



09/03/2019

EVEN Hotel Alpharetta, GA

REPORT THROUGH: July 31st 2019

Dear Partners:

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

CONSTRUCTION PROGRESS

As of 07.31.19, the project has a trending completion date of 11/15/19 and opening date as second week of December/19. This is already the confirmed date with IHG, General Contractors and all vendors and supplier of services and materials.

In regards of the interiors, drywall finishing of the walls is nearing completion of Level 3 and Level 2, and the remaining drywall work for the ceiling and leave-out areas is scheduled to start on 7/23. Prime paint is now scheduled to start on 7/26, which has impacted the remaining finishes on Levels 6-2. Additionally, the room wood doors are now scheduled to commence on 9/11 for Level 6 but will be installed with all door hardware and accessories. As currently scheduled, these will be the last items installed before final cleaning, owners punch, and final inspections. Level 1 finishes are progressing with drywall hanging underway in all areas.

The site work on the south side had been progressing faster than the north side. Final grading, curbing and sidewalks are ongoing such as the retaining wall on south side. The wall on east and north side have not progressed due to other trades being in the way preventing them from working.

PRE-OPENING ACTIVITIES

General Manager and the Director of Sales are currently onboard, and they are working from IHG headquarters in Atlanta, Georgia. The team is currently working in selling groups, and feedback from sales call in the market about the property is very well received. In addition, they are also very active within the visitor's bureau and have gotten great feedback from them as well.

PROJECT BUDGET

The updated Job Cost is presented in the next page. The schedule shows the cost projections including change orders that have not been yet approved but we anticipate will be approved, also some additional costs at the end of the job not included in the original budget as a contingency. At this point in time there are no reasons to assume additional costs as we believe this update budget includes all the exposure we might be facing going forward.

As you can deduct from seeing the information presented, we will end up with around a 4%-4.9% cost overrun depending on the amount we end up negotiating with IHG to compensate the additional costs incurred due to brand changes along the process.

This additional plus or minus \$1MM that represents an approx. avg 4.5% cost increase can be considered within market standards. The sourcing of funds to be able to face this additional cost will be done in part by requesting IHG a partial release of the \$1MM Key Money we have documented plus around \$400K-\$500k of unsecured debt, in the same terms we raised at the beginning of the project, which will NOT dilute any of the Class "B" Equity participations of the Equity Partners.

IHG is very positive in the market and we strongly believe this hotel will fill the gap in this area.

EVEN HOTEL ALPHARETTA
USES OF FUNDS AS OF 08.29.19



LINE ITEMS	ORIGINAL BUDGET per Offering Docs	PROJECTIONS	x Key	% Variation
LAND	2,207,416	2,172,416	16,458	
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	\$510,081	\$3,864	
Potential Change Orders	\$0	\$367,191	\$2,782	
Exposure for Future Job Cost Increases	\$0	\$0	\$0	
Total Direct Construction Costs	\$12,040,000	\$12,917,272	\$97,858	
HARD COSTS BY OWNER	\$0	\$333,563	\$2,527	
FF&E / OS&E	\$2,161,500	\$2,506,108	\$18,986	
IT	\$524,000	\$524,000	\$3,970	
CONTINGENCIES	\$720,000	\$220,000		
TOTAL HARD COST INCLUDING FF&E & OS&E	\$15,445,500	\$16,500,943	\$125,007	
SOFTS COSTS & CONTINGENCY				
IMPACT FEES, UTILITY FEES, & BUILDING PERMIT FEES	220,000	\$221,370	\$1,815	
CONSTRUCTION DOCS, INTERIOR DESIGN & CONST. ADMIN	580,000	\$645,532	\$5,291	
CIVIL ENGINEER	95,000	\$99,548	\$816	
DUE DILIGENCE	122,000	\$122,000	\$1,000	
GEO TECHNICAL, ENVIRONMENTAL & MAT. TESTING SURVEY	50,000	\$71,050	\$582	
REAL ESTATE TAXES	25,000	\$14,043	\$115	
INSURANCE	80,000	\$80,000	\$656	
ACCOUNTING AND LEGAL	85,000	\$82,072	\$673	
APPRAISAL & MARKET REPORT	247,000	\$453,547	\$3,718	
LICENSES, PERMITS MISCELLANEOUS	30,000	\$28,322	\$232	
WORKING CAPITAL	20,000	\$32,240	\$264	
FRANCHISEE PRE-OPENING	150,000	\$210,000	\$1,721	
OFFERING EXPENSES	650,000	\$650,000	\$5,328	
PROJECT MANAGEMENT & OWNER'S REP***	595,000	\$649,740	\$5,326	
CONTINGENCIES	450,000	\$716,844	\$5,876	
	90,000	\$90,000	\$738	
TOTAL SOFT COSTS	\$3,489,000	\$4,166,307	\$31,563	
DEVELOPMENT FEE	838,980	838,980	\$6,356	
TOTAL COST BEFORE FINANCING	\$21,980,896	\$23,678,646		
Cost per Key	\$166,522 /Key	\$179,384 /Key		
TOTAL COST BEFORE FINANCING & W/O LAND	\$19,773,480	\$21,506,230		
Cost per Key	\$149,799 /Key	\$162,926 /Key		
FINANCING COSTS				
CONSTRUCTION LOAN				
ORIGINATION	292,000	\$292,000		
BROKERAGE FEE	146,000	\$146,000		
CLOSING COSTS	225,000	\$223,790		
INTEREST RESERVE PREFERRED EQUITY	560,000	\$560,000		
INTEREST RESERVE CONSTRUCTION LOAN (during Construction)	996,450	\$478,629		
Total Construction Loan Costs	\$2,219,450	\$1,700,419		
TOTAL FINANCING COSTS	\$2,219,450	\$1,700,419		
TOTAL COSTS with Brand Changes	\$24,200,346	\$25,379,065		4.9%
Cost per Key	\$183,336 /Key	\$192,266 /Key		
TOTAL COSTS without Brand Changes	\$24,200,346	25,219,493		4.2%
Cost per Key	\$183,336 /Key	\$191,057 /Key		
TOTAL COST BEFORE W/O LAND	\$21,992,930	23,047,077		
Cost per Key	\$166,613 /Key	\$174,599 /Key		

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

July 31, 2019
EVEN Hotel Alpharetta

**BE ADVISED THAT SUPPORT INFORMATION 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/1xWm1V2Bxgx9q30kFqJpeyU4_dd46Ofg?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



A handwritten signature in black ink that reads "Noel Epelboim".

Noel Epelboim / CEO