

**HOTEL INVESTMENT OFFERING MEMORANDUM
\$7,250,000**



**FOUR
POINTS**
BY SHERATON

**1939 STANTON WAY
LEXINGTON, KENTUCKY 40511**

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This Confidential Offering has been prepared by Hogan Real Estate ("Agent") in cooperation with the Owner for informational purposes only and does not purport to contain all the information necessary to reach a purchase decision. The information contained herein has been carefully compiled from sources considered reliable and, while not guaranteed as to completeness or accuracy, we believe it to be correct as of this date.

This Offering is subject to prior placement, errors, omissions, changes, withdrawal or cancellation without notice and does not constitute a recommendation, endorsement or advice as to the value of the Property by Agent or the Owner. Each prospective purchaser is to rely upon its own investigation, evaluation and judgment as to the advisability of purchasing the Property described herein.

The projections set forth in this Offering do not constitute a representation, warranty or a guaranty by Agent or the owner of any of the numbers set forth herein or of any economic value attributable to the Property or income that may be derived therefrom. Prospective purchasers should develop their own independent estimates of pro forma income and expenses before making any decisions on whether to acquire the Property.

Summaries or schedules of legal documents contained within this Memorandum are not intended to be comprehensive statements of the terms of such documents, but rather outlines of some of the major provisions therein.

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Executive Summary

Hogan Real Estate is pleased to offer for sale a Four Points by Sheraton hotel located in Lexington, Kentucky. This is a unique opportunity for investors to acquire a full-service premier-branded hotel with a valued added opportunity. This hotel is priced attractively compared to its replacement costs and appraised value.

This 3-story 174 room full-service lodging facility was constructed in 1974 and was completely renovated in 2004 following Four Points by Sheraton standards. The property amenities include:

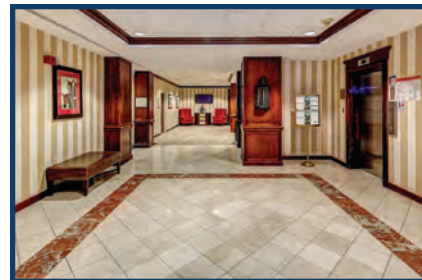
- ◆ 54,819 square foot Conference Center
- ◆ Banquet hall
- ◆ Indoor/outdoor pool
- ◆ Fitness facilities
- ◆ Full-service restaurant, bar and lounge area.

The Hotel benefits greatly from its location in the Northern area of Fayette County at Exit 115 Newtown Pike Interchange of I-75 and I-64. This is also known as the cross roads of Interstate 75 (North & South) and 64 (East & West), it is just 74 miles east of Louisville, KY and 81 miles south of Cincinnati, OH. This favorable location offers easy access and visibility to over 130,000 vehicles daily from Newtown Pike and Interstate 64/75. Additionally, the Hotel is convenient to many of the Fayette County demand generators including Lexmark International, Toyota Motor Manufacturing, Xerox, ACS (Affiliated Computer Services), Amazon, IBM, UPS, Lockheed Martin, The Trane Co., Johnson Controls, ALLTEL, The Kroger Co. Lexington Bluegrass Airport, University of Kentucky, Transylvania University, Bluegrass Community & Technical College, Baptist Health, St. Joseph Health System, Lexington Veterans Affairs Medical Center, Lexington Clinic, Federal Medical Center, Kentucky Horse Park, Keenland Race Track, The Red Mile Race Track, The Woodford Reserve Distillery, Buffalo Trace, Four Roses, Town Branch Distillery, Wild Turkey Distillery, and the American Saddlebred Museum.

Investment Highlights

Some of the investment highlights are follows:

- ◆ Well-established hotel in Lexington, KY
- ◆ One of the two Four Points by Sheraton in Kentucky
- ◆ Considerable upside ADR and increase occupancy
- ◆ Pricing below replacement value
- ◆ Unencumbered, opportunity to retain management and franchise

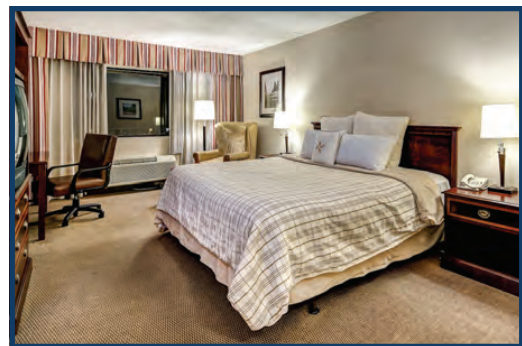


Property Information

Lexington, KY



| | |
|---------------------|--|
| Flag: | Four Points by Sheraton |
| Franchisee: | Opportunity to retain |
| Address: | 1939 Stanton Way Lexington, Kentucky 40511 |
| Location: | Northeast corner of Newtown Pike & Interstate 64/Interstate 75 |
| Improvements: | Gross Building Area - 145,351 SF Rentable Area Hotel - 90,171 SF Conference Center - 54,819 SF |
| Lot Size: | Approximately 4.485 Acres |
| Design & Structure: | 3-story interior corridor with 174 Room Lodging Facility & Conference Center |
| Zoning: | B-5P, Interchange Business |
| Room Mix: | Regular- Single King 62 Regular- Double 93 Suites 2 Oversize- Single King 6 Oversize- Double 3 Handicapped 8 |
| Amenities: | Indoor/Outdoor Swimming Pool, Fitness Facilities, Conference Center, Banquet Hall, Business Services (WiFi) and full-service Restaurant, Bar and Lounge |



2012 Actual Income Statement

| | |
|--------------------------|--------------------|
| Gross Revenue | \$2,841,629 |
| Annual Expenses | <u>\$2,312,003</u> |
| Net Operating Income (1) | \$529,626 |

More detailed financials are provided in **Exhibit A** of this Investment Offering Memorandum

(1) Revenue and Operating expenses based from 2012

***Stabilized, assumes approx \$2.5 million Property Improvement Plan (PIP)**

| | |
|----------------------|--------------------|
| Gross Revenue (1) | \$4,852,746 |
| Annual Expenses (2) | <u>\$3,882,197</u> |
| Net Operating Income | \$970,549 |

(1) Assumes \$750,000 in other Rev & ADR of \$95 (\$69.38 2012 rate) and 68% occupancy (50.6% in 2012)

(2) 80% operating expense ratio

*PIP required to remain as the Four Point by Sheraton flag



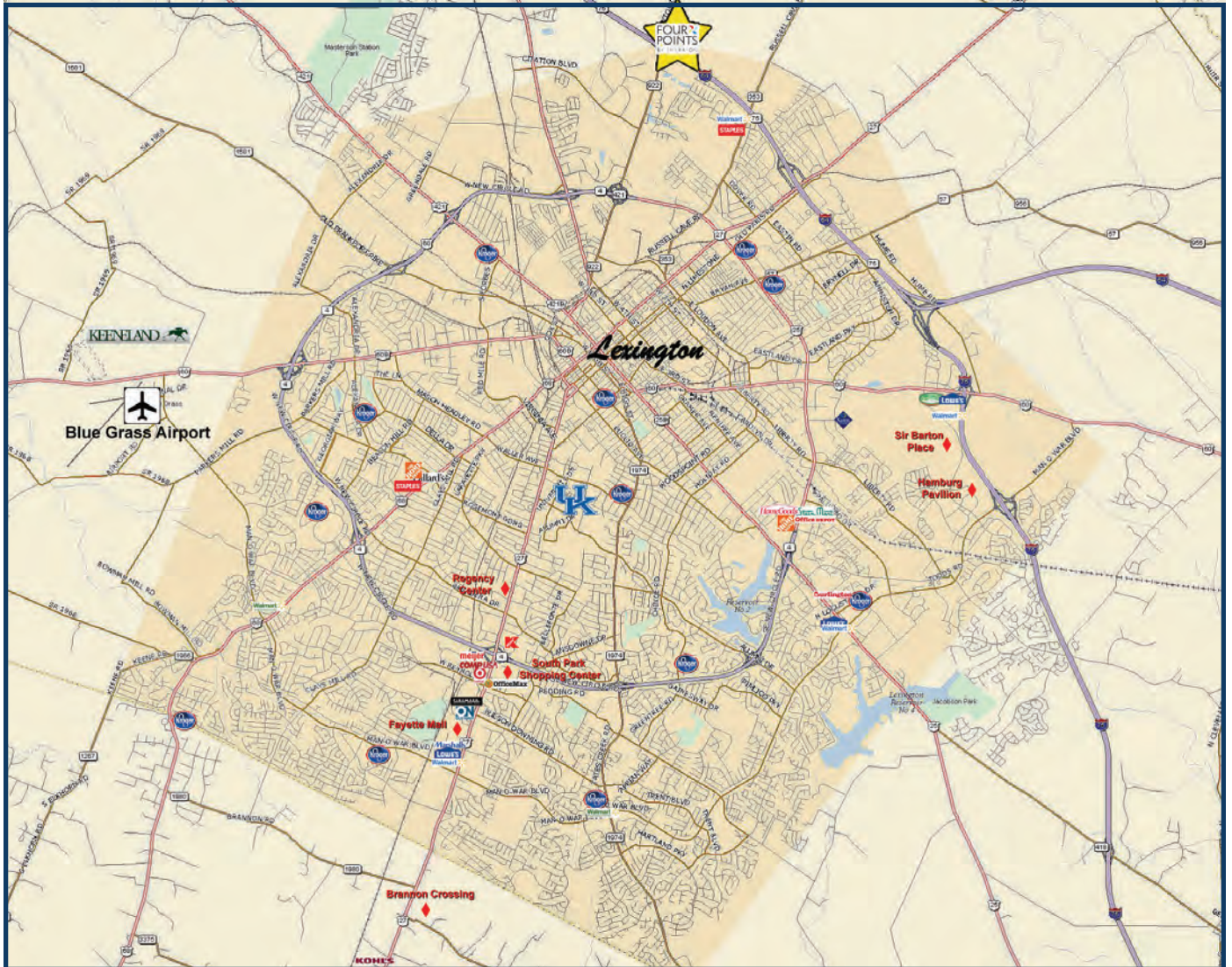
FOUR POINTS BY SHERATON

Four Points by Sheraton is a Starwood Hotels and Resorts Worldwide, Inc. brand (NYSE: HOT) and has over 150 hotels in over 30 countries. The Four Points is targeted towards business travelers and small conventions. The Four Points is Starwood's 3rd largest brand and has been very successful since it began in 1995.

In addition to this Lexington, KY location Four Points has one other in Kentucky (Louisville).



Location Map





Hogan Real Estate is pleased to offer this Four Points by Sheraton investment offering located in Lexington, Kentucky.

Lexington, Kentucky

Lexington, KY, known as the “Thoroughbred City” and “Horse Capital of the World” is located in the heart of the Bluegrass Region and strategically located at the intersection of interstates 64 and 75. It is the 2nd largest city in Kentucky, after Louisville, KY, and the 62nd largest in the United States. In 2011, the population estimate given by the U.S. Census Bureau was 301,569.

Lexington is home to the Keenland Horse Park, Keenland race course, the Red Mile race course, Transylvania University and the University of Kentucky (UK). UK’s basketball program is immensely popular in the city and throughout the state. The University of Kentucky Wildcats basketball team has won more games than any other team in college basketball history.

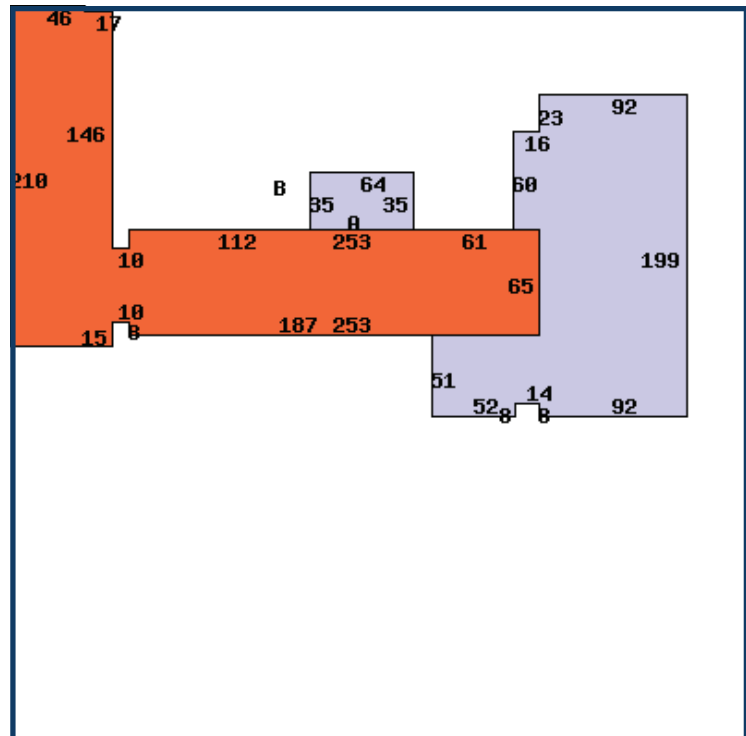
The subject property is located in one of Lexington’s busiest highway service areas. Located on the north side of Lexington the subject property is well-positioned for highway service because of its easy access, convenient location and traffic patterns to Interstate 64 and Interstate 75.

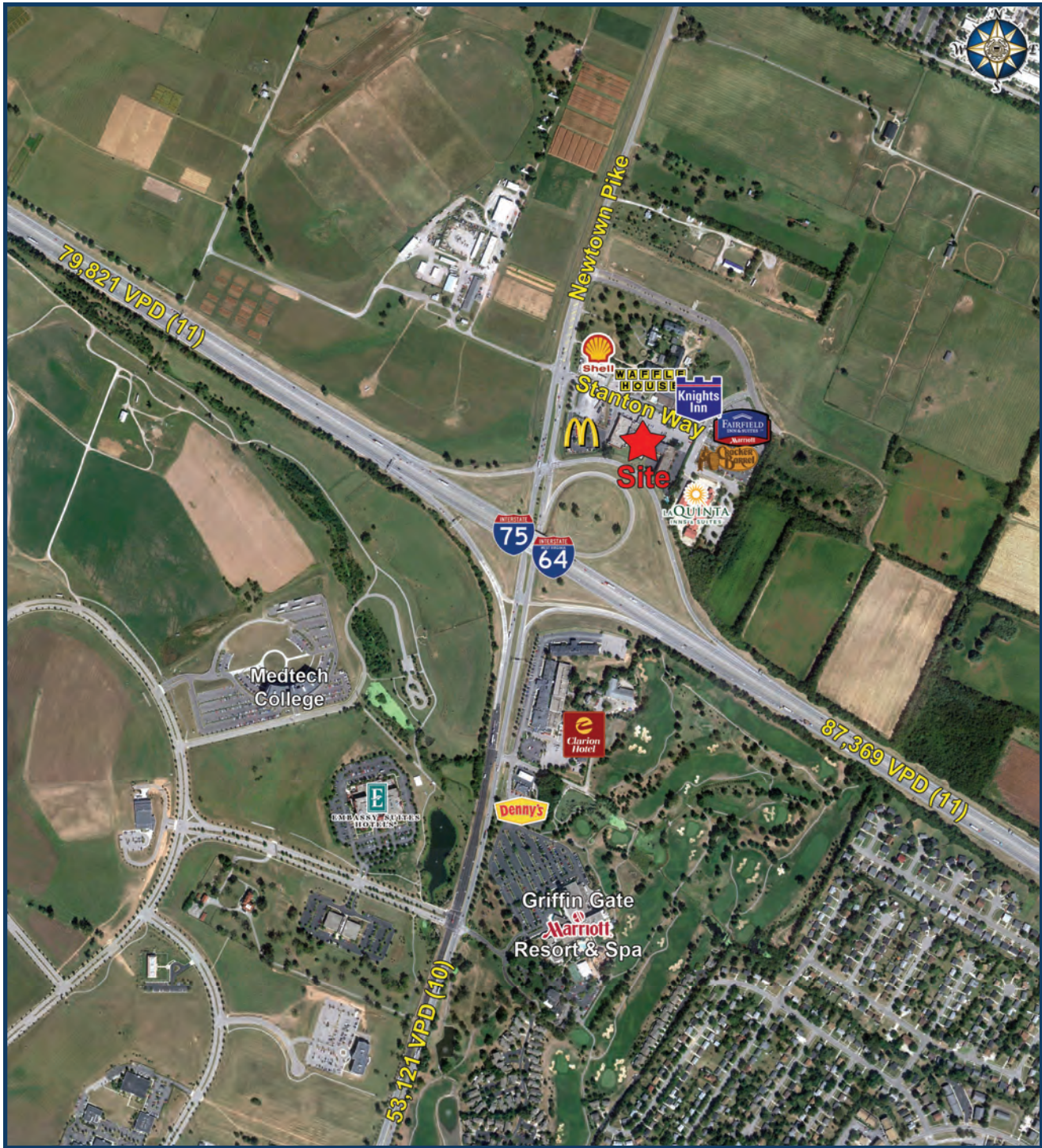
The area features excellent traffic patterns including:

- ◆ The Kentucky Transportation Cabinet estimates over 53,000 vehicles per day travel on Newtown Pike just south of the subject property.
- ◆ Approximately 87,369 vehicles per day travel on Interstate 64/75 next to the subject property.
- ◆ The subject property is greatly impacted by its convenience to the interstate

Other major hotels and retailers in the immediate trade area include:

- ◆ Fairfield Inn & Suites
- ◆ Cracker Barrel
- ◆ McDonald’s
- ◆ Waffle House
- ◆ Shell Gas Station
- ◆ Knight’s Inn
- ◆ La Quinta Inns & Suites
- ◆ Embassy Suites
- ◆ Marriott Griffin Gate Resort & Spa
- ◆ Clarion Hotel
- ◆ Denny’s

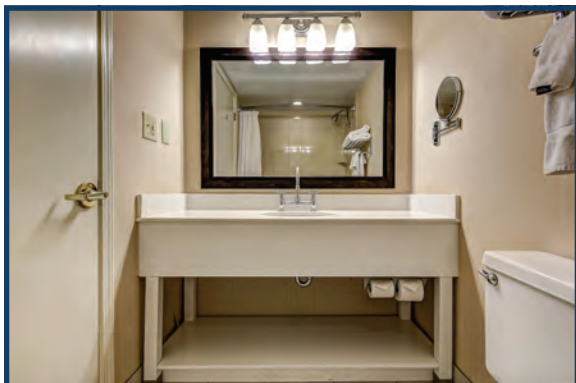




Property Photos



Property Photos



1-3-5 Mile Radius Map



Demographic Information

Lexington, KY



| 1938 Stanton Way Lexington, Kentucky | | 1.00 mi radius | 3.00 mi radius | 5.00 mi radius |
|---|---|-------------------|-------------------|-------------------|
| POPULATION | 2006 Estimated Population | 1,877 | 23,331 | 83,011 |
| | 2011 Projected Population | 1,905 | 23,944 | 85,286 |
| | 2000 Census Population | 1,845 | 22,524 | 79,937 |
| | 1990 Census Population | 1,774 | 22,756 | 80,751 |
| | Historical Annual Growth 1990 to 2006 | 0.4% | 0.2% | 0.2% |
| | Projected Annual Growth 2006 to 2011 | 0.3% | 0.5% | 0.5% |
| | 2006 Median Age | 34.6 | 37.8 | 35.1 |
| HOUSEHOLDS | 2006 Estimated Households | 729 | 9,303 | 34,139 |
| | 2011 Projected Households | 742 | 9,593 | 35,192 |
| | 2000 Census Households | 716 | 8,937 | 32,782 |
| | 1990 Census Households | 644 | 8,538 | 31,522 |
| | Historical Annual Growth 1990 to 2006 | 0.8% | 0.6% | 0.5% |
| | Projected Annual Growth 2006 to 2011 | 0.3% | 0.6% | 0.6% |
| POPULATION BY RACE | 2006 Estimated White | 35.9% | 58.9% | 69.7% |
| | 2006 Estimated Black or African American | 55.5% | 35.2% | 24.2% |
| | 2006 Estimated Asian & Pacific Islander | 1.0% | 1.0% | 1.8% |
| | 2006 Estimated American Indian & Native Alaskan | 0.3% | 0.3% | 0.3% |
| | 2006 Estimated Other Races | 7.3% | 4.7% | 4.1% |
| | 2006 Estimated Hispanic | 16.6% | 10.4% | 8.0% |
| INCOME | 2006 Estimated Average Household Income | \$ 50,457 | \$ 47,788 | \$ 43,756 |
| | 2006 Estimated Median Household Income | \$ 38,509 | \$ 40,004 | \$ 34,023 |
| | 2006 Estimated Per Capita Income | \$ 19,709 | \$ 19,694 | \$ 19,368 |
| EDUCATION (AGE 25+) | 2006 Elementary | 1.6% | 2.2% | 2.5% |
| | 2006 Some High School | 16.4% | 14.5% | 14.4% |
| | 2006 High School Graduate | 37.8% | 36.3% | 32.5% |
| | 2006 Some College | 14.9% | 15.8% | 14.5% |
| | 2006 Associates Degree Only | 4.7% | 5.2% | 4.8% |
| | 2006 Bachelors Degree Only | 15.2% | 17.1% | 19.6% |
| | 2006 Graduate Degree | 9.4% | 9.0% | 11.6% |
| BUSINESS | Number of Businesses | 72 | 993 | 5,673 |
| | Total Number of Employees | 1,205 | 24,096 | 80,756 |
| | Employee Population per Business | 16.7 | 24.3 | 14.2 |
| | Residential Population per Business | 26.1 | 23.5 | 14.6 |

P&L Summary Page Total 174 ROOMS

| | |
|---|---------------------------|
| Available Rooms | \$63,684 |
| Rooms Sold/Occupancy | \$32,210 (50.6%) |
| Average Rate | \$69.38 |
| Rev-Par | \$35.09 |
| Department Revenue- | |
| Rooms | \$2,234,849 (78.6%) |
| Food | \$490,015 (17.2%) |
| Beverage | \$99,795 (3.5%) |
| Telephone | \$3,562 (0.1%) |
| Other Operating Sales | 13,407 (0.5%) |
| Total Revenue | \$2,841,629 (100%) |
| Departmental Costs and Expenses | |
| Rooms | \$719,439 |
| Food | \$446,885 |
| Beverage | \$57,866 |
| Telephone | \$0 |
| Other Operating Expenses | \$2,183 |
| Total Departmental Expenses | \$1,226,373 |
| Reserve for Contingency | \$0 |
| Gross Contribution | \$1,615,255 |
| General and Unapplied Expenses | |
| General and Administrative | \$103,286 |
| Advertising and Promotion | \$124,435 |
| Franchise Fees | \$222,989 |
| Repairs and Maintenance | \$151,582 |
| Utilities | \$229,548 |
| Total General & Unapplied Expenses | \$831,840 |
| House Profit | \$783,415 |
| Other Operating Expenses | |
| Management Fees | \$98,838 |
| Equipment Rentals | \$0 |
| Insurance | \$54,024 |
| Property and Other Taxes | \$76,801 |
| Accrued Interest | \$24,126 |
| Office Building (Profit) Loss | \$0 |
| Total Other Operating Expenses | \$253,789 |
| Net Operating Income (Loss) | \$529,626 |