DR BOUTIQUE HOTEL & RESIDENCES

TECHNICAL REPORT

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Contents

INSTRUCTIONS

I.   *[x] refers to the index number used to reference a particular cell (see Index in the Appendix). For example, [3] refers to Number of Periods. It is important to realize this number does <u>not</u> correspond to the row number, it is strictly an index number. The index numbers follow a top down approach with respect to the model.*

II.   *Some of the explanations contain a "sample formula". This is only to be used as a guide to follow along when reading the "translation" of the formula from Excel code to plain English. The specific cells that are referenced in the formula may have been adjusted since the creation of this report and therefore may be different from what is present in the current version of the model.*

III.   *Some titles of the index numbers may be changed based on the information entered in the model. For example, "Revenue Stream 4" is simply a placeholder for a fourth source of revenue. Once the title cell is updated all subsequent cells that currently include "Revenue Stream 4" will be updated to incorporate the title entered by the user.*

IV.   *Several words and operators are used interchangeably throughout the report. For example, multiply = *, divide = /, plus = + and subtract = −.*

CASH FLOW

Cash Flow						
	Offset Key		5			
	Offset		Mar-15	Apr-15	May-15	Jun-15
	Row		0	1	2	3
Acquisition and Closing Outflows:						
(+) Deposit	439		–	–	–	–
(+) Land Cost	457		$11,085,250.0	–	–	–
(+) Hotel Acquisition	472		$2,000,000.0	–	–	–
(+) Loan Costs, Title, Taxes & Insurance	487		$1,900,000.0	–	–	–
(+) Development Charges	525		–	–	–	–
Total Acquisition Cost			$14,985,250.0	–	–	–
(+) Mortgage Origination Fee	549		$370,822.2	–	–	–
(+) Arrangement Fee	564		$475,822.2	–	–	–
(+) Construction Loan Interest Reserve	579		$10,391.8	$21,708.7	$23,562.3	$25,422.9
(+) Closing Contingency	595		–	–	–	–
Total Closing Costs			$857,036.2	$21,708.7	$23,562.3	$25,422.9
Construction Outflows:						
(+) Predevelopment	619		–	–	–	–
(+) Permits, Design and Fees	638		–	–	–	–
(+) Heritage Restoration	657		–	–	–	–
(+) Below Grade	676		–	–	–	–
(+) Above Grade Approved	696		–	–	–	–
(+) Above Grade Additional Density	715		–	–	–	–
(+) Hotel Cost	733		–	–	–	–
(+) Hotel FF&E	751		–	–	–	–

ACQUISITION AND CLOSING OUTFLOWS

Acquisition Costs

[960] Deposit

[961] Land Cost

[962] Hotel Acquisition

[963] Loan Costs, Title, Taxes & Insurance

[964] Development Charges

[965] Total Acquisition Cost

- Deposit + Land Cost + Hotel Acquisition + Loan Costs, Title, Taxes & Insurance + Development Charges

Closing Costs

[966] Mortgage Origination Fee

[967] Arrangement Fee

[968] Construction Loan Interest Reserve

[969] Closing Contingency

[970] Total Closing Costs

- Mortgage Origination Fee + Arrangement Fee + Construction Loan Interest Reserve + Closing Contingency

CONSTRUCTION OUTFLOWS

Hard Costs

[971] Predevelopment

[972] Permits, Design and Fees

[973] Heritage Restoration

[974] Below Grade

[975] Above Grade Approved

[976] Above Grade Additional Density

[977] Hotel Cost

[978] Hotel FF&E

[979] Hotel Appliances

[980] Hotel Equipment

[981] Contingency

[982] Total Hard Costs

- Predevelopment + Permits, Design and Fees + Heritage Restoration + Below Grade + Above Grade Approved + Above Grade Additional Density + Hotel Cost + Hotel FF&E + Hotel Appliances + Hotel Equipment + Contingency

Soft Cost:

[983] Marketing/Advertising

[984] Sales Centre

[985] Sales Administration

[986] Sales Commissions

[987] Architect & Design Fees

[988] Engineering Fees

[989] Municipal Building Permits & Impact

[990] Turnover/Settlement

[991] Association and Other Fees

[992] G&A

[993] Hotel Pre-Opening

[994] Soft Cost Contingency

[995] Developer Overhead

[996] Legal Fees

[997] Interest on Purchasers' Deposits

[998] Condo Maintenance Fees

[999] Realty Taxes

[1000] Insurance

[1001] Other Expenses

[1002] Overhead Fees

[1003] Total Soft Costs

- ▪ Marketing/Advertising + Sales Centre + Sales Administration + Sales Commissions + Architect & Design Fees + Engineering Fees + Municipal Building Permits & Impact + Turnover/Settlement + Association and Other Fees + G&A + Hotel Pre-Opening + Soft Cost Contingency + Developer Overhead + Legal Fees + Interest on Purchasers' Deposits + Condo Maintenance Fees + Realty Taxes + Insurance + Other Expenses + Overhead Fees

[1004] Total Development Costs

- Total Acquisition Costs + Total Closing Costs + Total Hard Costs + Total Soft Costs

Hotel Outflows:

[1005] Administrative Costs

[1006] Credit Card Commissions

[1007] Utilities

[1008] Repairs & Maintenance

[1009] Sales & Marketing

[1010] Base Management Fee

[1011] FF&E Escrow

[1012] Facilities Insurance

[1013] Total Hotel Outflows

- Administrative Costs + Credit Card Commissions + Utilities + Repairs & Maintenance + Sales & Marketing + Base Management Fee + FF&E Escrow + Facilities Insurance

[1014] Total Costs

- Total Acquisition Costs + Total Closing Costs + Total Hard Costs + Total Soft Costs + Total Hotel Outflows

INFLOWS

Condo:

[1015] Sale Proceeds - Market Sales

[1016] Other Revenue

Hotel:

[1017] Room Revenue Gross Profit

[1018] Phone Revenue Gross Profit

[1019] F&B Revenue Gross Profit

[1020] Total Hotel Revenue

- Room Revenue Gross Profit + Phone Revenue Gross Profit + F&B Revenue Gross Profit

[1021] Hotel Sales Proceeds

Retail:

[1022] Rental Income

[1023] Retail Sales Proceeds

[1024] Total Hotel and Retail Income

- [1020] Total Hotel Revenue - [1013] Total Hotel Outflows **+** [1022] Rental Income [Retail]

[1025] Total Hotel and Retail Sales Proceeds

- [1021] Hotel Sales Proceeds + [1023] Retail Sales Proceeds

[1026] Total Operational Inflows

- Condo Sale Proceeds (Market Sales) + Condo Other Revenue + Room Revenue Gross Profit + Phone Revenue Gross Profit + F&B Revenue Gross Profit + Rental Income [Retail] + [1025] Total Hotel and Retail Sales Proceeds

[1027] Net Operational Cash Flow

- [1026] Total Operational Inflows - [1014] Total Costs

Debt Financing:

[1028] Land Loan Drawdown

[1029] Land Loan Debt Service Cost

[1030] Debt Financing Drawdown

[1031] Debt Financing Debt Service Cost

[1032] Construction Loan Drawdown

[1033] Construction Loan Repayment

[1034] Net Debt Financing Cash Flow

- Land Loan Drawdown - Land Loan Debt Service Cost + Debt Financing Drawdown - Debt Financing Debt Service Cost + Construction Loan Drawdown - Construction Loan Repayment

Equity:

[1035] Equity Drawdown

[1036] Equity Disbursement

[1037] Investor Returns

- Total Hotel and Retail Income + Equity Disbursements − Equity Drawdown

RETURNS

SOURCES AND USES

SOURCES

Sources	
Construction Loan	$42,157,094
Deposits	$26,721,026
Equity	$13,500,000
Deposit contingency	$469
Total Sources	**$82,378,589**

[1038] Construction Loan

- Pulls the value from [1032] Construction Loan Drawdown [Projection Total]

[1039] Deposits

- Pulls the value from [948] Total Deposit Drawdown for Construction [Projection Total]

[1040] Equity

- Enter the amount ($) of equity

[1041] Deposit Contingency

- [1048] Total Uses – ([1038] Construction Loan + [1039] Deposits + [1040] Equity)

[1042] Total Sources

- [1038] Construction Loan + [1039] Deposits + [1040] Equity + [1041] Deposit Contingency

USES

Uses	
Property Acquisition	$14,985,250
Soft Costs	$16,940,000
Hard Costs	$47,641,700
Operational Reserves	$0
Closing Costs	$2,811,309
Total Uses	**$82,378,259**

[1043] Property Acquisition

- Pulls the value from [965] Total Acquisition Cost [Projection Total]

[1044] Soft Costs

- Pulls the value from [1003] Total Soft Costs [Projection Total]

[1045] Hard Costs

- Pulls the value from [982] Total Hard Costs [Projection Total]

[1046] Operational Reserves

- Enter the amount of Operational Reserves needed ($)

[1047] Closing Costs

- Pulls the value from [970] Total Closing Costs [Projection Total]

[1048] Total Uses

- [1043] Property Acquisition + [1044] Soft Costs + [1045] Hard Costs + [1046] Operational Reserves + [1047] Closing Costs

PROJECT CASH FLOW

Equity Cash Flow

[1049] Equity Drawdown

- Pulls the value from [1035] Equity Drawdown from the "Cash flow" section.

[1050] Retail Income

- Pulls the value from [176] Total Rental Income from the "Retail Inflows" section.

[1051] Hotel Income

- Pulls the value from [263] Total Hotel Net Income from the "Hotel Outflows" section.

[1052] Equity Disbursement

- Pulls the value from [1036] Equity Disbursement from the "Cash flow" section.

[1053] Project Cash Flow

- [1050] Retail Income + [1051] Hotel Income + [1052] Equity Disbursement - [1049] Equity Drawdown

Equity Returns

[1054] XIRR

- This cell uses the XIRR function which returns the internal rate of return for a schedule of cash flows that is not necessarily periodic
- This function requires three inputs: the values of all cash flows, the dates and an estimate of the IRR
- The value of cash flows is derived from selecting all the relevant periods in the row for [1053] Project Cash Flow
- The dates are derived by selecting the relevant periods in [11] Period Dates
- The estimate will typically be around 20% (0.2)

- First Cell:
    - This cell determines the multiple of invested cash (MOIC) that the project generates in cash flow
    - The SUMIF function is used to only sum the values in the [1053] Project Cash Flow row that are greater than 0 (this essentially ignores the initial cash investment which would be negative). This sum is then divided by the negative of the first cell in [1053] Project Cash flow, which represents the invested cash.
    - In other words, Project MOIC = Sum of Project Cash Flows / Invested Cash
- Remaining Cells:
    - The rest of the cells in this row calculates the MOIC based on the cash flow generated only in that period.
    - [1053] Project Cash Flow (for the period) / [1053] Project Cash Flow (First period; this represents the initial cash investment)

[1056] Net Profit

- The SUMIF function is used to only sum the values in the [1053] Project Cash Flow row that are greater than 0 (this essentially ignores the initial cash investment which would be negative).

JOINT VENTURE (JV) INVESTOR CASH FLOW

[1057] JV: Equity Share

- [1058] JV: Initial Disbursement / [1040] Equity from the "Sources and Uses" section.

[1058] JV: Initial Disbursement

- Enter the amount of the initial disbursement from the JV investor

[1059] JV Investor Cash Flow

- Project:
    - This is the first cell in the row and is the sum of investor cash flow for all periods (i.e. the rest of the cells in the row)
- Initial Investment:
    - Pulls the value from [1058] JV: Initial Disbursement
- Remaining cells in the row:
    - [1053] Project Cash Flow * [1057] Equity Share

[1060] JV: XIRR

- This cell uses the XIRR function which returns the internal rate of return for a schedule of cash flows that is not necessarily periodic
- This function requires three inputs: the values of all cash flows, the dates and an estimate of the IRR
    - The value of cash flows is derived from selecting all the relevant periods in the row for [1059] JV Investor Cash Flow
    - The dates are derived by selecting the relevant periods in [11] Period Dates
    - The estimate will typically be around 20% (0.2)

[1061] JV MOIC

First Cell:
- This cell determines the multiple of invested cash (MOIC) that the project generates in cash flow
- The SUMIF function is used to only sum the values in the [1059] JV Investor Cash Flow row that are greater than 0 (this essentially ignores the initial cash investment which would be negative). This sum is then divided by the negative of the first cell in [1059] JV Investor Cash Flow, which represents the invested cash.
- In other words, JV MOIC = Sum of JV Investor Cash Flows / Invested Cash

Remaining Cells:
- The rest of the cells in this row calculates the MOIC based on the cash flow generated only in that period.
- [1059] JV Investor Cash Flow (for the period) / [1059] JV Investor Cash Flow (First period; this represents the initial cash investment)

[1062] JV: Net Profit

- The SUMIF function is used to only sum the values in the [1059] JV Investor Cash Flow row that are greater than 0 (this essentially ignores the initial cash investment which would be negative).

LIMITED PARTNER (LP) INVESTOR CASH FLOW

[1063] LP: Equity Share

- [1064] LP: Initial Disbursement / [1040] Equity from the "Sources and Uses" section.

[1064] LP: Initial Disbursement

- Enter the amount of the initial disbursement from the LP investor

[1065] LP Investor Cash Flow

Project:
- This is the first cell in the row and is the sum of investor cash flow for all periods (i.e. the rest of the cells in the row)

Initial Investment:
- Pulls the value from [1064] LP: Initial Disbursement

Remaining cells in the row:
- [1053] Project Cash Flow * [1063] Equity Share

LP Investor Returns

[1066] LP: XIRR

- This cell uses the XIRR function which returns the internal rate of return for a schedule of cash flows that is not necessarily periodic
- This function requires three inputs: the values of all cash flows, the dates and an estimate of the IRR
    - The value of cash flows is derived from selecting all the relevant periods in the row for [1065] LP Investor Cash Flow
    - The dates are derived by selecting the relevant periods in [11] Period Dates
    - The estimate will typically be around 20% (0.2)

[1067] LP MOIC

First Cell:
- This cell determines the multiple of invested cash (MOIC) that the project generates in cash flow
- The SUMIF function is used to only sum the values in the [1065] LP Investor Cash Flow row that are greater than 0 (this essentially ignores the initial cash investment which would be

negative). This sum is then divided by the negative of the first cell in [1065] LP Investor Cash Flow, which represents the invested cash.
- In other words, LP MOIC = Sum of LP Investor Cash Flows / Invested Cash

Remaining Cells:
- The rest of the cells in this row calculates the MOIC based on the cash flow generated only in that period.
- [1065] LP Investor Cash Flow (for the period) / [1065] LP Investor Cash Flow (First period; this represents the initial cash investment)

[1068] LP: Net Profit

- The SUMIF function is used to only sum the values in the [1065] LP Investor Cash Flow row that are greater than 0 (this essentially ignores the initial cash investment which would be negative).

GENERAL PARTNER (GP) INVESTOR CASH FLOW

[1069] GP: Equity Share

- [1070] GP: Initial Disbursement / [1040] Equity from the "Sources and Uses" section.

[1070] GP: Initial Disbursement

- Enter the amount of the initial disbursement from the GP investor

[1071] GP Investor Cash Flow

Project:
- This is the first cell in the row and is the sum of investor cash flow for all periods (i.e. the rest of the cells in the row)

Initial Investment:
- Pulls the value from [1070] GP: Initial Disbursement

Remaining cells in the row:
- [1053] Project Cash Flow * [1069] Equity Share

[1072] GP: XIRR

- This cell uses the XIRR function which returns the internal rate of return for a schedule of cash flows that is not necessarily periodic
- This function requires three inputs: the values of all cash flows, the dates and an estimate of the IRR
  - The value of cash flows is derived from selecting all the relevant periods in the row for [1071] GP Investor Cash Flow
  - The dates are derived by selecting the relevant periods in [11] Period Dates
  - The estimate will typically be around 20% (0.2)

[1073] GP MOIC

First Cell:
- This cell determines the multiple of invested cash (MOIC) that the project generates in cash flow
- The SUMIF function is used to only sum the values in the [1071] GP Investor Cash Flow row that are greater than 0 (this essentially ignores the initial cash investment which would be negative). This sum is then divided by the negative of the first cell in [1071] GP Investor Cash Flow, which represents the invested cash.
- In other words, GP MOIC = Sum of GP Investor Cash Flows / Invested Cash

Remaining Cells:
- The rest of the cells in this row calculates the MOIC based on the cash flow generated only in that period.
- [1071] GP Investor Cash Flow (for the period) / [1071] GP Investor Cash Flow (First period; this represents the initial cash investment)

[1074] GP: Net Profit

- The SUMIF function is used to only sum the values in the [1071] GP Investor Cash Flow row that are greater than 0 (this essentially ignores the initial cash investment which would be negative).

EQUITY & RETURN ASSUMPTIONS

Equity & Return Assumptions					
	Investment		**Preferred Share**		
	% of Total	**$ Value**	**Preferred Return (money)**	**Cumul?**	**Split (Money/Promote)**
LPs	25.93%	$3,500,000	5.0%	Yes	80%
GPs	2.22%	$300,000	5.0%	Yes	20%
Total JV Equity Investment	28.15%	$3,800,000	10%		100%

Limited Partners (LPs)

Investment

[1075] LP: % of Total JV Equity Investment

- Enter the amount invested by the LPs as a percentage of the total JV Equity Investment

[1076] LP Investment Value ($)

- Enter the amount invested ($) by the LPs

Preferred Share

[1077] LP Preferred Return

- Enter the preferred return

[1078] LP Cumulative

- Enter "Yes" if it is cumulative or "No" if it is not

[1079] LP Split (Money/Promote)

- Enter the (%) split

General Partners (GPs)

Investment

[1080] GP: % of Total JV Equity Investment

- Enter the amount invested by the GPs as a percentage of the total JV Equity Investment

[1081] GP Investment Value ($)

- Enter the amount invested ($) by the GPs

Preferred Share

[1082] GP Preferred Return

- Enter the preferred return

[1083] GP Cumulative

- Enter "Yes" if it is cumulative or "No" if it is not

[1084] GP Split (Money/Promote)

- Enter the (%) split

Total JV Equity Investment

Investment

[1085] Total JV Equity Investment (%)

- [1075] LP: % of Total JV Equity Investment + [1080] GP: % of Total JV Equity Investment

[1086] Total JV Investment Value ($)

- [1076] LP Investment Value ($) + [1081] GP Investment Value ($)

Preferred Share

[1087] JV Preferred Return

- [1077] LP Preferred Return + [1082] GP Preferred Return

[1088] JV Split (Money/Promote)

- [1079] LP Split (Money/Promote) + [1084] GP Split (Money/Promote)

LP WATERFALL CASH FLOW

Hurdle 1

[1089] LP: Beginning of Period Balance

First Period:
- Hardcoded = 0

Remaining Periods:
- Prior Period's [1096] End of Period Balance

[1090] LP: Draws (% of Total JV Cash Flow)

- - [1064] LP: Initial Disbursement / First Period of [1059] JV Investor Cash Flow (i.e. Initial Investment)

[1091] LP: Draws (Initial Disbursement)

- [1064] LP: Initial Disbursement

[1092] LP: Preferred Return (%)

- Enter the Preferred Return

[1093] LP: Preferred Returns ($)

- [1089] LP: Beginning of Period Balance * [1092] LP: Preferred Return (%) / 365 * 30

[1094] LP: Hurdle Balance

- [1089] LP: Beginning of Period Balance + [1091] LP: Draws (Initial Disbursement) + [1093] LP: Preferred Returns ($)

[1095] LP: Hurdle 1 Distributions

- – MIN of either:
  1. [1094] LP: Hurdle Balance
  2. [1090] LP: Draws (% of Total JV Cash Flow) * MAX of either (0 or [1059] JV Investor Cash Flow (for the current period)

[1096] LP: End of Period Balance

- [1094] LP: Hurdle Balance + [1095] LP: Distributions

Hurdle 2

[1097] LP: Distributions (%)

- Enter the distributions as a percent

[1098] LP: Hurdle 2 Distributions ($)

- [1097] LP: Distributions (%) * [1118] Remaining Cash Flow for Hurdle 2

Net Cash Flow to LP

[1099] Total Net Cash Flow to LP

- Sum of all [1100] Net Cash Flow to LP for the Current Period for all periods

[1100] Net Cash Flow to LP for the Current Period

- – [1091] LP: Draws - [1098] LP: Hurdle 1 Distributions ($) + [1098] LP: Hurdle 2 Distributions ($)
- *Note: There will only be a value for [1091] LP: Draws in the first period (which is the initial disbursement), therefore for the remaining periods the net cash flow for the current period = - LP: Hurdle 1 Distributions ($) + LP: Hurdle 2 Distributions ($)*

[1101] LP Waterfall: XIRR

- This cell uses the XIRR function which returns the internal rate of return for a schedule of cash flows that is not necessarily periodic
- This function requires three inputs: the values of all cash flows, the dates and an estimate of the IRR
    - The value of cash flows is derived from selecting all the relevant periods in the row for [1100] Net Cash Flow to LP for the Current Period
    - The dates are derived by selecting the relevant periods in [11] Period Dates
    - The estimate will typically be around 20% (0.2)

[1102] LP Waterfall: MOIC

- Sum of all periods of [1100] Net Cash Flow to LP for the Current Period EXCEPT the first (which represents the initial disbursement) / Initial disbursement (the first period of [1100] Net Cash Flow to LP for the Current Period)

GP WATERFALL CASH FLOW

Hurdle 1

[1103] GP: Beginning of Period Balance

First Period:
- Hardcoded = 0

Remaining Periods:
- Prior Period's [1110] End of Period Balance

[1104] GP: Draws (% of Total JV Cash Flow)

- - [1070] GP: Initial Disbursement / First period of [1059] JV Investor Cash Flow (i.e. Initial Investment)

[1105] GP: Draws (Initial Disbursement)

- [1070] GP: Initial Disbursement

[1106] GP: Management Fees

- Hardcoded = 0

[1107] GP: Preferred Return (%)

- Enter the Preferred Return

[1108] GP: Preferred Returns ($)

- [1103] GP: Beginning of Period Balance * [1107] GP: Preferred Return (%) / 365 * 30

[1109] GP: Hurdle Balance

- [1103] GP: Beginning of Period Balance + [1105] GP: Draws (Initial Disbursement) + [1108] GP: Preferred Returns ($)

[1110] GP: Hurdle 1 Distributions

- − MIN of either:
  1. [1109] GP: Hurdle Balance
  2. [1104] GP: Draws (% of Total JV Cash Flow) * MAX of either (0 or [1059] JV Investor Cash Flow (for the current period)

[1111] GP: End of Period Balance

- [1109] GP: Hurdle Balance + [1110] GP: Distributions

Hurdle 2

[1112] GP: Distributions (%)

- Enter the distributions as a percent

[1113] GP: Hurdle 2 Distributions ($)

- [1112] GP: Distributions (%) * [1118] Remaining Cash Flow for Hurdle 2

Net Cash Flow to GP

[1114] Total Net Cash Flow to GP

- Sum of all [1115] Net Cash Flow to GP for the Current Period for all periods

[1115] Net Cash Flow to GP for the Current Period

- − [1105] GP: Draws - [1113] GP: Hurdle 1 Distributions ($) + [1113] GP: Hurdle 2 Distributions ($)
- *Note: There will only be a value for [1105] GP: Draws in the first period (which is the initial disbursement), therefore for the remaining periods the net cash flow for the current period = - GP: Hurdle 1 Distributions ($) + GP: Hurdle 2 Distributions ($)*

[1116] GP Waterfall: XIRR

- This cell uses the XIRR function which returns the internal rate of return for a schedule of cash flows that is not necessarily periodic
- This function requires three inputs: the values of all cash flows, the dates and an estimate of the IRR
    - The value of cash flows is derived from selecting all the relevant periods in the row for [1115] Net Cash Flow to GP for the Current Period
    - The dates are derived by selecting the relevant periods in [11] Period Dates
    - The estimate will typically be around 20% (0.2)

[1117] GP Waterfall: MOIC

- Sum of all periods of [1115] Net Cash Flow to GP for the Current Period EXCEPT the first period (which represents the initial disbursement) / Initial disbursement (the first period of [1115] Net Cash Flow to GP for the Current Period)

REMAINING CASH FLOW

[1118] Remaining Cash Flow for Hurdle 2

- MAX of either (0 or [1059] JV Investor Cash Flow + [1098] LP: Hurdle 1 Distributions ($) + [1113] GP: Hurdle 1 Distributions ($)