



07/05/2019

EVEN Hotel Alpharetta, Georgia

REPORT THROUGH: May 31st, 2019

Dear Partners:

Progress report for the most relevant aspects of the EVEN Hotel Alpharetta as of May 31st, 2019.

CONSTRUCTION PROGRESS

As of 05/31/2019, the project has a trending completion date of 10/15/19.

The roofing has commenced and is scheduled to complete on 5/31. Drywall is underway on Level 6 and Level 5 and will progress to Level 4. Electrical rough-in is currently complete through Level 4 and commenced on Level 3 by end of May/2019. Crews will complete Level 3 and Level 2 simultaneously. Shower valves are onsite and installed through Level 5. Level 1 plumbing rough-in is complete and electrical rough-in is nearing completion.

In regards of utilities, transformer is set and energized. GC is working to complete power installation and meter after inspections. ATL Gas has run lines onsite and offsite work is pending issuance of ROW permit. Water meters are installed, and Sanitary Sewer is tied into City main. AT&T will start working after completion of underground conduit scheduled for end of June/2019.

PROJECT BUDGET

A comprehensive revision of the budget was done and included in this report. We have a pretty good estimate of final cost numbers and feel confident that the overall development cost will be within 4% of the original total development cost.

There have been some additional cost increases due to IHG improvement that will put some preasure on the cash flow but do not represent additional cost as these are being credited back by IHG as a reduction in the Management Fee upon stating the operation of the hotel.

We still have some \$310,000 worth of contingencies that we assume we may use and the strategy to fund the overage is twofold:

1. Since we have \$1MM in key Money coming from IHG upon opening we will request to them is they can swap 50% of the key money in exchange of a loan increase for same amount under the understanding that upon receiving the Key Money 50% would go to the lender.
2. Raise around \$400k in unsecure private debt at 8% using the same mechanisms of portfolio notes we have in our Offering Memorandum.
3. We have our estimates on the hotel projections based on a 9% exit cap rate which we believe is very conservative and will be able to offset the cost variations.
4. IHG will provide an update budget for the hotel operation around 60 days prior to opening the hotel, meaning , September 2019.

ALPHARETTA Hotel
USES OF FUNDS Updated 06.27.19



LINE ITEMS	ORIGINAL BUDGET per Offering Docs	PROJECTIONS	x Key	% Variation	DIFFERENCE
LAND	2,207,416	2,172,416	16,458		35,000
HARD COSTS INCLUDING FF&E & OS&E					
PREP AND ONSITE ACCESS ROAD, UTILITIES AND SWALE)					
GMP Construction Contract	\$12,040,000	\$12,040,000	\$91,212		
Approved Owner Change Orders	\$0	\$156,310	\$1,184		(\$156,310)
Potential Change Orders	\$0	\$665,404	\$5,041		(\$665,404)
Exposure for Future Job Cost Increases	\$0	\$0	\$0		
Total Direct Construction Costs	\$12,040,000	\$12,861,714	\$97,437		(\$821,714)
HARD COSTS BY OWNER	\$0	\$255,218	\$1,933		(\$255,218)
FF&E / OS&E	\$2,161,500	\$2,493,787	\$18,892		(\$332,287)
IT	\$524,000	\$524,000	\$3,970		
CONTINGENCIES	\$720,000	\$220,000			\$500,000
TOTAL HARD COST INCLUDING FF&E & OS&E	\$15,445,500	\$16,354,719	\$123,899		(\$909,219)
SOFTS COSTS & CONTINGENCY					
IMPACT FEES, UTILITY FEES, & BUILDING PERMIT FEES	220,000	\$221,370	\$1,815		(\$1,370)
CONSTRUCTION DOCS, INTERIOR DESIGN & CONST. ADMIN	580,000	\$633,032	\$5,189		(\$53,032)
CIVIL ENGINEER	95,000	\$99,548	\$816		(\$4,548)
DUE DILIGENCE	122,000	\$122,000	\$1,000		
GEOTECHNICAL, ENVIRONMENTAL & MAT. TESTING	50,000	\$61,050	\$500		(\$11,050)
SURVEY	25,000	\$14,043	\$115		\$10,957
REAL ESTATE TAXES	80,000	\$80,000	\$656		
INSURANCE	85,000	\$82,072	\$673		\$2,928
ACCOUNTING AND LEGAL	247,000	\$453,547	\$3,718		(\$206,547)
APPRAISAL & MARKET REPORT	30,000	\$28,322	\$232		\$1,678
LICENSES, PERMITS MISCELLANEOUS	20,000	\$32,240	\$264		(\$12,240)
WORKING CAPITAL	150,000	\$150,000	\$1,230		
FRANCHISEE PRE-OPENING	650,000	\$650,000	\$5,328		
OFFERING EXPENSES	595,000	\$649,740	\$5,326		(\$54,740)
PROJECT MANAGEMENT & OWNER'S REP***	450,000	\$716,844	\$5,876		(\$266,844)
CONTINGENCIES	90,000	\$90,000	\$738		
TOTAL SOFT COSTS	\$3,489,000	\$4,083,807	\$30,938		(\$594,807)
DEVELOPMENT FEE	838,980	838,980	\$6,356		-
TOTAL COST BEFORE FINANCING	\$21,980,896	\$23,449,922			(\$1,469,026)
Cost per Key	\$166,522 /Key	\$177,651 /Key			
TOTAL COST BEFORE FINANCING & W/O LAND	\$19,773,480	\$21,277,506			(\$1,504,026)
Cost per Key	\$149,799 /Key	\$161,193 /Key			
FINANCING COSTS					
CONSTRUCTION LOAN					
ORIGINATION	292,000	\$292,000			
BROKERAGE FEE	146,000	\$146,000			
CLOSING COSTS	225,000	\$223,790			\$1,210
INTEREST RESERVE PREFERRED EQUITY	560,000	\$560,000			
INTEREST RESERVE CONSTRUCTION LOAN (during Construction)	996,450	\$478,629			\$517,821
Total Construction Loan Costs	\$2,219,450	\$1,700,419			\$519,031
TOTAL FINANCING COSTS	\$2,219,450	\$1,700,419			\$519,031
TOTAL COSTS	\$24,200,346	\$25,150,341		3.9%	(\$949,995)
Cost per Key	\$183,336 /Key	\$190,533 /Key			
TOTAL COST BEFORE W/O LAND	\$21,992,930	\$22,977,925			
Cost per Key	\$166,613 /Key	\$174,075 /Key			

*** part of this cost is in connection with all the FF&E, OS&E self procurement and management by CLARO DEVELOPMENT

IHG WEBSITE

Remember that our EVEN Hotel Alpharetta website is already up and can be accessed through the following link:

<https://www.ihg.com/evenhotels/hotels/us/en/alpharetta/atlev/hoteldetail>

BE ADVISED THAT GOING FORWARD ALL REPORTS WILL BE LOCATED IN OUR GOOGLE DRIVE WITH ALL THE EXHIBITS SO YOU CAN REVIEW THEM AT ANY TIME.

<https://drive.google.com/drive/folders/11yj9tLMLXowUIYcKsXJwoHlwYMYBVnE9?usp=sharing>

As always, should you have any questions or concerns, please do not hesitate to contact me.

Stay updated with our projects and brand by visiting our website at
<http://www.epelboim.com>

or following our social media channels




Noel Epelboim / CEO