forecast the rate increase to be 3.0 percent throughout the projection period. This growth level is intended to reflect the long-term average growth in ADR; actual year-to-year changes may vary. Assuming a mid-2019 opening, the following occupancy and average daily rates are projected for the proposed hotel based on a calendar year.

**Prospective Performance
Proposed Midscale Limited-Service Hotel
Jefferson, Wisconsin**

Year	Market Occupancy	Hotel Occupancy	Average Daily Rate	RevPAR
2016	56.0%			
2017	58.0			
2018	55.0			
2019/Year 1	53.0	54.0%	\$101.90	\$55.03
2020/Year 2	54.0	59.0	104.90	61.89
2021/Year 3	55.0	64.0	108.00	69.12
2022/Year 4	57.0	64.0	111.30	71.23
2023/Year 5	58.0	64.0	114.60	73.34

Source: Patek Hospitality Consultants, Inc.

CONCLUSION

Based on our market research and the information presented in this report, it is our opinion that development of a 50-room midscale limited-service hotel is market justified and would be well suited for the Jefferson, Wisconsin market.

Our assumptions are based on the hotel being affiliated with a national hotel company with a strong reservation system and guest loyalty program as well as an aggressive sales and marketing effort in place prior to the hotel's opening and aggressive and competent management once the hotel is open. We have assumed that the local economy will continue to experience steady growth that will continue to bring corporate and leisure visitors to Jefferson and Jefferson County. Should any of these assumptions not occur as projected or if unforeseen circumstances occur locally or on a national level, our estimates could be negatively affected.

PROJECTIONS OF INCOME AND EXPENSE

Methodology

In order to project financial operating results for the proposed midscale limited-service hotel, we have in our files a custom HOST Report provided by STR Analytics, a STR, Inc. company. Our criteria included limited-service hotels located in the Midwest with 60 rooms or less with or without a national franchise. The majority of the properties were chain affiliated. The HOST Report included 15 hotels with 873 rooms located in the Upper Midwest states of Illinois, Indiana, Iowa, Michigan, Minnesota, and Wisconsin. The custom HOST Report properties achieved occupancy of 66.5 percent and an ADR of \$99.58 in 2016 as compared to 68.0 percent and \$96.60 in 2015. The average size property for the contributing properties was 58 rooms.

We also used the 2017 (2016 data) HOST Almanac by STR Analytics for limited-service hotels throughout the U.S. The categories we referenced included the East North Central region of the country, Small Metro/Town Location, and Upper Midscale and Midscale/Economy class (based on average daily rate). In addition we referred to actual financial operating statements in our files.

The following paragraphs provide a brief explanation of the basis used to prepare the projection for each line item. Data is presented as various input forms such as Per Available Room (PAR), Per Occupied Room (POR), or Ratio to Sales. Critical factors for the various properties were taken into consideration when reviewing the comparable data and adjustments for the subject hotel were made based on location, facility, occupancy and rate, and other relevant operational issues.

All amounts have been rounded to the nearest thousand dollars and account classifications for the hotel component conform to the definitions prescribed by the 11th revised edition of the *Uniform System of Accounts for the Lodging Industry*.

Inflation and Growth in Revenues and Expenses

Our projections incorporate an estimate of general price inflation based upon econometric projections from various sources, tempered by our observations and expectations based on historical perspectives both locally and nationally.

To portray price level changes, we have assumed an inflation rate of 3.0 percent throughout our projection period. Overall, the 3.0 percent rate reflects our long-term outlook for the future movement of prices in the area and is intended only to portray an expected long-term trend in price movements, rather than for a specific interval in time. Our growth assumptions for average rate have been presented previously in this report, and all other line item expenses are projected to increase at the level of general inflation.

On the following pages, we provided information for various categories from the custom HOST Report for 2015 and 2016 as well as from the 2017 HOST Almanac (2016 data). For these same categories, we provided our estimate in a stabilized year of operation for the proposed hotel.

Departmental Revenues and Expenses

Rooms Department: Room revenue is estimated by multiplying the occupancy rate by the average daily rate (ADR) projected in the Hotel Supply and Demand section of the report. The occupancies, average daily rates and resulting room revenue projected for the hotel are summarized as follows:

Proposed Midscale Limited-Service Hotel Jefferson, Wisconsin Projected Performance

Year	Occupancy	ADR	RevPAR	Room Revenue
Year 1	54.0%	\$101.90	\$55.03	\$1,004,200
Year 2	59.0	104.90	61.89	1,129,500
Year 3	64.0	108.00	69.12	1,261,400
Year 4	64.0	111.30	71.23	1,300,000
Year 5	64.0	114.60	73.34	1,338,500

Hotel is estimated to open mid-2019

Source: Patek Hospitality Consultants, Inc.

Rooms Department expenses include payroll and related costs associated with the front desk and housekeeping, operating supplies, laundry, linens, guest supplies, complimentary breakfast, reservation expense, and other items necessary to maintain guest rooms.

Rooms Expense

Category (2016 data)	Limited-Service Hotels	
	POR	Ratio to Sales
East North Central Region	\$22.31	22.9%
Small Metro/Town Location	\$24.31	23.9%
Upper Midscale Class	\$30.58	25.0%
Midscale/Economy Class	\$14.43	20.1%
Custom HOST 2015	\$28.15	29.1%
Custom HOST 2016	\$29.33	29.5%
PHC Estimate (Stabilized)	\$25.92	24.0%

Source: HOST Almanac, STR, Inc., Patek Hospitality Consultants, Inc.

Food and Beverage – The proposed midscale limited-service hotel will not offer food service aside from complimentary breakfast and the costs associated with breakfast are included in the Rooms Expense. Revenue and expenses associated with an on-site wine and beer bar are included in the Miscellaneous Income and Expense categories.

Miscellaneous Income and Expense: This category is comprised of pantry sales (food and sundry), on-site wine and beer bar, interest income, vending machine commissions, guest laundry, meeting room rental, and other miscellaneous income. We estimated Miscellaneous Income to be \$37,100 in the stabilized year, which equates to \$3.18 per occupied room. The corresponding expense of 40.0 percent is reflected throughout the projection period.

Undistributed Operating Expenses

Operating expenses that are not chargeable to a particular operating department are presented as undistributed operating expenses in accordance with the *11th Revised Edition of the Uniform System of Accounts for the Lodging Industry*. These expenses are discussed in the following paragraphs.

Administrative and General (A&G): This category covers expenses such as salaries and wages for management staff, bookkeeping, credit card commissions, data processing charges, corporate office charges, office supplies, legal, accounting, allowance for bad debts, travel expenses, licenses and permits, and similar items.

A&G Expense

Category (2016 data)	Limited-Service Hotels	
	PAR	Ratio to Sales
East North Central Region	\$2,416	9.3%
Small Metro/Town Location	\$2,282	8.7%
Upper Midscale Class	\$2,869	8.5%
Midscale/Economy Class	\$1,923	9.9%
Custom HOST 2015	\$2,620	10.8%
Custom HOST 2016	\$2,639	10.7%
PHC Estimate (Stabilized)	\$2,857	11.0%

Source: HOST Almanac, STR, Inc., Patek Hospitality Consultants, Inc.

Information and Telecommunication Systems: This category includes the cost of management information system services, supplies, and equipment as well as the expenses associated with the maintaining these systems. These systems also include telecommunication systems such as local, long distance, and Internet communications. In the stabilized year of operation, this expense was estimated to be \$28,600 or \$571 per available room.

Marketing: Marketing expenses include local advertising, the cost of printing brochures, salaries, entertainment, dues and subscriptions and other related items. This expense excludes Franchise Fees.

Marketing Expense

Category (2016 data)	Limited-Service Hotels	
	PAR	Ratio to Sales
East North Central Region	\$1,274	4.9%
Small Metro/Town Location	\$1,112	4.2%
Upper Midscale Class	\$1,686	5.0%
Midscale/Economy Class	\$717	3.7%
Custom HOST 2015	\$687	2.8%
Custom HOST 2016	\$702	2.9%
PHC Estimate (Stabilized)	\$743	2.9%

Source: HOST Almanac, STR, Inc., Patek Hospitality Consultants, Inc.

Franchise Fees: Franchise fees were based on the hotel being affiliated with a national hotel franchise. We used 5.0 percent of room revenue as our basis for a midscale, limited-service brand and this percentage remained constant throughout the projection period. In the first year of operation, franchise fees were estimated to be \$50,200 and in Year 5, fees were estimated to be \$66,900.

Utility Costs: Utility costs tend to fluctuate based on location, weather, size of hotel, facilities and amenities offered, and other factors.

Utility Costs

Category (2016 data)	Limited-Service Hotels	
	PAR	Ratio to Sales
East North Central Region	\$1,094	4.2%
Small Metro/Town Location	\$1,137	4.3%
Upper Midscale Class	\$1,251	3.7%
Midscale/Economy Class	\$997	5.1%
Custom HOST 2015	\$1,059	4.4%
Custom HOST 2016	\$1,067	4.3%
PHC Estimate (Stabilized)	\$1,061	4.1%

Source: HOST Almanac, STR, Inc., Patek Hospitality Consultants, Inc.

Property Operations and Maintenance: Property operations and maintenance expenses include salaries and wages, employee benefits, normal maintenance of the building, pool, and grounds including electrical and mechanical equipment, landscaping, and waste removal.

Property Operations & Maintenance Expense

Category (2016 data)	Limited-Service Hotels	
	PAR	Ratio to Sales
East North Central Region	\$1,299	5.0%
Small Metro/Town Location	\$1,298	5.0%
Upper Midscale Class	\$1,536	4.6%
Midscale/Economy Class	\$1,088	5.6%
Custom HOST 2015	\$1,271	5.2%
Custom HOST 2016	\$1,227	5.0%
PHC Estimate (Stabilized)	\$1,273	4.9%

Source: HOST Almanac, STR, Inc., Patek Hospitality Consultants, Inc.

Management Fees: A management fee of 4.0 percent of gross sales has been deducted throughout the projection period based on industry standards that typically range from three to five percent of total revenue.

Fixed Charges

Property Taxes: We estimated taxes for the proposed hotel based on property taxes paid at three of the upper midscale hotels located in Jefferson County. As there are no comparable hotels located in Jefferson, we considered hotels in Fort Atkinson, Johnson Creek, and Watertown. We understand the taxing bodies are different for each community however this was the information that came closest to our basis for estimating property taxes for the proposed hotel in Jefferson. Below is information found on the Jefferson County Assessor's website for the three hotels based on 2016 taxes paid in 2017.

Property Tax - Comparable Hotels Jefferson County, Wisconsin

Property	Assessed Value	Assessment Ratio	Property Tax*	Number of Rooms	Amount Per Room*
Holiday Inn Express & Suites Fort Atkinson	\$3,370,600	1.0332	\$75,889	78	\$973
Comfort Suites Johnson Creek	\$2,630,400	1.0109	\$60,220	100	\$602
Holiday Inn Express Watertown	\$4,600,000	0.9996	\$105,403	79	\$1,334

*Figures are rounded

Source: Jefferson County Assessor's website and Patek Hospitality Consultants, Inc.

Based on the assessor's property data records, the Comfort Suites was last sold in August 2016 and the Holiday Inn Express Watertown was sold on August 16, 2017.

Based on comparable property tax information presented, we estimated property taxes for the proposed midscale limited-service hotel to be \$25,000 in Year 1 and inflated three percent annually to \$65,600 by Year 5.

Insurance: This insurance category covers only the cost of building and contents insurance. The liability insurance is included in the A&G expense.

Insurance Expense

Category (2016 data)	Limited-Service Hotels	
	PAR	Ratio to Sales
East North Central Region	\$228	0.9%
Small Metro/Town Location	\$298	1.1%
Upper Midscale Class	\$317	0.9%
Midscale/Economy Class	\$244	1.3%
Custom HOST 2015	\$222	0.9%
Custom HOST 2016	\$263	1.1%
PHC Estimate (Stabilized)	\$244	0.9%

Source: HOST Almanac, STR, Inc., Patek Hospitality Consultants, Inc.

Reserve for Capital Replacement: As is standard for income-producing properties provision has been made for a reserve for capital replacement for furniture, fixtures, and equipment, as well as other long-lived items. The reserve for replacement expense has been estimated on a “step-up” basis for the first year of operation at 1.0 percent; 2.0 percent in Year 2 and beginning in the third year and for the remainder of the projection period, 4.0 percent of total revenues is estimated to provide sufficient funds for future capital improvements.

Cash Flow Projections

Our projections for the subject property, before deductions for interest, income taxes, depreciation, and amortization but after Reserve for Capital Replacement, are presented in the following table. We project that, after reserve for replacement, the subject hotel would have a net operating income equal to 31.9 percent of total sales in the stabilized year of operation (third full year); the NOI ranges between 31.5 percent and 32.5 percent of total sales throughout the projection period.

Net Operating Income (NOI)

Category (2016 data)	Limited-Service Hotels		
	PAR	POR	Ratio to Sales
East North Central Region	\$9,327	\$36.01	36.0%
Small Metro/Town Location	\$9,588	\$37.89	36.6%
Upper Midscale Class	\$11,599	\$42.99	34.3%
Midscale/Economy Class	\$8,366	\$31.65	43.2%
Custom HOST 2015	\$7,222	\$29.12	29.7%
Custom HOST 2016	\$7,231	\$29.68	29.4%
PHC Estimate (Stabilized Year)	\$8,295	\$35.51	31.9%

Source: HOST Almanac, STR, Inc. Patek Hospitality Consultants, Inc.

The Statement of Estimated Annual Operating Results for the proposed midscale limited-service hotel for the first five years of operation is shown on the following page.

PROPOSED MIDSCALE LIMITED-SERVICE HOTEL - JEFFERSON, WISCONSIN
STATEMENT OF ESTIMATED ANNUAL OPERATING RESULTS

	Year 1			Year 2			Year 3			Year 4			Year 5		
	TOTAL ROOMS/YEAR	18,250	RevPAR	18,250	RevPAR	18,250	RevPAR	18,250	RevPAR	18,250	RevPAR	18,250	RevPAR		
	OCC. ROOMS/OCCUPANCY/ADR	9,855	\$55.03	10,768	\$61.89	11,680	\$69.12	11,680	\$71.23	11,680	\$73.34	11,680	\$73.34		
		54.0%	\$101.90	59.0%	\$104.90	64.0%	\$108.00	64.0%	\$111.30	64.0%	\$111.30	64.0%	\$114.60		
50 ROOMS	Current Dollars (000's)	% of Sales Ratio	POR's or PAR's	Current Dollars (000's)	% of Sales Ratio	POR's or PAR's	Current Dollars (000's)	% of Sales Ratio	POR's or PAR's	Current Dollars (000's)	% of Sales Ratio	POR's or PAR's	Current Dollars (000's)	% of Sales Ratio	POR's or PAR's
REVENUES															
Rooms	\$1,004.2	96.6%	\$101.90	\$1,129.5	96.9%	\$104.90	\$1,261.4	97.1%	\$108.00	\$1,300.0	97.1%	\$111.30	\$1,338.5	97.1%	\$114.60
Food & Beverage	0.0	0.0%	0.00	0.0	0.0%	0.00	0.0	0.0%	0.00	0.0	0.0%	0.00	0.0	0.0%	0.00
Other Operated Income	0.0	0.0%	0.00	0.0	0.0%	0.00	0.0	0.0%	0.00	0.0	0.0%	0.00	0.0	0.0%	0.00
Miscellaneous Income	<u>\$35.0</u>	<u>3.4%</u>	<u>\$3.55</u>	<u>\$36.1</u>	<u>3.1%</u>	<u>\$3.35</u>	<u>\$37.1</u>	<u>2.9%</u>	<u>\$3.18</u>	<u>\$38.2</u>	<u>2.9%</u>	<u>\$3.27</u>	<u>\$39.4</u>	<u>2.9%</u>	<u>\$3.37</u>
TOTAL REVENUES	\$1,039.2	100.0%	\$105.45	\$1,165.6	100.0%	\$108.25	\$1,298.6	100.0%	\$111.18	\$1,338.2	100.0%	\$114.57	\$1,377.9	100.0%	\$117.97
DEPARTMENTAL EXPENSES															
Rooms	\$251.1	25.0%	\$25.48	\$271.1	24.0%	\$25.18	\$302.7	24.0%	\$25.92	\$312.0	24.0%	\$26.71	\$321.2	24.0%	\$27.50
Food & Beverage	0.0	0.0%	0.00	0.0	0.0%	0.00	0.0	0.0%	0.00	0.0	0.0%	0.00	0.0	0.0%	0.00
Miscellaneous Expense	<u>\$14.0</u>	<u>40.0%</u>	<u>\$1.42</u>	<u>\$14.4</u>	<u>40.0%</u>	<u>\$1.34</u>	<u>\$14.9</u>	<u>40.0%</u>	<u>\$1.27</u>	<u>\$15.3</u>	<u>40.0%</u>	<u>\$1.31</u>	<u>\$15.8</u>	<u>40.0%</u>	<u>\$1.35</u>
TOTAL DEPARTMENTAL EXPENSES	<u>\$265.1</u>	<u>25.5%</u>	<u>\$26.90</u>	<u>\$285.5</u>	<u>24.5%</u>	<u>\$26.52</u>	<u>\$317.6</u>	<u>24.5%</u>	<u>\$27.19</u>	<u>\$327.3</u>	<u>24.5%</u>	<u>\$28.02</u>	<u>\$337.0</u>	<u>24.5%</u>	<u>\$28.85</u>
DEPARTMENTAL PROFIT	\$774.2	74.5%	\$78.56	\$880.1	75.5%	\$81.73	\$981.0	75.5%	\$83.99	\$1,010.9	75.5%	\$86.55	\$1,040.9	75.5%	\$89.12
UNDISTRIBUTED OPERATING EXPENSES															
Administrative & General	\$130.0	12.5%	\$2,600	\$139.9	12.0%	\$2,797	\$142.8	11.0%	\$2,857	\$147.2	11.0%	\$2,944	\$151.6	11.0%	\$3,031
Information & Telecomm. Systems	\$22.9	2.2%	\$457	\$25.6	2.2%	\$513	\$28.6	2.2%	\$571	\$29.4	2.2%	\$589	\$30.3	2.2%	\$606
Marketing	\$35.0	3.4%	\$700	\$36.1	3.1%	\$721	\$37.1	2.9%	\$743	\$38.2	2.9%	\$765	\$39.4	2.9%	\$788
Franchise Fee	\$50.2	4.8%	\$1,004	\$56.5	4.8%	\$1,130	\$63.1	4.9%	\$1,262	\$65.0	4.9%	\$1,300	\$66.9	4.9%	\$1,338
Utility Costs	\$50.0	4.8%	\$1,000	\$51.5	4.4%	\$1,030	\$53.0	4.1%	\$1,061	\$54.6	4.1%	\$1,093	\$56.3	4.1%	\$1,126
Property Operations & Maintenance	<u>\$60.0</u>	<u>5.8%</u>	<u>\$1,200</u>	<u>\$61.8</u>	<u>5.3%</u>	<u>\$1,236</u>	<u>\$63.7</u>	<u>4.9%</u>	<u>\$1,273</u>	<u>\$65.6</u>	<u>4.9%</u>	<u>\$1,311</u>	<u>\$67.5</u>	<u>4.9%</u>	<u>\$1,351</u>
TOTAL UNDISTRIBUTED OPERATING EXPENSES	<u>\$348.1</u>	<u>33.5%</u>	<u>\$6,961</u>	<u>\$371.4</u>	<u>31.9%</u>	<u>\$7,427</u>	<u>\$388.3</u>	<u>29.9%</u>	<u>\$7,767</u>	<u>\$400.1</u>	<u>29.9%</u>	<u>\$8,002</u>	<u>\$412.0</u>	<u>29.9%</u>	<u>\$8,240</u>
GROSS OPERATING PROFIT	\$426.1	41.0%	\$8,522	\$508.7	43.6%	\$10,174	\$592.6	45.6%	\$11,853	\$610.8	45.6%	\$12,217	\$628.9	45.6%	\$12,579
Management Fee	<u>\$41.6</u>	<u>4.0%</u>	<u>\$831</u>	<u>\$46.6</u>	<u>4.0%</u>	<u>\$932</u>	<u>\$51.9</u>	<u>4.0%</u>	<u>\$1,039</u>	<u>\$53.5</u>	<u>4.0%</u>	<u>\$1,071</u>	<u>\$55.1</u>	<u>4.0%</u>	<u>\$1,102</u>
INCOME BEFORE FIXED CHARGES	<u>\$384.5</u>	<u>37.0%</u>	<u>\$7,691</u>	<u>\$462.1</u>	<u>39.6%</u>	<u>\$9,242</u>	<u>\$540.7</u>	<u>41.6%</u>	<u>\$10,814</u>	<u>\$557.3</u>	<u>41.6%</u>	<u>\$11,146</u>	<u>\$573.8</u>	<u>41.6%</u>	<u>\$11,476</u>
FIXED CHARGES															
Real Estate Taxes	\$25.0	2.4%	\$500	\$60.0	5.1%	\$1,200	\$61.8	4.8%	\$1,236	\$63.7	4.8%	\$1,273	\$65.6	4.8%	\$1,311
Insurance	<u>\$11.5</u>	<u>1.1%</u>	<u>\$230</u>	<u>\$11.8</u>	<u>1.0%</u>	<u>\$237</u>	<u>\$12.2</u>	<u>0.9%</u>	<u>\$244</u>	<u>\$12.6</u>	<u>0.9%</u>	<u>\$251</u>	<u>\$12.9</u>	<u>0.9%</u>	<u>\$259</u>
TOTAL FIXED CHARGES	<u>\$36.5</u>	<u>3.5%</u>	<u>\$730</u>	<u>\$71.8</u>	<u>6.2%</u>	<u>\$1,437</u>	<u>\$74.0</u>	<u>5.7%</u>	<u>\$1,480</u>	<u>\$76.2</u>	<u>5.7%</u>	<u>\$1,524</u>	<u>\$78.5</u>	<u>5.7%</u>	<u>\$1,570</u>
EBITDA*	<u>\$348.0</u>	<u>33.5%</u>	<u>\$6,961</u>	<u>\$390.2</u>	<u>33.5%</u>	<u>\$7,805</u>	<u>\$466.7</u>	<u>35.9%</u>	<u>\$9,334</u>	<u>\$481.1</u>	<u>36.0%</u>	<u>\$9,622</u>	<u>\$495.3</u>	<u>35.9%</u>	<u>\$9,906</u>
Reserve for Capital Replacement	<u>\$10.4</u>	<u>1.0%</u>	<u>\$208</u>	<u>\$23.3</u>	<u>2.0%</u>	<u>\$466</u>	<u>\$51.9</u>	<u>4.0%</u>	<u>\$1,039</u>	<u>\$53.5</u>	<u>4.0%</u>	<u>\$1,071</u>	<u>\$55.1</u>	<u>4.0%</u>	<u>\$1,102</u>
INCOME AVAILABLE FOR DEBT SERVICE	\$337.6	32.5%	\$6,753	\$366.9	31.5%	\$7,338	\$414.7	31.9%	\$8,295	\$427.6	32.0%	\$8,551	\$440.2	31.9%	\$8,804

*EBITDA - Earnings before Interest, Taxes, Depreciation and Amortization
NUMBERS MAY NOT ADD DUE TO ROUNDING
SOURCE: PATEK HOSPITALITY CONSULTANTS, INC.

ASSUMPTIONS AND LIMITING CONDITIONS

1. This document is to be used in whole and not in part.
2. Our conclusions are explicitly based upon the assumption that the proposed hotel will be developed and constructed to competitive standards, operated in a manner typical of a high-quality hotel, and include the assumed facilities and amenities as set forth in this report. It is expressly understood that the conclusions of this analysis could change upon any deviation from this assumption. Furthermore, the changes that might arise could be material. For the purposes of this engagement we have assumed that the proposed facility will open by mid-2019, and contain approximately 50 guest rooms and suites. The hotel will operate as a chain affiliated hotel, be operated by competent management, and be effectively marketed to the appropriate demand segments identified in this report. We have no obligation to update our findings regarding changes to the scope of the proposed development including (but not limited to) changes in the guestroom inventory, ancillary facilities program, and lodging product concept.
3. As in all studies of this type, the estimated results are based upon competent and efficient management and effective marketing.
4. Estimated results are also based on an evaluation of the present general economy of the area and do not take into account, or make provisions for, the effect of any sharp rise or decline in local or general economic conditions, which may occur. There usually will be differences between the estimated and actual results, because events and circumstances frequently do not occur as expected. Such differences may be material.
5. It is expressly understood that the scope of our study and report thereon does not include the possible impact of zoning or environmental regulations, licensing requirements or other such restrictions concerning the project except where such matters have been brought to our attention and disclosed in the report.
6. We have no obligation to update our findings regarding changes to the scope of the proposed development or changes in market conditions subsequent to the completion of our fieldwork. The information gathered during the course of the fieldwork and used in this analysis is assumed to be accurate, although we cannot guarantee its accuracy.
7. Neither all nor part of the contents of this report shall be disseminated to the public through advertising media, news media, sales media, or any public means of communication *without* the prior written consent and approval of Patek Hospitality Consultants, Inc. The City of Jefferson has the permission of Patek Hospitality Consultants, Inc. to publish the report based on the Wisconsin Public Records Law.

8. No liability is assumed for matters legal in nature. Patek Hospitality Consultants, Inc. cannot be held liable in any cause of action concerning this assignment for any compensatory dollar amount over and above the total fees collected from this engagement.
9. Any and all legal expenses incurred in the defense or representation of Patek Hospitality Consultants, Inc., its principals, and its employees will be the responsibility of the client.
10. We are not required to give testimony or attendance in court by reason of this assignment, with reference to the property in question, unless prior arrangements have been made and agreed to in writing.
11. Patek Hospitality Consultants, Inc. is not obligated, or qualified, to predict future political, economic or social trends that may or may not occur as a result. Additionally, Patek Hospitality Consultants, Inc. reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available outside of the scope of this initial engagement.