Projection of Income for:

Year	1	2	3
Gross Sales			
Less: Returns & Allowances			
Cost of Goods Sold			
Gross Profit			
Other Income			
Expenses			
Advertising			
Bad Debts			
Car & Truck			
Franchise Expense			
Royalty Fee			
Insurance			
Employee Benefit Programs			
Depreciation			
Amortization			
Interest Expense – Bank			
Interest Expense – Other			
Legal/Professional Fees			
Office Expense			
Rent/Lease - Building			
Rent/Lease - Other			
Repairs/Maintenance			
Supplies			
Travel			
Meals/Entertainment			
Utilities:			
Phone			
Electric			
Gas			
Garbage			
Other			
Wages – Employees			
Other Expenses			
Total Expenses			
Net Profit			

Debt Service

Assumptions Example

Revenues – Based on 65% occupancy and ADR of $32 for the first year. The historical average for 1991 was 63.67% occupancy and an ADR of $32.32. The average for 1990 was 52.79% and an ADR of $31.71. Room revenue is realistic based on historical results.

Telephone and Restaurant Revenues – These figures were based on historical 1991 results. Telephone revenue totaled $27,000, and restaurant revenue totaled $238,000 in 1991. Projections are realistic.

EXPENSES:

Desk Salary – Desk clerks will be paid $5.25 per hour. Based on the average occupancy rate, a total of 4 desk clerks will be required. Each clerk will work a nine hour shift, with overlapping shifts during peak hours and on weekends.

Maids Salary – Maids will be paid $4.50 per hour. Using an industry average of 25 minutes for cleaning a room, and based on rentals of 23,250 per year, the maid salary calculates to $43,000 annually. (23,250 x 25/60 x 4.50).

Restaurant Salary – Based on 35% of gross restaurant income.

Office Salary – One full time administrative/secretary will be hired to operate the office. Victor will be on site to oversee all operations and act as the general manager.

Maintenance Salary – Current maintenance salary is $66,000. The applicant will cut this expense by $20,000. Only one maintenance person will be retained on a full-time basis. An annually salary of $30,000-$35,000 will be paid. An additional $10,000-$15,000 will be for taxes, insurance, and worker's compensation, resulting in total maintenance salary $40,000.

Maintenance – Total projected expense is $45,000. For 1991 and 1990 total repairs and maintenance was $38,000 and $53,000, respectively, resulting in an average of $45,000 per year. Budget is reasonable.

Advertising – Per 1991 financial statement total advertising expense was $22,000. The applicant intends to heavily advertise the property in order to maintain a 65% occupancy in the first year. Therefore, a budget of $4,000 was estimated.

Franchise Fee – Based on royalty fee of 4% of gross revenues and includes other miscellaneous fees payable to franchisor.

Utilities – Total utilities expense for 1991 was $82,000, and included cable, gas, water, electricity. The new owners anticipate $72,000 for utilities plus another $6,000 for cable, which totals $78,000. This is just slightly below the historical figure. They have noticed air conditioners running in vacant rooms and feel that the expense can be minimized slightly.

Property Taxes – Based on 1991 history expense

Insurance – General umbrella for 1991 was $36,000. Projected expense of $36,000 is reasonable.

Other insurance – Taken from 1991 actual figures supplies by seller.

Management Fees – This includes salary of $30,000 for Victor Patel, who will act as manager/supervisor of the motel.

Food Costs – Historical food costs of $104,000 for 1991 was based on revenues of $328,000. Estimated revenue for twelve months under the new ownership was $237,000. Therefore COGS of $120,000 seem conservative and realistic.

Equipment rental – Based on 1991 historical financial statements provided by seller.

PROJECTED PROFIT AND LOSS STATEMENT

Assumptions

Revenue:

The historical average monthly sales for 1999 to date was $42,000. Based on 26 business days per month, the average sales per day was $1600. We are going to open on Sundays after taking over and are expecting to increase the sales by 1/6, which is 16%. At the same time, we are going to provide delivery service too. Adding delivery should increase the sale amount by $300 per day. We are going to build a wine bar too. The expected sales increase is $60 per day. Sales revenue of $58,540 for 1999 and $6000 for 2000 and $7000 for 2001 is realistic based on the historical results.

Expenses:

Cost of goods sold – Food cost is 35% of the sales. The rate for 1998 and 1999 up to date was 34.7%. The food cost is reasonable.

Advertising – In 1999, we are going to spend $300 per month on advertising, of which $120 will be on fliers and $180 on newspaper ads.

Insurance – Based on $175 per month, which is the amount the restaurant is paying now.

Interest Expenses (SBA loan) – This amount is monthly payment for the loan. It includes both principal and interest. The $2500 per month is based on the estimation of PMC.

Office Expenses - $60 per month for pens, papers, and etc.

Rent/Lease – Building - $4800 is the amount on the lease contract. It will stay the same until the year 2003.

Rent/Lease – Dishwashing - $110 per month is the amount the restaurant is currently paying.

Supplies – the monthly expenses for 1998 was $1000 per month. We are expecting some increase with increased sales. $1500 is reasonable. The supplies include dishes, bowls, silverware, and etc.

Repairs/Maintenance – The repair and maintenance for 1998 was $2967.83. Our budget for repair and maintenance is $5000 per year.

Utilities cost – Utilities cost is based on the amount the restaurant is currently paying which is $900 on electricity and $500 on gas. Our budget is $1400 per month for 1999, $1667 per month in 2000 and $2083 per month in 2001.

Phone expenses – the average phone expenses for 1999 to date was $150 per month. We are not expecting and increase in it for 1999. Our budget for 2000 is $200 per month and 2001 is $250 per month.

Wages:

The monthly wages for the restaurant staff is as follows:

		1999	2000	2001
General Manager	1	$ 3,000	$ 3,500	$ 3,500
Service Manager	1	$ 2,000	$ 2,200	$ 2,500
Chef	1	$ 2,200	$ 2,200	$ 2,500
Cook	1	$ 1,800	$ 2,000	$ 2,200
Dishwashing	1	$ 1,100	$ 1,200	$ 1,230
Waiter/Waitress	2	$ 900 (2)	$ 1,300 (3)	$ 1,000 (4)
Cashier	1		$ 1,600	$ 1,600
Delivery	1	$ 1,000	$ 1,000	$ 1,000
Total per month		$12,000	$15,000	$18,330

The wages are based on the current market wages for the above staff.

Hotel Example

Income and Expense Assumptions

REVENUE
When establishing the room revenue we looked at the following criteria:

- Actual occupancy for the last three years is 53.3%. We set the occupancy for year one at 55% still under the competitive set.
- Average rate for 2000-2002 was $56.28; however, 2002 is inflated due to the Olympics. We set the rate at $53.00 for year one as the economy begins to improve and the operator works the Choice – Profit Manager System.
- First year room's revenue is based on the occupancy and rate mix. The projection increase rate is 5% for years 1 though 3 and stabilizes at year 4 at 3%.
- Telephone revenue is based on a $1.23 per occupied room.
- Other revenue (vending) is based on a 1% of room revenue.

PAYROLL
Staffing model is consistent with other properties managed by us that are limited service with similar number of rooms.

Staffing model includes:

- Desk Clerks – 112 hours per week at an average hourly rate of $9.00. The front office will operate with a lead clerk, but not a front office manager.
- Night Manager/audit – 56 hours per week at an average rate of $9.50.
- Lead Housekeeper – 40 hours per week at an average rate of $9.00.
- Room Attendants – productivity is based on cleaning 16 rooms per day. The average hourly wage is $7.50.
- House Person – 40 hours per week at an average hourly wage of $7.25
- Maintenance – 40 hours per week at an average hourly wage of $9.50.
- Sales Manager – Annual salary of $30,000.

Total full time employees estimated at 15.

Guest/cleaning room & laundry supplies – based on $1.14 per occupied room

Line – replacement cost is $.30 per occupied room

Front desk office/printing – is based on $.45 per occupied room

Admin & General – 9% of total revenue and includes credit card fees, contract services i.e. reservation system, TA commissions, management fees, license and permits, admin office overhead.

Marketing is based on 2% of total revenue. This expense is in addition to marketing fees paid to the Franchise.

Franchise fees are based on 7% of room revenue.

Maintenance repair and supplies is based on 2.2% of revenue.

Complimentary food is based on $1.20 per occupied room.

Telephone expense is based on 85% of telephone revenue.

Other operating expenses are based on 1% of total revenue.

FIXED EXPENSES:

Property tax is based on 1.2% of the property value.

Insurance is based on existing premium for the property.

Reserves for replacement is based on 2% of total revenue.

Land lease is based on $2.7850 per month (existing).