CONCLUSIONS

The Market research and analysis, as described in this report, indicate that the composition, strength, and projected demand for lodging accommodations in Cape Coral, Florida, are sufficient to support hotel development. The following comments highlight the findings that support this market conclusion.

Market Area Analysis
(Section C)

Cape Coral, Florida, was ranked the fourth-fastest growing city in the United States among populations greater than 100,000 by the U.S. Census Bureau in 2006. The city has a total area of 120 square miles, making it the third-largest in Florida.

Founded in 1957 and incorporated in 1970, Cape Coral is a young city with a rich tradition of urban planning, cooperative government, sound infrastructure and cultural amenities.

By being located on a peninsula, adjacent to the Barrier Islands of Sanibel and Captiva, Cape Coral offers boaters direct access to the Gulf of Mexico. It is a premier waterfront community with more than 400 miles of waterways, including 222 miles of saltwater access canals, 156 miles of freshwater canals connecting dozens of freshwater lakes and 31 miles of shoreline.

Cape Coral's population of nearly 170,000 is primarily a residential community in the growing area of southwest Florida. This residential community supports over 3,200 businesses, which makes it one of the nation's premier housing markets.

The City of Cape Coral owns and operates Sun Splash Family Waterpark, the only park of its size and scope southwest of Orlando. A regional attraction, its 15 acres of water rides and attractions entertain more than 190,000 visitors each season. Cape Coral's Parks and Recreation Department also maintains a sand beach and yacht basin along the Caloosahatchee River. This river connects directly to the Gulf of Mexico.

The Coral Oaks Championship Golf Course, owned by the City of Cape Coral, and designed by Arthur Hills featuring TifEagle greens, is a rich, natural course offering challenging play for all levels.

The city has been nationally recognized for dynamic growth and business success: a place described as "Boomtown" by *Inc. Magazine*; ranked nationally for job "creation for two consecutive years" by the Milken Institute; and listed as number one in job growth by *Forbes Magazine.*

Site and Area Evaluation

(Section D)

Cape Coral is one of the leading residential communities in southwest Florida. It is served by Interstate Highway 75, which extends from Michigan through Ohio, Kentucky, Tennessee and Georgia into Florida, and on to Miami Beach. Southwest Florida International Airport (RSW) is located 15 miles from Cape Coral; it is one of the fastest growing airports in the United States.

Cape Coral, Florida, is divided into four quadrants: NW, NE, SW and SE. The east-west divide is Santa Barbara Blvd., and the north-south divide is Embers Pkwy/Hancock Bridge Pkwy. The city contains a large network of canals, some of which lead to the Gulf of Mexico and various local lakes.

The Cape Coral Bridge connects Cape Coral Parkway to College Parkway in Fort Myers. The Midpoint Memorial Bridge connects Veterans Parkway to Colonial Boulevard, also in Fort Myers. Hancock Bridge Parkway, after intersecting Santa Barbara Boulevard, sweeps north to its terminus on Pine Island Road, with the east end of Hancock Bridge Parkway terminating at U.S. Highway 41.

The proposed hotel site areas are strategically located throughout Cape Coral for business and leisure growth.

1. ***Pine Island Road at Santa Barbara***. The area near the Sun Splash Waterpark and the proposed ice skating rink is an ideal hotel development location. Pine Island Road is easily accessible to Interstate Highway 75 and U.S. Highway 41.

2. ***Bimini Basin and the Four Freedoms Park*** is located in the Cape Coral Traditional Downtown District at the base of the Cape Coral Bridge crossing the Caloosahatchee River. The area is being redeveloped as a 24-hour vibrant urban village where people can live, work, shop and be entertained.

3. ***Pine Island Road***, NE 23rd Avenue and Pine Island Road, near the proposed Veteran's Administration Regional Hospital is an area for future hotel development. The area is easily accessible to Interstate Highway 75 and U.S. Highway 41.

Supply and Demand Analysis

(Section E)

There is a demand for hotel development in Cape Coral, Florida. The city currently has two franchised hotels — the 75-room Hampton Inn and Suites built in February 2006 and the 142-room Quality Inn built in April 1985. This hotel room undersupply has local visitors staying at franchised hotels in the nearby city of Fort Myers.

Site 1. Pine Island Road. Located in the heart of Cape Coral at the Sun Splash Waterpark, this location would be successful with a suggested 100-room limited-service brand hotel catering to family travelers, visiting relatives and families participating in regional sports competitions. Examples of family-oriented hotel brands are:

1. Country Inn and Suites by Carlson Hotels (used as an example in the financial analysis presented in this Study).
2. Comfort Inn and Suites by Choice Hotels International.
3. Microtel Inn and Suites by US Franchise Systems (owned by Hyatt Hotels).

There is a possibility that two hotels can be built in this area of the waterpark, one being a midpriced hotel, which is used as an example in the Study's Proforma, and the second, a budget hotel such as the Microtel Inn and Suites.

Site 2. Bimini Basin and the Four Freedoms Park. A hotel in this area will have views of the Caloosahatchee River. Market research suggests an upscale select-service lifestyle/boutique hotel catering to vacation and business travelers would be successful in this urban area. Examples of select-service lifestyle hotel brands include:

1. Hotel Indigo by InterContinental Hotels Group.
2. Cambria Suites by Choice Hotels International.
3. Hyatt Place by Hyatt Hotels.
4. Aloft by Starwood Hotels.

The aforementioned select-service brands are representative of a hotel to be included as this redevelopment area comes to fruition in the near future.

Site 3. Pine Island Road. Area number 3 is located near the proposed Veterans Administration Hospital site. A suggested midpriced hotel brand is recommended with a number of extended-stay rooms for hospital patients and families. Market generators for this hotel site are also travelers doing business with Cape Coral's government offices and local business professionals. Examples of midpriced limited-service brands include:

1. Hampton Inn and Suites by Hilton Hotels.
2. La Quinta Inn and Suites.
3. Comfort Inn and Suites by Choice Hotels International.
4. Holiday Inn Express by InterContinental Hotels Group.
5. Springhill Suites by Marriott Hotels.

One of these hotels could be developed concurrently with the proposed Veterans Administration Hospital.

The Hampton Inn of Cape Coral was coupled with similar franchised hotels of Fort Myers to produce a necessary Competitive Market Set of Hotels. Such a Competitive Set illustrates the business produced and, as such, is used as the support data in developing the Proforma for the proposed hotel presented in this Study.

The Smith Travel Research Market Set Occupancy reports a steady growth from 2002 at 58.2% to 65.5% in 2003 and 72.4% in 2006. In 2007, as of November 2007, the Occupancy was 69.4%. This drop was due to an increase in room supply of 14.3%. However, the rate of room demand increase continued to be strong at 4.6%.

Smith Travel Research shows the inflation rate in the Competitive Market Set has been increasing on an average of 2.5%. In 2002, the Average Daily Rate was $77.34; 2003, $79.31; and 2006, $110.81. As of November 2007, the Average Daily Rate was $110.80. Using a 2.5% increase from 2007 to the first base operating year for the proposed hotel in Cape Coral, Florida, shows an Average Daily Rate of $122.00 in 2010.

The 2004 and 2005 Smith Travel Research data have not been used in this Study due to hurricane activity in the market area.

Proposed Facilities and Services
(Section F)

For the purposes of this Study, Country Inns and Suites, a franchise of Carlson Hotels, Minneapolis, Minnesota, is presented. Country Inns and Suites is one of the leading franchises in the midpriced segment of the Hospitality Industry. Their philosophy, concept and design are presented in this Section.

The Market Research for the proposed hotel has determined that the room mix should consist of:

Queen/Queen Suites	30
King Suites	30
King/Sofa Studio	20
Celebration Suites with Jacuzzi Tub	5
One-Bedroom Suite King/Sofa Bed, Extended-Stay Kitchen	15
Total Guest Rooms	100

In addition to the market-driven suites that are to be furnished to Country Inns and Suites standards, the Country Inn and Suites should incorporate a Guest Laundry, expanded Meeting Room, Aquatic Center of outdoor Swimming Pool and Spa, and a Fitness Center. All rooms should have the latest technology in Internet wiring. Telephone and Internet services are forecasted to be complimentary. All rooms should have refrigerator/freezers, microwaves and coffee makers to meet the competitive demand.

Projected Utilization of the Proposed Hotel
(Section G)

The proposed Country Inn and Suites market penetration and underlying assumptions are summarized as follows:

1. *Leisure:* Due to the uniqueness of the hotel being marketed as a midpriced limited-service product, the hotel's projected penetration of fair market share will range from 100.0% to 105.3% over the five-year projection period. If for any reason the leisure business declines through seasonality or energy shortages, state and local commercial solicitation must be made to offset the decline.

2. *Commercial:* The fair market share of commercial business is projected to run from 100.0% to 105.3%. This can be achieved with a professional sales marketing effort enhanced by the uniqueness of this new type of hotel.

3. *Occupancy:* The projected occupancy should be attainable if the property is professionally operated in all facets, and business of the area continues to be positive. In years 3 to 5, additional competition may materialize to substantially reduce the projections.

Country Inn and Suites Projected Average Room Rate (Current Year Dollars)			
Year	*Room Revenue*	*Occupancy*	*Average Room Rate*
2010	$3,117,100	70%	$122.00
2011	$3,337,560	72%	$127.00
2012	$3,623,400	75%	$132.00
2013	$3,850,390	77%	$137.00
2014	$4,094,570	79%	$142.00

Source: Interim Hospitality Consultants

Financial Analysis
(Section H)

Projections of annual operating returns for the proposed Country Inn and Suites were prepared for five years, 2010 through 2014. The projections are based on the results of operations of comparable facilities and our conclusions regarding the environment in which the proposed hotel would operate.

Country Inn and Suites Cape Coral, Florida			
Year	*Total Revenues*	*Net Operating Income Before Debt Service*	
2010	$3,251,240	$928,280	28.6%
2011	$3,475,530	$1,090,430	31.4%
2012	$3,969,510	$1,281,880	34.0%
2013	$3,995,980	$1,443,660	36.2%
2014	$4,245,960	$1,623,870	38.2%

Source: Interim Hospitality Consultants

These projections are based on estimates and assumptions developed in connection with the Feasibility Study. However, certain assumptions may not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the projection period may vary from the forecasts, and the variations may be material.