Chapter 14
Public Private Financial Plan

September 30, 2013

Request for Proposal
Judge Doyle Square
Madison, Wisconsin
RFP Requirement

(Sealed Submission) A detailed public private financial plan showing how the project is to be financed, including letters of interest or commitment from potential lenders/partners. The financing strategy should describe each block separately as follows:

- Estimated uses of capital (separately for each block) providing at least this level of detail:
  - Land acquisition price to be paid
  - Estimated demolition/site prep
  - Hard costs for construction
  - Developer fee
  - Architecture and engineering expenses
  - Other soft costs
  - Other costs
- Estimated sources of capital (separately for each block) including:
  - Debt (private borrowing)
  - Debt (City or CDA borrowings)
  - Equity (cash or cash equivalents)
  - Equity (deferred or forgiven developer/professional/construction fees)
  - Parking Utility contributions for publicly owned parking component
  - City TIF contribution (or other subsidy)
    - Estimate of Value Calculations, including cap rate assumptions
    - Estimate of Annual Property Tax Payments
    - Details of potential City TIF investments
    - Payback of City TIF investments
  - Specify other special sources such as New Market Tax Credits, Section 42 Tax Credits, conduit bonding, etc.
- Sources and uses should be further broken down by component (parking, hotel, apartment, etc.) to the extent practicable.

- Please review the City’s TIF Policy and note any exceptions from policy the development team anticipates requesting (see cityofmadison.com/planning/tidmaps/tifpolicy.pdf)
- Describe project components (such as parking) to be owned or financed by the City or the Community Development Authority of the City of Madison (CDA). Describe the long-term ownership structure (i.e. what rights to purchase will the developer or City have?). Describe the proposed structure for handling maintenance and operating costs.
- Provide any available letter of interest, credit, or commitment from investors or lenders that demonstrate the financial strength of the team and financial feasibility of the project.
- If utilizing New Market Tax Credits or other financial assistance program, indicate team’s experience with these financing methods.
- Annual cash flows and pro-forma for term of project financing for a minimum of 10 years, by block and major component.
- Net cash on cash returns.
BACKGROUND SUMMARY

The proposed $178.8 million project will be situated on portions of Block 88 (1.04 acres) and 105 (1.20 acres) known as Judge Doyle Square (collectively, the “Property”), currently owned by the City in Madison, Wisconsin. Journeyman Group and its partners will form separate entities to purchase the Property from the City and develop the Project.

LAND ACQUISITION

For Block 88, Journeyman Group and its partners propose to purchase the Block 88 Property from the City for $1 to aid in closing the funding gap of the full-service Hotel. Journeyman Group shall purchase Block 105 to develop with the City (Parking Utility), Retail/Office, and Residential ownership entities each owning their respective condo units and be members of the master condominium association to be formed by Developer. Land purchase allocations for Block 105 are reflected in Table A that are based on private components share of the gross square feet to be developed on this Block at a value of $100 per square foot, which currently reflect ~$3.3M of net proceeds to the City.

REQUESTED TIF ASSISTANCE

The Property is located within the TID #25 (East and West Wilson Street Corridor) boundaries.

In this proposal, Developer is requesting a $46.7 million of TIF loan (“Loan”) to construct a 352-key full service hotel, 11,680 square feet of commercial and retail space, 52,190 square feet of Class A office space, 134 apartment units and 645 parking stalls to support the needs of each use. The Project will further include City Fleet and Public Parking on both Block 88 and 105 totaling 638 spaces that will be funded by the City as discussed below.

The TIF request represents 90% of the anticipated increment to be generated by the Project based on a 20 year amortization, as reflected in the table below. The TIF request is further based on an assumption either (1) TID #25 would be extended for an additional approximately 12 years, beyond the current TID #25 expiration date in 2022, or (2) a new TID will be created (and could be an overlap TID), or (3) the TIF request could be funded using all increments generated within all of TID #25, not limited to the projected increment.

<table>
<thead>
<tr>
<th></th>
<th>Marriott Hotel</th>
<th>Retail/Office</th>
<th>Residential</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$4,345,824</td>
<td>$1,179,447</td>
<td>$2,114,006</td>
<td>$7,638,278'89</td>
</tr>
<tr>
<td>Improvement</td>
<td>$63,456,173</td>
<td>$13,649,567</td>
<td>$22,518,139</td>
<td>$99,653,879</td>
</tr>
<tr>
<td>Real Estate Assessment</td>
<td>$67,801,997</td>
<td>$14,829,014</td>
<td>$24,662,145</td>
<td>$107,293,157</td>
</tr>
<tr>
<td>Mil Rate</td>
<td>0.0242</td>
<td>0.0242</td>
<td>0.0242</td>
<td>0.0242</td>
</tr>
<tr>
<td>Real Estate Taxes</td>
<td>$1,640,808</td>
<td>$358,862</td>
<td>$596,824</td>
<td>$2,596,494</td>
</tr>
<tr>
<td>Interest</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Amort – Years</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Supportable TIF Bond</td>
<td>$32,816,167</td>
<td>$7,177,243</td>
<td>$11,936,478</td>
<td>$51,929,888</td>
</tr>
<tr>
<td>Discount</td>
<td>90%</td>
<td>90%</td>
<td>90%</td>
<td>90%</td>
</tr>
<tr>
<td>TIF Proceeds to Block 105</td>
<td>$3,229,759</td>
<td>$5,371,415</td>
<td>$8,601,175</td>
<td></td>
</tr>
<tr>
<td>TIF Proceeds to Block 88 Hotel</td>
<td>$29,534,550</td>
<td>$3,229,759</td>
<td>$5,371,415</td>
<td>$38,135,725</td>
</tr>
<tr>
<td>Totals</td>
<td>$29,535,550</td>
<td>$6,459,518</td>
<td>$10,742,831</td>
<td>$46,736,899</td>
</tr>
</tbody>
</table>

Journeyman Group

Request for Proposal | Judge Doyle Square – Madison Wisconsin | 98
to be generated by the Project, or (4) the City will utilize increment from a donor TID. The requested TIF Loan would require an exception to the 50% rule under the City’s current TIF Policy.

The TIF request for the Project, and the anticipated gap between Project equity and financing and anticipated Project costs, is based on the following considerations:

1. The costs to develop a full-service hotel to meet the City’s goal of supporting its convention and trade business as compared to that of select-service products in the market.

2. Cost to construct parking

3. The Project costs will be higher based on the Madison region’s higher construction costs, which are not supported by moderate daily rates and rents of similar projects in other communities; although projected rates and rentals are in-line with the Madison market, they are insufficient to attract more debt and equity investment in the Project.

Thus, the Project gap is both attributable to sources and uses in this instance.

The Project is estimated to have value of $108.8 million upon stabilization. The Project costs (excluding the portion of the parking elements to be paid for by the City) totals $148.0 million, with private sources of financing of $101.3 million.

Due to construction timing, Developer proposes to close on TIF financing in May 2014.

Exceptions to the City’s Current TIF Policy:

Under the City’s current TIF Policy, Developer will agree to the guidelines in the City’s TIF Policy with the following exceptions:

1. As discussed above, the TIF request will not meet the 50% threshold.

2. Developer proposes to only provide a limited personal guaranty on a portion of the TIF Loan, in an amount to be negotiated based on the difference in cost of the City’s desired full service hotel and the cost of a limited service hotel.

3. The Developer’s equity contribution shall not be equal to the requested TIF Loan, Developer equity in the Project will not be required to be expended prior to release of TIF funds for Project costs, and any required Developer equity will include Developer’s long-term equity investment to be realized through utilization of New Markets Tax Credits, discussed further below in the financial projections.

4. Developer will not agree to make an Equity Participation Payment to the City of Section 4.1(15). If selected, the Developer is open to discussion and negotiation on some form of alternative equity payment should the Project performance substantially exceed expectations.

5. Depending on how the City elects to structure repayment of the TIF Loan as discussed above (extension of TID #25, new/overlay TID or donor TID), the City’s preferred 12-Year TIF Expenditure Period may be exceeded.

**City Rental Agreement for Convention Space**

As a further incentive from the City and as an aide in helping the Hotel achieve financial stabilization, the City and Developer shall enter into a 10-YEAR FUNCTION SPACE RENTAL AGREEMENT whereby the City would receive limited beneficial use of the Hotel’s meeting facilities for an annual rental of $700,000. During this 10-year period it is projected that the City will receive $14.6M of Hotel Occupancy Tax from the Project alone. The City would be entitled to (i) use of Ballroom and Pre-Function space three (3) times per calendar year, and (ii) use of the Boardroom and associated Pre-Function space six (6) times per calendar year, and (iii) use of up to five (5) daily uses of guest rooms within the Hotel per calendar year, non-cumulative subject to availability at the date the reservation is made. The Function Space shall not be available to the City on the first, second, and third Friday and Saturday evenings of December, nor on December 31 of each year. In the event Function Space or guest rooms are not available at the times requested...
1. Public Private Financial Plan

Our detailed public private financial plan reflects how the Project is to be financed, and includes letters of interest or commitment from potential lenders/partners. Table A at the end of this financing strategy section describes each block and Project element separately, identifying estimated sources and uses of capital, with no less than the following level of detail:

**Sources**
- Debt (private borrowing) – See Table A
- Debt (City or CDA borrowing) – See Table A
- Equity (cash or cash equivalents) – See Table A
- Equity (deferred or forgiven developer/professional/construction fees) – See Table A
- Parking Utility contributions for publicly owned parking component – See Table A
- City TIF contribution (or other subsidy) – See Table A and Tax Increment Financing Table above
- Estimate of Value Calculations, including cap rate assumptions
- Estimate of Annual Property Tax Payments – See Tax Increment Financing Table above
- Details of potential City TIF investments – See Table A and Tax Increment Financing Table above

**Uses**
- Land acquisition price to be paid – See Table A
- Estimated demolition/site prep – See Table A
- Hard costs for construction – See Table A
- Developer fee – See Table A
- Architecture and engineering expenses – See Table A
- Other soft costs – See Table A
- Other costs – See Table A

**City Owned/Financed Ownership Structure**
The Block 88 City Fleet Parking, Block 105 Public Parking, and Block 105 Bicycle Center shall be owned and financed by the City or the Community Development Authority of the City of Madison (CDA). Turn-key costs of these City owned and financed elements inclusive of design, construction, and finance costs is currently estimated to total $30.8 million as reflected in Table A, which we have assumed will be financed by use of the $9 million City reserve designated for the replacement of the East Garage and City bonds or other public improvement financing mechanisms for the balance ($21.8M).

**Maintenance and Operating Costs**
Provisions for each Project element to operate independently for handling maintenance and operating costs has been incorporated into planning and design. Each Project element on each block will have separate public access, vertical transportation, and sub metering of utility services. Maintenance and operating costs of common elements and limited common elements for each block (drives, stairs, etc.) shall be addressed in the future condominium association agreements to be developed.
LETTERS OF INTEREST, CREDIT OR COMMITMENT FROM INVESTORS OR LENDERS

Letters of interest, credit, or commitment from investors or lenders that demonstrate the financial strength of the team and financial feasibility of the project are included in this Chapter of the Proposal.

NEW MARKET TAX CREDITS

Our financial plan anticipates utilizing New Markets Tax Credits (NMTC) for the Project’s private hotel, retail/office, and residential elements, contributing approximately $5.3M (3.0%) to the Developer’s equity contribution to the Project, based on an assumed $30M total CDE allocation. Journeyman individually has recent experience with New Markets Tax Credits on a Hotel and Conference Center in Lawton, OK where NMTC contributed approximately 10% to the capital stack. Further, Developer’s Counsel (Whyte Hirschboeck Dudek) has considerable NMTC project experience within the State of Wisconsin.

ANNUAL CASH FLOWS AND PRO-FORMA

Annual cash flows and pro-forma for term of Project financing for a minimum of 10 years, by block and major component are included at the end of this Chapter. Proformas that will be found there are:

1. Block 88 – Full Service Hotel
2. Block 105 – Office/Retail
3. Block 105 – Residential

NET CASH ON CASH RETURNS

Net cash on cash returns by block and major component are reflected within the proformas included at the end of this Section.

HOTEL BRAND

JG is fully committed to build a full service Marriott Hotel so long as a financial agreement that meets project needs is reach. In the event one is not reached, JG reserves the right to have another national brand hotel selected.
<table>
<thead>
<tr>
<th>TABLE A</th>
<th>Judge Doyle Square Development</th>
<th>PROJECT SOURCE &amp; USES</th>
<th>25-Sep-13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Madison, WI</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Net Area (Conditioned)**
- Marriott Hotel: 282,159 SF
- City Fleet Parking: 99,547 SF
- Retail/Office: 374,647 SF
- Residential: 15,753 SF
- Bicycle Center: 131,070 SF
- City Garage: 3,150 SF

**Uses**
- Land/Air-Rights Allocation: 1,025,000 SF

**Construction Costs**
- FF&E: 8,229,767 SF
- Total Uses: 96,285,592 SF

**Total Construction Costs**
- 64,708,362 SF
- 100%

**Cost/Unit**
- 273,539 SF
- 243,582 SF
- 209,668 SF
- 193,576 SF
- 134,000 SF

**Soft Costs**
- FF&E: 8,229,767 SF
- Total Construction Costs: 64,708,362 SF
- Construction Subtotal: 60,026,310 SF

**Sources**
- First Mortgage: $50,315,705
- Parking Utility Reserve Contributions: $0
- City Bonds (Parking): $0
- TIF Loan: $30,102,575
- Incentives: $1,552,280
- Sponsor/Investor Equity: $4,310,878
- Total Sources: $96,285,592

**Uses**
- Land/Air-Rights Allocation: 1,025,000 SF
- Parking: 3,150 SF
- Residential: 102,824 SF
- Retail/Office: 704,000
- Bicycle Center: 300,000

**FF&E**
- Soft Costs: 8,229,767 SF
- Total Construction Costs: 64,708,362 SF
- Construction Subtotal: 60,026,310 SF

**City Garage**
- Project Totals: 513,546 SF
- 1,025,000 SF

**Page Dimensions:** 612.0x792.0

**Journeyman Group Request for Proposal | Judge Doyle Square – Madison Wisconsin | 102**
### New Market Tax Credit Worksheet

**Assumptions:**

<table>
<thead>
<tr>
<th></th>
<th>Marriott Hotel</th>
<th>Retail/Office</th>
<th>Residential</th>
</tr>
</thead>
<tbody>
<tr>
<td>NMTC allocation</td>
<td>$20,000,000</td>
<td>$3,500,000</td>
<td>$6,500,000</td>
</tr>
<tr>
<td>NMTC credit rate</td>
<td>39%</td>
<td>39%</td>
<td>39%</td>
</tr>
<tr>
<td>NMTC discount rate</td>
<td>72%</td>
<td>72%</td>
<td>72%</td>
</tr>
</tbody>
</table>

**Closing and Placement Fees**

<table>
<thead>
<tr>
<th></th>
<th>Marriott Hotel</th>
<th>Retail/Office</th>
<th>Residential</th>
</tr>
</thead>
<tbody>
<tr>
<td>NMTC closing fee (based on NMTC Allocation)</td>
<td>6.00%</td>
<td>6.00%</td>
<td>6.00%</td>
</tr>
<tr>
<td>Legal, Accounting and Tax fees</td>
<td>2.00%</td>
<td>2.00%</td>
<td>2.00%</td>
</tr>
<tr>
<td>Brokerage fees and expenses (based on Gross NMTC Sale Proceeds)</td>
<td>4.50%</td>
<td>4.50%</td>
<td>4.50%</td>
</tr>
</tbody>
</table>

**Annual Expenses**

<table>
<thead>
<tr>
<th></th>
<th>Marriott Hotel</th>
<th>Retail/Office</th>
<th>Residential</th>
</tr>
</thead>
<tbody>
<tr>
<td>NMTC annual fee</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>NMTC annual expenses</td>
<td>0.15%</td>
<td>0.15%</td>
<td>0.15%</td>
</tr>
</tbody>
</table>

**Calculations:**

<table>
<thead>
<tr>
<th></th>
<th>Marriott Hotel</th>
<th>Retail/Office</th>
<th>Residential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual NMTC at NMTC credit rate</td>
<td>$7,800,000</td>
<td>$1,365,000</td>
<td>$2,535,000</td>
</tr>
<tr>
<td>Gross NMTC sale proceeds at NMTC discount rate</td>
<td>$5,616,000</td>
<td>$982,800</td>
<td>$1,825,200</td>
</tr>
<tr>
<td>LESS: NMTC closing fee, legal, accounting and tax fees</td>
<td>$1,600,000</td>
<td>$280,000</td>
<td>$520,000</td>
</tr>
<tr>
<td>LESS: Brokerage fees and expenses</td>
<td>$252,720</td>
<td>$44,226</td>
<td>$82,134</td>
</tr>
<tr>
<td>LESS: Annual fees and expenses (escrowed at closing)</td>
<td>$30,000</td>
<td>$5,250</td>
<td>$9,750</td>
</tr>
<tr>
<td>End Year 1</td>
<td>$30,000</td>
<td>$5,250</td>
<td>$9,750</td>
</tr>
<tr>
<td>End Year 2</td>
<td>$30,000</td>
<td>$5,250</td>
<td>$9,750</td>
</tr>
<tr>
<td>End Year 3</td>
<td>$30,000</td>
<td>$5,250</td>
<td>$9,750</td>
</tr>
<tr>
<td>End Year 4</td>
<td>$30,000</td>
<td>$5,250</td>
<td>$9,750</td>
</tr>
<tr>
<td>End Year 5</td>
<td>$30,000</td>
<td>$5,250</td>
<td>$9,750</td>
</tr>
<tr>
<td>End Year 6</td>
<td>$30,000</td>
<td>$5,250</td>
<td>$9,750</td>
</tr>
<tr>
<td>End Year 7</td>
<td>$30,000</td>
<td>$5,250</td>
<td>$9,750</td>
</tr>
<tr>
<td>End Year 8</td>
<td>$30,000</td>
<td>$5,250</td>
<td>$9,750</td>
</tr>
<tr>
<td>Total annual fees and expenses</td>
<td>$240,000</td>
<td>$42,000</td>
<td>$78,000</td>
</tr>
<tr>
<td>Net NMTC sale proceeds after fees and expenses</td>
<td>$3,523,280</td>
<td>$616,574</td>
<td>$1,145,066</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Marriott Hotel</th>
<th>Retail/Office</th>
<th>Residential</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>17.62%</td>
<td>17.62%</td>
<td>17.62%</td>
</tr>
</tbody>
</table>
### Marriott Hotel 10-Year Proforma

#### Madison, WI

#### Chapter 14 – Public Private Financial Plan

#### 4. Annual Cash Flows and Proforma – Block 88, Full Service Hotel

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales Revenue</th>
<th>Net Sales Revenue</th>
<th>Gross Profit</th>
<th>NOI After Reserves</th>
<th>Total Expenses</th>
<th>Occupancy</th>
<th>FF&amp;E Reserve</th>
<th>Property Taxes</th>
<th>Management Fees</th>
<th>Utilities</th>
<th>Property Operations &amp; Maintenance</th>
<th>City Rental Payments</th>
<th>FF&amp;E Reserve</th>
<th>Property Taxes</th>
<th>Implied Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$12,303,000</td>
<td>$187,000</td>
<td>$11,930,849</td>
<td>$4,196,000</td>
<td>$7,547,838</td>
<td>64%</td>
<td>1.00%</td>
<td>8.8%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>4.0%</td>
<td>3.7%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>$89,160,000</td>
</tr>
<tr>
<td>2018</td>
<td>$13,717,900</td>
<td>$421,000</td>
<td>$13,632,292</td>
<td>$4,929,000</td>
<td>$8,282,626</td>
<td>65%</td>
<td>2.00%</td>
<td>7.9%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>4.2%</td>
<td>3.3%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>$87,455,000</td>
</tr>
<tr>
<td>2019</td>
<td>$15,276,567</td>
<td>$694,000</td>
<td>$15,276,567</td>
<td>$5,447,000</td>
<td>$9,135,744</td>
<td>66%</td>
<td>3.0%</td>
<td>7.2%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>4.4%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>$85,710,000</td>
</tr>
<tr>
<td>2020</td>
<td>$15,255,183</td>
<td>$888,000</td>
<td>$15,255,183</td>
<td>$5,524,000</td>
<td>$8,843,658</td>
<td>69%</td>
<td>4.0%</td>
<td>7.6%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>4.4%</td>
<td>3.2%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>$84,065,000</td>
</tr>
<tr>
<td>2021</td>
<td>$15,675,415</td>
<td>$913,000</td>
<td>$15,675,415</td>
<td>$5,721,000</td>
<td>$9,041,882</td>
<td>69%</td>
<td>4.0%</td>
<td>7.5%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>4.4%</td>
<td>3.1%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>$82,420,000</td>
</tr>
<tr>
<td>2022</td>
<td>$16,108,599</td>
<td>$939,000</td>
<td>$16,108,599</td>
<td>$6,088,000</td>
<td>$9,267,349</td>
<td>69%</td>
<td>4.0%</td>
<td>7.3%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>4.4%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>$80,775,000</td>
</tr>
<tr>
<td>2023</td>
<td>$16,555,303</td>
<td>$966,000</td>
<td>$16,555,303</td>
<td>$6,282,000</td>
<td>$9,501,084</td>
<td>69%</td>
<td>4.0%</td>
<td>7.2%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>4.4%</td>
<td>2.9%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>$79,129,000</td>
</tr>
<tr>
<td>2024</td>
<td>$17,014,959</td>
<td>$993,000</td>
<td>$17,014,959</td>
<td>$6,482,000</td>
<td>$9,739,855</td>
<td>69%</td>
<td>4.0%</td>
<td>7.1%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>4.4%</td>
<td>2.8%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>$77,483,000</td>
</tr>
<tr>
<td>2025</td>
<td>$17,489,271</td>
<td>$1,021,000</td>
<td>$17,489,271</td>
<td>$6,687,000</td>
<td>$10,239,004</td>
<td>68%</td>
<td>4.0%</td>
<td>7.0%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>4.4%</td>
<td>2.7%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>$75,837,000</td>
</tr>
</tbody>
</table>

#### Notes
- **Yield on Equity (IRR)** 17.68%
- **Investment Analysis**
  - NOI After Reserves $4,196,000 22.39%
  - NOI After Reserves $4,929,000 23%
  - NOI After Reserves $5,447,000 24%
  - NOI After Reserves $5,524,000 25%
  - NOI After Reserves $5,721,000 25%
  - NOI After Reserves $6,088,000 25%
  - NOI After Reserves $6,282,000 25%
  - NOI After Reserves $6,482,000 25%
  - NOI After Reserves $6,687,000 25%

#### Additional Information
- **Sales Revenue**
  - 2017: $12,303,000
  - 2018: $13,717,900
  - 2019: $15,276,567
  - 2020: $15,255,183
  - 2021: $15,675,415
  - 2023: $16,555,303
  - 2024: $17,014,959
  - 2025: $17,489,271

#### Financial Projections
- **Gross Profit** 64%
- **Net Sales Revenue** 100.0%
- **Total Expenses** 40%
- **Implied Value** $89,160,000
4. Annual Cash Flows and Proforma – Block 105, Office/Retail

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rental Income</td>
<td>61.86%</td>
<td>1,277,400</td>
<td>1,315,722</td>
<td>1,355,194</td>
<td>1,395,849</td>
<td>1,437,725</td>
<td>1,480,857</td>
<td>1,525,282</td>
<td>1,571,041</td>
<td>1,618,172</td>
</tr>
<tr>
<td>NNN</td>
<td>38.14%</td>
<td>787,641</td>
<td>804,083</td>
<td>820,056</td>
<td>838,274</td>
<td>856,027</td>
<td>874,240</td>
<td>892,923</td>
<td>912,092</td>
<td>931,760</td>
</tr>
<tr>
<td>Total Income</td>
<td>100.00%</td>
<td>2,065,041</td>
<td>2,119,815</td>
<td>2,176,160</td>
<td>2,234,123</td>
<td>2,293,752</td>
<td>2,355,096</td>
<td>2,418,206</td>
<td>2,483,133</td>
<td>2,549,932</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>8.61%</td>
<td>181,919</td>
<td>187,376</td>
<td>192,985</td>
<td>198,814</td>
<td>204,787</td>
<td>210,893</td>
<td>217,220</td>
<td>223,737</td>
<td>230,449</td>
</tr>
<tr>
<td>Property Insurance</td>
<td>0.42%</td>
<td>8,644</td>
<td>8,904</td>
<td>9,171</td>
<td>9,446</td>
<td>9,729</td>
<td>10,021</td>
<td>10,322</td>
<td>10,631</td>
<td>10,950</td>
</tr>
<tr>
<td>Property Taxes</td>
<td>17.38%</td>
<td>358,862</td>
<td>362,451</td>
<td>366,075</td>
<td>369,736</td>
<td>373,433</td>
<td>377,168</td>
<td>380,939</td>
<td>384,749</td>
<td>389,596</td>
</tr>
<tr>
<td>Cable</td>
<td>0.73%</td>
<td>15,000</td>
<td>15,450</td>
<td>15,914</td>
<td>16,391</td>
<td>16,883</td>
<td>17,389</td>
<td>17,911</td>
<td>18,448</td>
<td>19,002</td>
</tr>
<tr>
<td>Contract Labor</td>
<td>0.04%</td>
<td>510</td>
<td>526</td>
<td>542</td>
<td>558</td>
<td>575</td>
<td>593</td>
<td>612</td>
<td>631</td>
<td>650</td>
</tr>
<tr>
<td>Security/Fire</td>
<td>0.07%</td>
<td>1,390</td>
<td>1,432</td>
<td>1,475</td>
<td>1,519</td>
<td>1,565</td>
<td>1,612</td>
<td>1,660</td>
<td>1,709</td>
<td>1,759</td>
</tr>
<tr>
<td>Implied Value</td>
<td>20.00%</td>
<td>3,260,000</td>
<td>3,260,000</td>
<td>3,260,000</td>
<td>3,260,000</td>
<td>3,260,000</td>
<td>3,260,000</td>
<td>3,260,000</td>
<td>3,260,000</td>
<td>3,260,000</td>
</tr>
<tr>
<td>Snow Removal</td>
<td>0.02%</td>
<td>10,980</td>
<td>11,355</td>
<td>11,741</td>
<td>12,139</td>
<td>12,540</td>
<td>12,954</td>
<td>13,371</td>
<td>13,799</td>
<td>14,230</td>
</tr>
<tr>
<td>Snow Removal</td>
<td>0.82%</td>
<td>17,410</td>
<td>17,933</td>
<td>18,470</td>
<td>19,025</td>
<td>19,595</td>
<td>20,183</td>
<td>20,789</td>
<td>21,412</td>
<td>22,055</td>
</tr>
<tr>
<td>Landscape</td>
<td>5.24%</td>
<td>358,265</td>
<td>362,036</td>
<td>365,808</td>
<td>369,591</td>
<td>373,464</td>
<td>377,338</td>
<td>381,212</td>
<td>385,196</td>
<td>389,200</td>
</tr>
<tr>
<td>Management Fee</td>
<td>2.47%</td>
<td>51,066</td>
<td>52,629</td>
<td>54,208</td>
<td>55,834</td>
<td>57,500</td>
<td>59,234</td>
<td>61,011</td>
<td>62,842</td>
<td>64,727</td>
</tr>
<tr>
<td>Management Fee</td>
<td>0.02%</td>
<td>10,980</td>
<td>11,355</td>
<td>11,741</td>
<td>12,139</td>
<td>12,540</td>
<td>12,954</td>
<td>13,371</td>
<td>13,799</td>
<td>14,230</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>40.82%</td>
<td>838,737</td>
<td>856,721</td>
<td>875,714</td>
<td>894,725</td>
<td>913,752</td>
<td>932,810</td>
<td>952,901</td>
<td>973,012</td>
<td>993,143</td>
</tr>
<tr>
<td>Total Income</td>
<td>100.00%</td>
<td>2,065,041</td>
<td>2,119,815</td>
<td>2,176,160</td>
<td>2,234,123</td>
<td>2,293,752</td>
<td>2,355,096</td>
<td>2,418,206</td>
<td>2,483,133</td>
<td>2,549,932</td>
</tr>
</tbody>
</table>

In summary, the project has a positive cash flow generating potential, with a projected Net Operating Income (NOI) of $1,600,049 in the 10th year, leading to a terminal capitalization rate of 8.00%.
### The Residence @ UVS

#### E. Wilson Street Madison Wi

**Scenario:** 7 Stories Apts in 2 towers

---

### Forecasted Statement of Reportable Income and Distributable Cash Flow

<table>
<thead>
<tr>
<th>Years ending December 31, 2016 through 2025</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year Number</strong></td>
<td>2016</td>
<td>2017</td>
<td>2018</td>
<td>2019</td>
<td>2020</td>
<td>2021</td>
<td>2022</td>
<td>2023</td>
<td>2024</td>
<td>2025</td>
<td>2026</td>
</tr>
</tbody>
</table>

### Total Operating Expenses

|------|------|------|------|------|------|------|------|------|------|------|

#### Real Estate Taxes

- **Apartment Rents:** 95.2%
- **Commercial Space Rent:** 0.0%
- **Laundry Income:** 0.0%
- **Parking Rent:** 4.8%

#### Depreciation and Amortization

- **Residential:** 18.6%

#### Operating Expenses (Residential)

- **Operating Expenses (Residential):**
  - **Depreciation and Amortization:** 18.6%
  - **Interest Expense:** 41.3%
  - **Amortization:** 8.0%
  - **Miscellaneous:** 2.0%

#### Collection Loss

- **Vacancy Loss:** 4.5%
- **Collection Loss:** 3.5%

#### Total Vacancy and Collection Loss

- **Total Vacancy and Collection Loss:** 8.0%

#### Effective Gross Income

- **Effective Gross Income:** 95.0%

#### Total Revenue

- **Total Revenue:** 2,939,122

#### Net Operating Income

- **Net Operating Income:** 58.6%
MMB - ALTERNATE PROPOSAL FOR THE CITY OF MADISON

Sources and Uses

<table>
<thead>
<tr>
<th>MMB</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital Structure</strong></td>
<td></td>
</tr>
<tr>
<td>Retained Building Equity</td>
<td>$1,146,150</td>
</tr>
<tr>
<td>First Mortgage</td>
<td>$15,886,639</td>
</tr>
<tr>
<td>Cash/Other Equity</td>
<td>$618,921</td>
</tr>
<tr>
<td><strong>Total Capital Structure</strong></td>
<td>$17,650,710</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MMB</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Project Costs</strong></td>
<td></td>
</tr>
<tr>
<td>Building/Site Acquisition</td>
<td>$1,146,150</td>
</tr>
<tr>
<td>Preconstruction Costs</td>
<td>$1,528,200</td>
</tr>
<tr>
<td>Hard Construction Costs</td>
<td>$13,371,750</td>
</tr>
<tr>
<td>Contingency</td>
<td>$1,604,610</td>
</tr>
<tr>
<td><strong>Total Project Costs</strong></td>
<td>$17,650,710</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MMB</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lower Level</strong></td>
<td>23,000 SF</td>
</tr>
<tr>
<td><strong>First Floor</strong></td>
<td>23,000 SF</td>
</tr>
<tr>
<td><strong>Second Floor</strong></td>
<td>16,501 SF</td>
</tr>
<tr>
<td><strong>Third Floor</strong></td>
<td>13,909 SF</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>76,410 SF</td>
</tr>
</tbody>
</table>

**TOTAL PROJECT COSTS**

| MMB | 76,410 SF @ $231.00 |
|-----| $231.00 |

<table>
<thead>
<tr>
<th>MMB</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EQUITY</strong></td>
<td>$1,765,071</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MMB</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LOAN AMOUNT</strong></td>
<td>$15,886,639</td>
</tr>
</tbody>
</table>

**ANNUAL DEBT SERVICE**

<table>
<thead>
<tr>
<th>MMB</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4.25%</td>
<td>20 YEARS</td>
</tr>
</tbody>
</table>

**LEASE RATE WITH 1.15 DCR**

<table>
<thead>
<tr>
<th>MMB</th>
<th>1.15 DCR</th>
</tr>
</thead>
<tbody>
<tr>
<td>$17.77 plus NNN (expected to be $8 per year or the city can pay all of the expenses - no property taxes as city is end user)</td>
<td></td>
</tr>
</tbody>
</table>

It is assumed the CITY OF MADISON will vacate all of its spaces when the new construction in Block 105 is complete. City Of Madison will pay rent and stay on Block 105 for a period of 24 months while the MMB is complete. City of Madison will lease the current MMB to the Developer for a period of 40 years. City of Madison will pay rent of $17.77 plus NNN as soon as Office space in Block 105 is ready for occupancy. Since City of Madison is the end user no Property tax shall be payable for the MMB building.
September 25, 2013

Mr. Sam Kumar
Journeyman Group
7701 N. Lamar, Suite 100
Austin, Texas 78752

Re: Judge Doyle Square - Framework Letter
Madison, WI

Dear Mr. Kumar:

Below are the primary terms under which Metropolitan Capital Advisors, Ltd. would consider a request for an extension of credit for acquisition and redevelopment of the Judge Doyle Square project. This is not a commitment to lend, but a term sheet setting out a framework for discussion. Any commitment to lend would require the review and approval of prospective Lender’s Executive Loan Committee which has been given.

Borrower: Single-asset entity to be organized.

Loan Amount: $50,300,000 for the Proposed Full-Service Marriott Hotel
$14,300,000 for the Proposed Retail/Office Component
$24,500,000 for the Proposed Residential Development

The above loan amounts are not to exceed the appraisal limits as set out below.

Guarantors: Mr. Sam Kumar and Partners with 20% or greater equity

Guaranteed Amount: Unlimited

Purpose: 1) Provide $50,300,000 interim construction financing for the construction and term financing for a to-be-built 352 key Marriott hotel along with 243 structured parking spaces.
2) Provide $14,300,000 interim construction financing for the construction and term financing for a to-be-built 63,870 square foot Retail and Office Mixed Use project along with 192 structured parking spaces.
3) Provide $24,500,000 interim construction financing for the construction and term financing for a to-be-built 134 unit Residential project along with 201 structured parking spaces.

Collateral: 1) FREM on site of the tract referred to as “Block 88” located in the Judge Royal Square project along with a FREM on a portion of the site of the tract referred to as “Block 105”, located in the Judge Royal Square project.
2) Assignment of leases and rents.
3) Assignment of architectural contract.
4) Assignment of construction contract. Related company Journeyman Construction will act as the general contractor and will subcontract all major specialties.
5) Assignment of construction management contract. An affiliate of Journeyman Construction will be engaged for construction management and general conditions.
September 25, 2013

Mr. Sam Kumar
Journeyman Group
Page 2 of 3

Interest Rate:  
Option I: Fixed at approximately 5.5% for 60 month term
Option II – Wall Street Journal Prime + .25% approximately floating and adjusted on date of change in base rate with a floor of approximately 5.0%.

Prepayment:  
Option I - Note may be prepaid at any time; however, will be subject to following penalty based on outstanding balance if prepaid after the 24th month:

- 3% - Months 25-36
- 2% - Months 37-48
- 1% - Months 49-54

Option II – Note may be prepaid at any time.

Maturity:  
Note will mature 84 months from its date.

Repayment Terms:  
Beginning one month from its date, Note will be payable interest only for 24 months with monthly amortization of principal and interest beginning the 25th month based on a 20 year amortization until maturity when the remaining principal and any accrued and unpaid interest will be due and payable.

Collateral Release:  
Upon Payment in Full

Fees:  
Origination fee of ½ of 1% (~$446,000).

Covenants:
1) During interest only period no distributions, loans or advances to members or entities related to members will be made. Once amortization begins, no distributions, loans or advances to members or entities related to members will be made without prior written consent of Lending Bank, which consent shall not be unreasonably withheld;
2) All deposit accounts for Project to be maintained at Lending Bank;
3) No change in ownership or management without prior written consent of Lending Bank;
4) Loan Advances: Loan will be closed prior to receipt of full stamped plans and specs and advances will be allowed to pay off existing note, for soft costs and dirt work, but no construction based on plans and specifications will be allowed until such plans and specs are received. Advances for construction under the construction contract will be based on percentage of completion using approved schedule of values and detailed on AIA Form G702/703, or such other form approved by Lending Bank. Construction and advances will be monitored by AECC and will be supported by lien waivers;
5) Balance sheet, income statement and compliance certificate to be provided quarterly and annually, beginning with quarter ending 3/31/2014, within 45 days of such quarter end;
6) Borrower and Guarantor(s) will provide copy of Federal tax return by April 30 of each year, which will be extended to October 31 upon receipt of copy of Extensions;
7) Guarantor(s) will provide compiled personal financial statement at least annually within 60 days of each statement anniversary. Such statement(s) will include detailed schedule of real estate investments along with Lending bank and brokerage statements as supporting documentation for liquidity; and
September 25, 2013

Mr. Sam Kumar
Journeyman Group
Page 3 of 3

Other Requirement: Loan is contingent upon receipt and satisfactory review of:

1) New appraisal will be required.
2) Advances for Marriott Hotel, $50,300,000 will be limited to lesser of 60% of cost or 70% of the “As Completed” value of Project at completion.
3) Advances for $14,300,000 Retail & Office mixed use project will be limited to lesser of 75% of cost or 80% of the “As Completed” value of Project at completion.
4) Advances for $24,500,000 Residential Component will be limited to lesser of 75% of cost or 80% of the “As Completed” value of Project at completion.
5) Title policy with ALTA survey coverage, access and zoning endorsements and such other coverage deemed appropriate by legal counsel.
6) New Phase I Environmental Assessment or existing Assessment redirected to Bank along with a new Database search.
7) Copy of contract between Borrower and Journeyman Group.
8) Copy of construction management contract with Journeyman Group.
9) Copy of preliminary plans and specification.
10) Copy of final detailed budget.
11) Copy of construction schedule.
12) AECC review of construction contract, final budget, preliminary plans and specs and construction schedule.
13) Outside counsel will prepare loan documents.

In addition to above requirements, the Lending Bank’s obligation to fund is conditioned on the Borrower’s satisfaction of certain conditions, which may include without limitation compliance with applicable laws, ordinances, codes and regulations, the Borrower obtaining various government approvals and permits, obtaining subordinations, non-disturbance agreements and attornments from tenants, opinions of Borrower’s counsel and there being no adverse material changes prior to closing. Moreover, these terms are subject to execution of loan documents in form and substance acceptable to the Lending Bank’s outside legal counsel. Certainly those documents will contain conditions, covenants and representations beyond those mentioned in this letter.

I very much appreciate this opportunity to discuss possible terms and work toward a structure beneficial to all parties.

Sincerely,

Todd McNeill
Senior Director / Principal
Metropolitan Capital Advisors

18111 Preston Road Suite 650 Dallas, Texas 75252 Phone 972.267.0600 Fax 972.267.0606 www.metcapital.com
James R. Saer  
100 E. Wisconsin Ave. Suite 1400  
Milwaukee, WI 53202  
September 19, 2013

Dear Mr. George Austin:

The purpose of this letter is to inform you of Wells Fargo’s interest in providing construction financing to LZ Ventures for the development of a proposed multifamily project at Judge Doyle Square in downtown Madison, WI. Based on preliminary information provided by LZ Ventures, Wells Fargo has estimated construction financing in the range of $22,000,000 - $24,000,000 based on a loan-to-value ratio between 70-75%.

Wells Fargo continues to have a strong relationship with the principals of LZ Ventures – Messrs. John Leja and Brad Zellner. The Bank has the desire to grow our existing relationship and considers the Judge Doyle Square project an opportunity for relationship growth. The construction expertise that both Messrs. Leja and Zellner possess would be viewed as a significant strength by Wells Fargo when considering the proposed development.

Please note that this letter should not be taken as a commitment by Wells Fargo to provide construction financing for the subject development, but merely as a method to express our interest in the project.

Thank you.

Sincerely,

James R. Saer  
Vice President of Commercial Real Estate  
Wisconsin Group Head
September 27, 2013

Mr. Sam Kumar, MS, LEED AP BD+C
President
Journeyman Construction, Inc.
7701, N. Lamar, Ste. 100
Austin, Texas 78752

Re: Judge Doyle Square – Madison, WI

Dear Sam:

In accordance with our conversations, we are pleased to confirm our interest in working with Journeyman Austin Holdings, Inc. and Journeyman Construction, Inc. (collectively, “Journeyman”) to enter into definitive agreements under which Marcus Hotels, Inc., a Wisconsin corporation, or its affiliate (“Marcus”), would enter into a joint venture with Journeyman to acquire and develop the Block 88 and Block 105 project known as Judge Doyle Square (collectively, the “Project”). Certain details of the proposed transaction are provided in the term sheet attached hereto (the “Term Sheet”). We are enthusiastic about the Project and look forward to finalizing our negotiations with you.

This letter and the Term Sheet outline the general terms under which Marcus would be interested in working with you. We would like to emphasize that, except as expressly set forth below, this letter is not contractually or legally binding on the parties and represents only an expression of our present desire to work together in good faith to negotiate, execute and deliver definitive agreements generally in accordance with the terms and conditions set out in the attached Term Sheet. This letter and the Term Sheet, which is incorporated herein by this reference, are sometimes referred to herein collectively as this “Letter of Intent.”

The formation of a joint venture, the purchase of the Project, the form and substance of any and all definitive agreements that may be entered into in connection with such transactions (the “Definitive Agreements”) and the execution of any and all Definitive Agreements, are subject in all events to the prior approval of the Board of Directors of Marcus. This Letter of Intent does not obligate either party to proceed with any Definitive Agreements, and neither party may rely on this Letter of Intent as creating any legal obligation of any kind, except for the understandings described in paragraphs 1 through 6 below, which are intended by the parties to be binding obligations. If this Letter of Intent is acceptable to you, we are prepared to commence negotiations on the Definitive Agreements.

100 East Wisconsin Avenue
Suite 1950
Milwaukee, WI 53202
p 414.905.1200
f 414.905.2258
www.marcushotels.com

A division of The Marcus Corporation, a NYSE company.
Please note that we are sending this Letter of Intent to you with the following understandings:

1. For the term of this Letter of Intent, neither Journeyman nor any of its respective agents, affiliates or related companies will negotiate with, market or enter into any agreement regarding the Project or enter into any discussion with any other party regarding the Project or any ownership or management interest therein.

2. This Letter of Intent will remain in effect until the earliest of: (i) the execution of Definitive Agreements; (ii) the effective date of any agreement by the parties to terminate this Letter of Intent; or (iii) the date upon which the City of Madison selects a development team other than the development team of Journeyman and Marcus.

3. No trustee, officer, director, security holder, employee or agent of Marcus or Journeyman will ever have any personal liability for any obligations of Marcus or Journeyman under this Letter of Intent or under the Definitive Agreements.

4. Any public announcements indicating the association of Marcus with the Project, and the timing of such announcements, must be discussed and agreed to in advance by Marcus and Journeyman.

5. Marcus and Journeyman each agree to respect and preserve the confidentiality of all “Confidential Information.” “Confidential Information,” as used herein, means (i) the existence and contents of this Letter of Intent and (ii) any information of a proprietary or confidential nature relating to the business or the assets of Marcus, the Project, Journeyman, or any of their respective affiliates or related companies that is not public information known by one or more of the other parties prior to the date of this Letter of Intent. Marcus and Journeyman each agree not to disclose Confidential Information of the other party except as may be required by applicable law (including legal requirements applicable to Marcus as a publicly held company), by court order, or by obligations imposed on the disclosing party pursuant to any listing agreement with any national securities exchange.

6. Journeyman agrees to indemnify and defend Marcus against all claims or losses related to any commissions or finders’ fees asserted against Marcus by any third party arising from or relating to the negotiation and execution of this Letter of Intent or the Definitive Agreements. Marcus specifically affirms that it has not dealt with any broker or finder in connection with this Letter of Intent or the Project.

If this Letter of Intent accurately sets forth your understanding of the proposed transaction, please signify your agreement by signing this letter and returning it to me at your earliest convenience. Unless we receive a signed copy of this letter from you by September 30, 2013 this Letter of Intent will expire on that date and have no further force or effect, with the exception of the obligations of the parties set forth in paragraph 5 above.
We look forward to working with you on this exciting project.

Sincerely,

[Signature]

Douglas A. Neis
Treasurer, Marcus Hotels, Inc.

ACKNOWLEDGED, ACCEPTED AND AGREED:

JOURNEYMAN CONSTRUCTION, INC.

By: ____________________________
Title: __________________________
Date: __________________________

3
## Chapter 14 – Public Private Financial Plan

8. Letter of Interest – Marcus Hotels & Resorts

### Term Sheet

<table>
<thead>
<tr>
<th>Journeyman JV Member:</th>
<th>Journeyman Construction, Inc., and/or its affiliates or assignees.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marcus JV Member:</td>
<td>Marcus Hotels, Inc. and/or its affiliates or assignees.</td>
</tr>
<tr>
<td>Project:</td>
<td>a hotel to be constructed at Block 88, known as Judge Doyle Square, in the City of Madison, WI, which will contain approximately 352 rooms, 18,000 square feet of meeting space, 44 parking spaces, 1 restaurant, 1 to 2 bars and retail space.</td>
</tr>
<tr>
<td>Brand:</td>
<td>Marriott preferred, Westin possible.</td>
</tr>
<tr>
<td>Estimate / Proposed Capital Sources:</td>
<td></td>
</tr>
<tr>
<td>First Mortgage:</td>
<td>$59,500,000</td>
</tr>
<tr>
<td>City Bonds:</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>New Market Tax Credits:</td>
<td>$6,500,000</td>
</tr>
<tr>
<td>TIE Bonds:</td>
<td>$19,300,000</td>
</tr>
<tr>
<td>Member Equity:</td>
<td>Marcus shall invest $1,500,000 in exchange for a 10% interest in the Project, which shall be treated pari passu with Journeyman’s investment.</td>
</tr>
</tbody>
</table>

The parties acknowledge that the final structure and capitalization of the Project may vary from this Term Sheet based upon a number of factors.

### Definitive Agreement:

A contribution agreement, to be negotiated in good faith and agreed, providing for the later execution of a joint venture agreement, technical services agreement, management agreement and related ancillary agreements and documents.

### Pre-Development / Technical Services:

Marcus to provide design, planning, furnishing and equipping consultation to the Project for a fee of $275,000 payable in equal monthly installments over 24 months, and at a monthly rate of $11,460 thereafter, until the opening of the Project to the public, plus out-of-pocket costs and pre-opening expenses.

### Management Agreement:

Once the Project opens for business to the public, Marcus shall manage the Project for a term of 10 years which term may, upon the mutual agreement of the parties in each instance, be extended twice for a period of 5 years for each extension option.

Marcus shall earn:
• a base management fee equal to 3% of gross revenues;

• an incentive management fee, the amount of which is to be determined; and

• an Accounting and Information Technology ("AIT") fee of $8000 per month, subject to adjustment, for various property-level reporting and controls.

In each of the first two operating years of the Project only, Marcus shall subordinate (but not waive) a portion of the base management fee not to exceed one percent (1%) of gross revenues to any actual shortfall of working capital in the event that actual working capital is less than needed to pay current operating expenses (excluding debt service) of the Project, provided, however, that budgeted operating working capital for the property and the annual funding from the City of Madison, as proposed by that certain Request for Proposal as submitted by Journeyman to the City of Madison on or about September 30, 2013, shall have first been utilized and exhausted each such year to pay current expenses before any such subordination shall be required.
September 17, 2013

Journeyman Group
Harley Blackburn
Vice President - Preconstruction
7701 N. Lamar, Suite 100
Austin, TX  78752

Re:  Proposed Marriott Hotel in Madison, Wisconsin

Dear Mr. Blackburn:

This letter (“Letter Agreement”) confirms the intent of Journeyman Group (“Franchisee”) and Marriott International, Inc. (“Franchisor”) to enter into negotiations regarding a hotel franchise agreement (the “Franchise Agreement”) and related agreements under which Franchisor would grant to Franchisee (or its subsidiary) a franchise to operate a full-service Marriott Hotel (the “Hotel”) of approximately 352 rooms and its related facilities at Judge Doyle Square (block 88), Madison, Wisconsin (the “Site”) as part of the Marriott Hotels and Resorts (“Marriott”) system. We are excited about this opportunity and the prospect of working with you on the development and operation of the Hotel as a Marriott hotel (the “Project”).

1. Principal Business Terms

The parties have agreed that the following principal business terms will be incorporated into the Franchise Agreement:

A. Application Fee: Franchisee shall pay to Franchisor an application fee equal to $55,000, of which $10,000 is due upon application and the balance of which is due at the earlier of (a) the time of execution and delivery of the Franchise Agreement, or (b) six (6) months after Franchisor grants conditional approval of the franchise application.

B. Franchise Fees: Franchisee shall pay to Franchisor the following monthly franchise fees:

<table>
<thead>
<tr>
<th>Year</th>
<th>% of Gross Room Sales</th>
<th>% of Gross Food &amp; Beverage Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td>2</td>
<td>5%</td>
<td>2%</td>
</tr>
<tr>
<td>5-25</td>
<td>6%</td>
<td>3%</td>
</tr>
</tbody>
</table>

C. Marketing Fund Charge: Franchisee shall pay to Franchisor a monthly marketing fund charge of 1% of gross room sales.

D. FF&E Reserve: Each month Franchisee shall transfer into a reserve account for renovations and purchase of furniture, fixtures and equipment an amount equal to the following percentages of gross revenues:

<table>
<thead>
<tr>
<th>Year</th>
<th>% of Gross Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td>2</td>
<td>2%</td>
</tr>
<tr>
<td>3-5</td>
<td>3%</td>
</tr>
</tbody>
</table>

637867v1 – MHR Letter of Intent
3/31/12
E. Other Fees and Expenses: Franchisee shall pay to Franchisor such other fees and expenses as set forth in the Franchise Disclosure Document ("FDD") and standard form franchise agreement included in Exhibit C thereto.

F. Term: The term of the Franchise Agreement shall be for twenty-five (25) years from the date the Hotel opens as a Marriott hotel (the "Opening Date"), with no right to renew.

G. Trade Area: Franchisor will not authorize the opening of another Marriott hotel for a period of three (3) years after the Opening Date of the Hotel (but not to extend beyond January 1, 2020) within Madison’s city boundary (the “Restricted Territory”). The restrictions set forth in this Paragraph G shall not apply to (i) any Marriott hotel existing or under development within the Restricted Territory as of the effective date of the Franchise Agreement; (ii) any hotel or hotels that are members of a chain of hotels (provided that such chain has a minimum of 4 or more hotels in operation), all or substantially all (but in no event less than 3 hotels) of which is acquired by, or merged with, or franchised by or joined through marketing agreement with, Franchisor or one of its affiliates (or the operation of which is transferred to Franchisor or one of its affiliates); (iii) any hotel or hotels that are members of a group of hotels that is (in a single transaction, or combination of related transactions, with a single seller or transferor) acquired by, or merged with, or franchised by or joined through marketing agreement with, Franchisor or one of its affiliates, or the operation of which is transferred to Franchisor or one of its affiliates, provided that such group of hotels contains no fewer than 3 hotels; (iv) any current or future lodging product developed or operated by Franchisor or one of its affiliates; (v) if any existing hotel described in (i) above ceases to operate as a Marriott hotel, then for each such hotel (if any), an additional hotel that may operate as a Marriott hotel.

H. Management Company: Marcus Hotels and Resorts will operate the Hotel and, with Franchisee, will enter into a Management Company Acknowledgment in the standard form included in Exhibit C to the FDD.

I. Guaranty: Persons acceptable to Franchisor will enter into a Guaranty in the current form included in Exhibit C to the FDD.

J. Form of Franchise Agreement: The form of the Franchise Agreement will be the standard form of franchise agreement included in Exhibit C to the FDD.

K. Key Money: Franchisor will pay to Franchisee within thirty (30) days after the Opening Date key money in the amount of One Million Dollars ($1,000,000) in consideration for Franchisee’s execution of the Franchise Agreement, development, and operation of the Hotel for the term of, and pursuant to, the Franchise Agreement. If the Franchise Agreement is terminated for any reason, then Franchisee will repay to Franchisor an
amount equal to $3,333.33 multiplied by the number of months remaining in the term of the Franchise Agreement.

2. **Exclusivity Period**

During the Exclusivity Period (as defined below), Franchisee and Franchisor shall negotiate exclusively with each other with respect to the Project. In addition, during the Exclusivity Period, Franchisee shall not (and will cause its affiliates, and the respective officers, directors, and agents of it and its affiliates, not to) enter into any discussion (other than with Franchisor) with respect to, or solicit or entertain proposals for: (1) any development on the Site other than the Project; (2) any franchise or license agreement, or marketing, affiliation or membership agreement or other similar agreement relating to the Hotel (other than the Franchise Agreement); or (3) the sale or other disposition of the Project. The term “Exclusivity Period” shall mean the period of time beginning on the date of this Letter Agreement and continuing for a period of twelve (12) months.

3. **Acknowledgments, Representations, Warranties and Covenants**

Franchisee acknowledges that it has received and read the FDD. Franchisee acknowledges that the final terms of the Franchise Agreement and related documents, if Franchisor makes an offer of a franchise, are subject to approval of the appropriate committees of Franchisor. Prior to such approval and execution of the Franchise Agreement, Franchisor will provide documentation acceptable to Franchisor that evidences the termination of all agreements, if any, relating to another hotel system or reservations system with any third parties regarding the Hotel (each, a “Third Party Agreement”). Franchisee acknowledges that Franchisor will cease negotiation of the Franchise Agreement if Franchisor receives notice that Franchisee and the other party to any Third Party Agreement are not in agreement with respect to such termination. Franchisee will and hereby does defend, indemnify and hold harmless Franchisor, its affiliates, and their respective directors, officers, employees, and agents, from any claim, loss, liability, cost, or expense arising out of or related to any Third Party Agreement.

4. **Costs**

Each party shall bear its own costs and expenses incurred under this Letter Agreement.

5. **Confidentiality**

The parties shall (and shall cause their affiliates, and the respective officers, directors, and agents of each of them and their affiliates, to) maintain the confidentiality of any information related to either of the parties which information is acquired in connection with this Letter Agreement or the Project. This shall include, in particular, any information related to Franchisor, the Marriott hotel system and Franchisor’s procedures and systems. Each of the parties agrees that neither it, nor any of its affiliates, or their respective directors, officers, employees, or agents will use any confidential information obtained from the other party, except in connection with this Project. No information regarding the Project shall be disclosed to any third person or entity (including the press and the media) without the prior written consent of the other party unless disclosure is required by law or such information is available to the public or otherwise properly obtained by the party from another source. However, each of the parties may disclose such information to the following: (i) to any of its affiliates, and to their respective
6. **Enforceability**

It is understood and agreed that (a) this Letter Agreement is intended to be, and shall be construed only as, a letter of intent summarizing and evidencing the discussions between Franchisor and Franchisee to the date hereof, (b) the respective rights and obligations of Franchisor and Franchisee remain to be defined in the Franchise Agreement; and (c) except as set forth in Paragraphs 2, 3, 4, 5, 6, and 7 which are intended to be the binding and enforceable obligations of the parties, this Letter Agreement constitutes a general, non-binding letter of intent and does not create a legal, binding commitment or obligation (including the obligation to negotiate in good faith) on the part of the parties or any of their affiliates to pursue the Project or any other transaction.

7. **Governing Law**

This Letter Agreement is executed pursuant to, and shall be construed under and governed exclusively by, the laws of the State of Maryland.

Please indicate your approval of and agreement with the foregoing by having a duly authorized representative of Franchisee execute both duplicate originals of this Letter Agreement. Please then keep one fully executed original for your files and return to Franchisor the fully executed duplicate original.

Sincerely yours,

AGREED AND ACCEPTED:

MARRIOTT INTERNATIONAL, INC.  
JOURNEYMAN GROUP

By: ___________________________  By: __________________________
Name:       Name:       
Title:       Title:       
Date:       Date:       

CONFIDENTIAL