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Market Analysis and Financial Projections

Proposed Middletown Inn

Middletown, Connecticut

Prepared for

Mayor Domenique Thornton
City of Middletown
Mayor's Office
245 deKoven Drive
Middletown, CT 06457

October 22, 1999

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Pinnacle
Advisory Group

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Advisory
Group

Hospitality Consulting
Real Estate Appraisal
Asset Management

October 22, 1999

Mayor Domenique Thornton
City of Middletown
Mayor's Office
245 deKoven Drive
Middletown, CT 06457

Dear Mayor Thornton:

In accordance with your request and the terms of our engagement letter dated July 16, 1999, we have completed our analysis of the potential future market demand for the proposed development of a full-service hotel (referred to as "The Middletown Inn" hereafter in this report) in the downtown area of Middletown, Connecticut. Should our siting recommendation be followed, the Inn would be created via adaptive re-use of the former Armory structure located on the east side of Main Street. The results of our research and recommendations which arise therefrom, are outlined in this report.

The conclusions presented in this report are based upon our current knowledge of the market for lodging and related ancillary facilities at the subject location as of the completion of our fieldwork and analysis on October 22, 1999. As in all studies of this type, the estimated annual performance levels are based on competent and efficient management and presume no significant changes in the competitive dynamics in the market other than those specifically discussed in the report. The projections contained herein are based upon estimates and assumptions which are subject to uncertainty and variability. While we do not represent the projected operating results as those which will ultimately be achieved, we have prepared them conscientiously based upon the most reliable forms of information available to us and our extensive experience in the lodging industry. We have no obligation, unless subsequently so engaged, to update this study because of events and transactions occurring subsequent to the completion of the study.

It is expressly understood that the scope of the study and report does not include the possible impact of zoning regulations, licensing requirements or any other restrictions concerning the proposed project, except where such matters are discussed within this report. It is our understanding and assumption that the developer of this project will prepare its plans in accordance with local land-use regulations and any other applicable restrictions.

This report has been prepared primarily for your use in evaluating the probable economic feasibility of the proposed project and for possible use in discussions with potential developers of the subject inn. Secondary uses of this document may include presentation to potential lenders with respect to obtaining institutional financing, as well as negotiation and deliberations regarding leases, management contracts, or franchise agreements applicable to the proposed property. Neither our name nor the material contained herein may be included in any prospectus, offering brochure, or any other printed media in connection with the sale of securities or participation interests to the public without our prior written consent, such consent not to be unreasonably withheld.

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We appreciate having the opportunity to present this report to you. Please do not hesitate to call us should you have any questions or wish to have us elaborate on any of the material presented in this report.

Pinnacle Advisory Group

Table of Contents

Introduction and Scope

Introduction

Pinnacle Advisory Group was engaged by the City of Middletown, Connecticut to evaluate the propriety of a hotel development in the downtown area of the City. Several sites were examined with respect to their potential suitability for the project. The primary purpose of this study was to evaluate the prospective development sites with regard to the suitability of each for lodging development and to perform an in-depth analysis regarding the market for and likely financial performance of such a development

Scope of Research and Analysis

The primary scope of work completed for this analysis included the following:

1. Examination of the five potential development sites (including touring the interior of the existing structure at one - the site commonly referred to as "The Armory) and evaluation of the surrounding areas with regard to potential suitability for operation of a hotel such as that being considered.
2. Identification of the supply of existing hotels which cater, in a significant fashion, to demand generated in the geographic areas surrounding Middletown which would be competitive or comparable, in varying degrees, with the proposed Middletown Inn;
3. In-person interviews with representatives of management at the defined relevant set of hotels and including a detailed site inspection at each property;
4. Gathering of information regarding the actual performance levels of the identified hotels via our contact with on-site management, directly from ownership of the subject properties, and/or via other sources such as representatives of franchise or management companies involved at each property;
5. Interviews with representatives of government and planning agencies with regard to the area lodging market in general as it would relate to the subject development, including discussions regarding proposed developments;
6. Design of a three questionnaires and completion of a mailed survey regarding potential levels of lodging demand from:
    - Area businesses
    - Area tourist attractions
    - Wesleyan University
7. Tabulation and analysis of the survey data including follow-up discussions with the respondents as necessary;
8. Focus group research with representatives of key academic and organizational departments of Wesleyan University;
9. Preparation of estimated demand levels for the proposed Middletown Inn on the basis of the research outlined above;

10. Compilation of a recommended facilities profile and sizing to adequately service demand as identified during the survey and research process;
11. Preparation of projections of occupancy and average rate per occupied unit for the proposed Middletown Inn, assuming that all of the facilities, services and amenities of importance according to the survey research would be made available and that the recommended site is chosen for development;
12. Preparation of estimated financial operating results for the proposed Inn's first five years of operation; and
13. Preparation of this report summarizing our findings, conclusions and recommendations on the basis of the above work steps.

This report has been prepared on the basis of the research and analysis from the work outlined above and incorporates all of our findings and conclusions regarding the subject development.

Site, Area, and Facility Considerations

Introduction

The scope of this study included evaluation of several alternative sites in the downtown area of Middletown which could potentially be developed for lodging use. The five sites which were considered are listed below:

Available Lodging Development Sites

Site	Possible Square Feet
Middlesex Mutual Green Space	10,000 to 20,000
Plaza Middlesex	10,000 to 15,000
Armory Building	10,000 to 15,000
Middlesex County Courthouse	15,000
Nehemiah Housing Site	10,000

Source: City of Middletown Planning, Conservation and Zoning

After a ranking and rating the sites, our primary focus was placed upon the first three sites listed. Middlesex Mutual Green Space is an open site which was originally intended to be the site of a second Middlesex Mutual office tower. Plaza Middlesex is a site in the surface parking lot adjoining the Middlesex Historical Society lot. The "Armory Building" is a site on the east side of Main Street in the vicinity of Union Street which contains an existing structure of historical significance which could be used, in part, to develop the proposed Middletown Inn.

Site Considerations and Selection

As discussed several times in this report, the research provided a strong indication that the perception of downtown Middletown has improved substantially in recent years. Almost 80 percent of the businesses surveyed ranked downtown Middletown as either a "much more desirable" or "somewhat more desirable" area for the location of a hotel than existing hotel locations in the surrounding areas. In the case of Wesleyan University, 86% ranked a downtown location as more desirable in the same fashion. The survey instrument specifically referred to a potential development location as being in the "Main Street/Wesleyan District" of downtown.

The table which appears on the following pages summarizes a broad array of issues related to possible locations for the proposed inn. Rankings for each site related to each issue have been made on the basis of our professional judgement combined with the input received from the surveys and, in the case of Wesleyan, from the focus group research.

Proposed Middletown Inn - Ranking of Site Attributes

	Middlesex Mutual Green Site			Plaza Middlesex Site			Armory Building Site		
Issue or Attribute	**Importance of Attribute**	**Pinnacle Ranking**	**Blended Ranking**	**Importance of Specific Attribute**	**Pinnacle Ranking**	**Blended Ranking**	**Importance of Specific Attribute**	**Pinnacle Ranking**	**Blended Ranking**
Proximity to:									
Main Street activity overall (integration)	1.0	2	2.0	1.0	2	2.0	1.0	1	1.0
Restaurants and Shops	1.0	2	2.0	1.0	2	2.0	1.0	1	1.0
Route 9	2.0	2	4.0	2.0	2	4.0	2.0	1	2.0
Wesleyan	2.0	1	2.0	2.0	1	2.0	2.0	2	4.0
Physical issues:									
Aesthetics of location	1.0	2	2.0	1.0	2	2.0	1.0	1	1.0
Adequacy of probably site size overall	1.0	1	1.0	1.0	1	1.0	1.0	1	1.0
Adequate parking on-site or adjacent	2.0	1	2.0	2.0	1	2.0	2.0	2	4.0
Ease of access from Route 9	2.0	2	4.0	2.0	2	4.0	2.0	1	2.0
Visibility and site prominance	1.0	2	2.0	1.0	2	2.0	1.0	1	1.0
Ability to put forth desired "ambiance"	1.0	2	2.0	1.0	2	2.0	1.0	1	1.0
Importance of site to downtown revitalization	1.0	3	3.0	1.0	2	2.0	1.0	1	1.0
Possible site acquisition/prep costs	2.0	1	2.0	2.0	2	4.0	2.0	3	6.0
Ease of site location and assemblage	2.0	1	2.0	2.0	2	4.0	2.0	2	4.0
Total score (lower is better)			**30.0**			**33.0**			**29.0**
Site Ranking (#1 is best)			**2**			**3**			**1**

Source: Pinnacle Advisory Group

Key:

Survey responses:

1 = Extremely important

2 = Somewhat important

Pinnacle ranking:

1 = Likely to be most favorable of 5 options

5 = Likely to be most unfavorable of 5 options

Ties indicated by same number assigned to multiple sites

Proposed Middletown Inn - Ranking of Site

	Middlesex County Courthouse Site			Nehemiah Housing Site		
Issue or Attribute	**Importance of Specific Attribute**	**Pinnacle Ranking**	**Blended Ranking**	**Importance of Specific Attribute**	**Pinnacle Ranking**	**Blended Ranking**
Proximity to:						
Main Street activity overall (integration)	1.0	3	3.0	1.0	3	3.0
Restaurants and Shops	1.0	3	3.0	1.0	3	3.0
Route 9	2.0	1	2.0	2.0	1	2.0
Wesleyan	2.0	3	6.0	2.0	2	4.0
Physical issues:						
Aesthetics of location	1.0	1	1.0	1.0	3	3.0
Adequacy of probably site size overall	1.0	1	1.0	1.0	1	1.0
Adequate parking on-site or adjacent	2.0	3	6.0	2.0	4	8.0
Ease of access from Route 9	2.0	1	2.0	2.0	1	2.0
Visibility and site prominance	1.0	2	2.0	1.0	2	2.0
Ability to put forth desired "ambiance"	1.0	1	1.0	1.0	3	3.0
Importance of site to downtown revitalization	1.0	2	2.0	1.0	3	3.0
Possible site acquisition/prep costs	2.0	3	6.0	2.0	4	8.0
Ease of site location and assemblage	2.0	3	6.0	2.0	3	6.0
Total score (lower is better)			**41.0**			**48.0**
Site Ranking (#1 is best)			**4**			**5**

Source: Pinnacle Advisory Group

Key:
Survey responses:
1 = Extremely important
2 = Somewhat important
Pinnacle ranking:
1 = Likely to be most favorable of 5 option
5 = Likely to be most unfavorable of 5 opti
Ties indicated by same number assigned t

Each of the five sites has been provided a score for each attribute which is the product of the importance attached to the attribute and Pinnacle's relative ranking for each site in terms of its ability to provide the best site with regard to that attribute. Scores are then totaled for each site with the **lowest** score indicating the most attractive site. As shown in the tables, this ranking process has indicated that the sites rank from most attractive to least attractive as follows:

1. Armory Building
2. Middlesex Mutual Green
3. Plaza Middlesex
4. Middlesex County Courthouse
5. Nehemiah Housing

Specific site issues are addressed in the table. Generally, the Armory Building site ranked highest in terms of its appropriateness for the following reasons:

- It is located immediately on Main Street. This, combined with the possible adaptive re-use of a building with historic significance would ensure a higher level of integration with and more visible profile to the Middletown community than the other sites;
- It is both proximate and centrally located to the concentration of restaurants, entertainment (movies) and retail stores along Main Street and is also conveniently located with regard to potential use by visitors to Wesleyan University;
- Parking availability should be possible via some combination of surface parking and parking under the inn structure itself. This could be supplemented by available spaces in the Middletown Press parking lot immediately adjacent. Sites 2 and 3 also were rated highly with regard to parking, but such would be accomplished via use of the Middlesex Mutual Garage. In the case of Site 3, the development of the inn would actually replace existing parking which could be detrimental to the businesses already in place adjacent to that site;
- The recommended Armory site would offer the proposed inn a prominent location along Main Street while, at the same time offering an aesthetically pleasing one with (assuming sufficient building height) views of the Connecticut River and Harbor Park;
- As of the time of this writing, the Armory property appears to be easily acquirable for the subject development. While sites 2 and 3 would also be relatively easy to assemble, the development of the Armory site achieves an additional goal of restoring and enhancing the Main Street streetscape.

For the above reasons, we are of the opinion that the Armory site is the site which is most suitable, at the present time, for consideration with regard to the subject development. We note that Site 2 - the Middlesex Mutual Green site ranks a very close second and would also be suitable for the subject development.

Highway Access and Visibility

Direct highway access and roadside visibility are typically of less importance to a downtown lodging facility such as that proposed than they would be to a more standard transient hotel which depends to a larger degree on drive-by business. Virtually all demand for the Middletown Inn can be expected to consist of visitors who would have advance reservations.

Primary access from the only nearby major artery - Route 9 is relatively direct via the deKoven Drive exit from the highway travelling southbound which would bring the driver to a stop light at the corner of Main Street and Union Street, immediately proximate to the recommended Armory site. Travelling northbound on Route 9, one would exit the highway by way of left turn at a stoplight on Route 9 at the end of College Street and then either proceed south on deKoven Drive or continue to Main Street and then proceed south to the subject site. Access to major concentration of attractions and activities throughout the area would be provided by Route 9 via these exits.

Air Transportation

Bradley International Airport, north of Hartford in Windsor Locks is serviced by major commercial airlines with regularly scheduled flights on full-sized aircraft. It would provide the most proximate major means of accessing the subject facility for those arriving by air, being accessible within approximately 30 minutes driving time via Route 9 and Intestate 91.

Recommended Facilities and Amenities

Factoring the survey findings and supply and demand dynamics into our analysis, our recommendation regarding facilities and amenities for the proposed Middletown Inn is as follows:

Guest Rooms

A detailed description of the research process utilized to recommend the guest room complement for the proposed inn appears later in this report. On the basis of our research, we conclude that the optimal number of rooms, given demand factors within the market, and at the recommended location, is 100 guest units. Given the niche identified for the subject and the input received during the survey and focus group process, we believe that this 100-unit development size is entirely appropriate and will provide a more intimate feeling for guests without detracting significantly from the likely ability to flexibly book groups and individuals into the facility.

Our recommendation regarding the type, sizing and total square footage of the guest rooms at the Middletown Inn is summarized in the table below:

Recommended Guest Room Configuration

Room Types:	Percent of Total	Number	Square Feet Each	Total Square Feet
King	58%	58	350	20,300
Double Double	15%	15	375	5,625
Handicapped	2%	2	400	800
Suites	25%	25	500	12,500
Net Total	100%	100		39,225
Gross Factor				35%
Total Gross Square Footage				52,954
Rounded				53,000

Source: Pinnacle Advisory Group

As noted in the table, we recommend a large concentration of King-bedded rooms and suites in keeping with current preferences in the industry. In particular, we recommend that the suites be designed to provide a comfortable stay for relocating employees who might have a relatively long average length of stay while they seek permanent housing. The heavy concentration of corporate demand and demand emanating from activities at Wesleyan leads us to recommend that a working desk area and sophisticated audio-visual capability should be provided. All units should have dual line telephones and should be equipped with the ability to handle express check-out and other Inn services via the television. While not reflected as high priority in the survey results, we believe that all rooms should be equipped with irons and ironing boards in addition to coffee makers since these amenities are relatively standard fare at the competitive hotels.

Food and Beverage

On the basis of the survey results, we recommend that the Inn provide a restaurant designed to take advantage of the Main Street location in terms of attracting non-guests. A flexible design should be employed to provide a casual "café" atmosphere during breakfast and lunch and a more upscale "white linen" atmosphere during dinner hours. A basic premise of this analysis is that the quality of both product and service of food and beverage will be in keeping with the expectations of the market, i.e. that it will be on par with that currently offered at the area's rapidly improving and expanding supply of restaurants and superior to that offered at the majority of the other hotels in the defined competitive set A summary of recommended square footage related to food and beverage facilities is provided in the table below. As noted in the table, we recommend that a small lobby bar be provided or, alternatively, that an area within the café be designed as a bar area.

Recommended Food and Beverage Areas

Recommended Space:	Seats per Guest Room	Square Feet per Seat	Number of Seats	Rounded Seats	Total Square Feet
Café Restaurant	1	16	100	100	1,600
Small Lobby Bar	0.1	15	10	10	150
Net Total					1,750
Gross Factor					25%
Total Gross Square Footage					**2,188**
Rounded					**2,200**

Source: Pinnacle Advisory Group

Conference and Function Space

The survey research highlighted clearly that relatively small, sophisticated meeting facilities with all the "bells and whistles" would serve to fill an important need in the market and would be very attractive to the respondents surveyed. A summary of our recommendation regarding conference and function space is outlined in the following table:

Recommended Conference and Function Space

Recommended Space:	Seats per Guest Room	Square Feet per Seat	Number of Seats	Rounded Seats	Total Square Feet
Conference and Board Rooms	1.5	15	150	150	2,250
Divisible Function Room	2.5	18	250	250	4,500
Net Total					6,750
Gross Factor					20%
Total Gross Square Footage					**8,100**
Rounded					**8,100**

Source: Pinnacle Advisory Groupo

Recreational Facilities and Amenities

Our research with area businesses revealed that the need for elaborate health club or "spa" amenities in terms of attracting the business market to the proposed inn was only moderate. Health Club was ranked as 10th of 17 attributes evaluated; "Spa Amenities" ranked last in terms of importance. Wesleyan representatives felt that "Spa Amenities" were more important - ranking them 7th while ranking Health Club as 10th - identical to the business users.

Our experience in the industry leads us to believe that design and inclusion of sophisticated health club or "spa" amenities within a lodging a facility can be very space and resource consumptive. During the field research, we toured the "executive" level of the YMCA facility located across Union Street from the subject Armory site. We were very impressed with the facilities and amenities offered at the YMCA and recommend that, in lieu of developing facilities on-site, the subject inn make arrangements for guests to use the facilities at the YMCA. This type of outside arrangement is very typical in the industry. Many guests prefer having access to the typically more elaborate and extensive equipment selection via such an arrangement rather than the modest offerings that are typical for hotel exercise rooms.

Other Development Considerations

The survey research included questions regarding the relative importance of various facilities, amenities, and attributes which would be attractive to potential users. Many of these have been discussed in the paragraphs above. The following table provides a ranking of the importance of facilities and amenities overall on the basis of the survey research with the area business community:

Ranked Importance of Services and Amenities - Businesses

Service or Amenity	Ranking
Full service restaurant	1
High-speed modem connections	2
Complimentary breakfast	3
Function/Meeting rooms	4
2-line phone with modem hook-up	5
Bar/Lounge	6
Room service	7
Transportation to airport	8
Conference planning services	9
Walking distance to shops/restaurants	10
Sophisticated health club	10
Instructional computer use	10
In-room fax machine	13
Full concierge services	14
Family and children activities	15
In-room mini bars	16
Spa facilities and services	17

Source: Pinnacle Advisory Group

The results of the survey with the Wesleyan community is outlined in the table on the following page.

Ranked Importance of Services and Amenities - Wesleyan

Service or Amenity	Ranking
Transportation to airport	1
Walking distance to shops/restaurants	2
Full service restaurant	3
2-line phone with modem hook-up	4
Complimentary breakfast	5
Bar/Lounge	6
Spa facilities and services	6
High-speed modem connections	6
Instructional computer use	9
Function/Meeting rooms	10
Sophisticated health club	10
Family and children activities	12
Room service	13
Conference planning services	13
In-room fax machine	15
Full concierge services	15
In-room mini bars	17

Source: Pinnacle Advisory Group

In a general sense, the facilities and amenities ranked as important by both the business and Wesleyan communities are typical of those offered by a business-oriented full service hotel. Our recommendation is that the subject inn provide those amenities and services as ranked "10" or higher in the tables above (with the exception of the spa facilities and amenities as ranked important by the Wesleyan community) in order to be market responsive.

Summary

Our recommendations regarding facilities and amenities at the proposed Middletown Inn have been made on the basis of what we have determined would be the two largest markets for the proposed facility - business travelers (both transient and meeting groups) and visitors related to Wesleyan University. Using the core of demand identified from these markets, we have prepared the recommendations above for guest rooms, conference/function space and food and beverage facilities. Total spatial allocations including lobby, storage, etc. for the proposed Middletown Inn are included in the addenda to this report.

Area Considerations

In this section of the report, we present economic and demographic data with regard to the subject area (Middlesex County) and the Hartford MSA in general. We present this information to provide a frame of reference regarding the overall economic climate in which the proposed development would occur. After presenting the area data, we provide further discussion regarding developments in Middlesex County and downtown Middletown specifically as they relate to the health of the downtown economy.

Employment Characteristics

Growth in total employment in Middlesex County occurred at a rate of 1.16 percent (CAGR) between 1993 and 1998. Growth in the 1980's was more rapid and, as in many places, this growth reversed into a decline during the recession of the early 1990's which, in the subject area was compounded with declines in the all-important defense industries. It is anticipated that growth will resume at a rate of slightly less than one percent annually over the next several years which is a pace which is greater that the state, but slower than the anticipated pace for the U.S. as a whole. As shown in the following table, the relatively difficult economic times experienced by Middlesex County were shared with both the Hartford MSA and the State of Connecticut.

Total Employment Analysis	Middlesex County	Hartford MSA	State of Connecticut	United States
1980	62,031	631,026	1,709,041	114,231,174
1990	83,289	762,661	2,017,466	139,184,603
1993	79,694	716,515	1,942,458	142,005,490
1998	84,416	732,513	2,021,988	157,519,913
Compound Annual Growth				
CAGR 1980 - 1990	2.99%	1.91%	1.67%	2.00%
CAGR 1990 - 1993	-1.46%	-2.06%	-1.25%	0.67%
CAGR 1993 - 1998	1.16%	0.44%	0.81%	2.10%
Projected				
2003	88,569	755,498	2,073,695	166,765,986
CAGR 1998 - 2003	0.97%	0.62%	0.51%	1.15%

Source: Woods & Poole Economic Report

Total employment, by sector is presented in the table on the following page. As in many areas of the country, the most stable growth has been occurring in the "services sector" as shown in the table. Growth in this sector was very pronounced during the 1980's and early 1990's but has shown some signs of slowing more recently.

Middlesex County Employment Statistical Analysis					
					Projected
Employment by Sector	1980	1990	1993	1998	2003
Agriculture & Mining	1,914	1,794	1,924	1,963	1,937
Construction	2,508	4,327	3,629	4,344	4,350
Manufacturing	18,190	15,654	12,931	12,270	11,510
Utilities	2,238	2,352	2,556	2,688	2,736
Wholesale Trade	2,069	2,496	2,295	2,769	2,923
Retail Trade	10,547	13,758	13,057	13,854	14,544
F.I.R.E.	3,412	11,177	9,659	9,547	9,704
Services	13,005	22,359	24,916	27,493	31,061
Government	8,148	9,372	8,727	9,488	9,804
Total Employment	62,031	83,289	79,694	84,416	88,569
Compound Annual Growth		'80 - '90	'90 - '93	93 - '98	Proj. '98 - 2003
Agriculture & Mining		-0.65%	2.36%	0.40%	-0.27%
Construction		5.61%	-5.70%	3.66%	0.03%
Manufacturing		-1.49%	-6.17%	-1.04%	-1.27%
Utilities		0.50%	2.81%	1.01%	0.35%
Wholesale Trade		1.89%	-2.76%	3.83%	1.09%
Retail Trade		2.69%	-1.73%	1.19%	0.98%
F.I.R.E.		12.60%	-4.75%	-0.23%	0.33%
Services		5.57%	3.68%	1.99%	2.47%
Government		1.41%	-2.35%	1.69%	0.66%
Total Employment		2.99%	-1.46%	1.16%	0.97%
Absolute/Total Change		'80 - '90	'90 - '93	93 - '98	Proj. '98 - 2003
Agriculture & Mining		-120	130	39	-26
Construction		1,819	-698	715	6
Manufacturing		-2,536	-2,723	-661	-760
Utilities		114	204	132	48
Wholesale Trade		427	-201	474	154
Retail Trade		3,211	-701	797	690
F.I.R.E.		7,765	-1,518	-112	157
Services		9,354	2,557	2,577	3,568
Government		1,224	-645	761	316
Total Employment		21,258	-3,595	4,722	4,153

Source: Woods & Poole Economic Report

Demographic Characteristics

Population

Over all periods shown in the table on the following page, Middlesex County has shown positive signs of population growth while the Hartford MSA and the State of Connecticut have experienced declines in population. While it is expected that Connecticut's population will remain relatively stable (.03% growth annually) through 2003, Middlesex County is expected to sow stronger growth in population (0.27%).

Population	Middlesex County	Hartford MSA	State of Connecticut	United States
1990	143,454	1,124,163	3,288,930	249,440,652
1993	144,909	1,115,567	3,273,415	257,755,481
1998	149,486	1,104,505	3,271,800	270,050,951
Compound Annual Growth (CAGR)				
CAGR 1990 - 1993	0.34%	-0.26%	-0.16%	1.10%
CAGR 1993 - 1998	0.62%	-0.20%	-0.01%	0.94%
CAGR 1990 - 1998	0.52%	-0.22%	-0.07%	1.00%
Projected				
2003	151,520	1,099,243	3,276,031	281,501,111
CAGR 1998 - 2003	0.27%	-0.10%	0.03%	0.83%

Source: Woods & Poole Economics of Washington D.C.

Personal Income

Marking the impact of the recession, personal income exhibited a decline in both the MSA and the County in the early 1990's after growing rapidly in the 1980's. Growth in personal income resumed at a modest pace after 1993 as the effects of the recession waned. Nevertheless, Middlesex County, the Hartford MSA and the State of Connecticut have all experienced growth in personal income which is lower than that of the country as a whole since 1993, a trend which is anticipated to continue for the next several years.

Personal Income	Middlesex County	Hartford MSA	State of Connecticut	United States
1990	$3,840	$30,280	$93,833	$5,151,537
1993	$3,796	$29,457	$93,935	$5,364,949
1998	$4,302	$31,837	$104,522	$6,243,306
Compound Annual Growth (CAGR)				
CAGR 1990 - 1993	-0.38%	-0.91%	0.04%	1.36%
CAGR 1993 - 1998	2.54%	1.57%	2.16%	3.08%
CAGR 1990 - 1998	1.43%	0.63%	1.36%	2.43%
Projected				
2003	$4,691	$33,962	$111,443	$6,921,119
CAGR 1998 - 2003	1.75%	1.30%	1.29%	2.08%

Note: Values are expressed in millions of dollars and as constant 1992 dollars.
Source: Woods & Poole Economics of Washington D.C.

Retail Sales

Total retail sales provide a good indication of the resident population's overall propensity to spend discretionary income. As with other economic indicators, retail sales in Middlesex County, the MSA and the State of Connecticut have lagged the U.S. as a whole in terms of growth over the period studied. However, Middlesex County has shown, and is expected to continue to outperform the state in terms of growth in retail sales. Also as shown in the table, there is expected to be a slight decline in total retail sales in the County over the next several years as large shopping areas in adjacent counties draw shoppers from Middlesex.

Retail Sales

	Middlesex County	Hartford MSA	State of Connecticut	United States
1990	$1,227	$10,077	$30,084	$1,925,983
1993	$1,120	$9,514	$28,714	$1,983,124
1998	$1,257	$10,213	$31,176	$2,260,196
Compound Annual Growth (CAGR)				
CAGR 1990 - 1993	-1.29%	-0.82%	-0.66%	0.42%
CAGR 1993 - 1998	2.33%	1.43%	1.66%	2.65%
CAGR 1990 - 1998	0.20%	0.11%	0.30%	1.34%
Projected				
2003	$1,287	$10,252	$31,512	$2,380,336
CAGR 1998 - 2003	0.48%	0.08%	0.21%	1.04%

Note: Values are expressed in millions of dollars and as constant 1992 dollars.

Source: Woods & Poole Economics of Washington D.C.

Downtown Development Activity

The area economic reports from Woods and Poole discussed above portray a relatively healthy economy in the county. In addition, there are developments taking place in the County and in the City of Middletown itself which corroborate this conclusion. Specifically, there is activity taking place with regard to downtown Middletown which paint a positive picture. As noted in the discussion regarding the survey results, the business and Wesleyan communities have an increasingly positive perception regarding the downtown area.

Economic development in Middletown, according to the City's office of Planning, Conservation and Development has been escalating in recent years. The table on the following page lists new or expanded businesses in Middletown according to a tally made in July, 1999.

New and Expanded Middletown Businesses			
Business	**Location**	**Square Feet**	**New Jobs**
Manufacturing:			
CES	Middle Street	7,500	35
Verus Works	Ken Dooley Drive	12,500	20
Jarvis Products	Anderson Road	45,000	25
Chartwell, N.E.	Tuttle Place	13,000	50
EB Manufacturing	Middle Street	15,000	25
Aerospace Technologies	Middle Street	80,000	110
Sommerset Plastics	Timber Ridge Road	12,000	27
Primary Steel	Newfield Street	N/A	N/A
Jukonski Truck	Newfield Street	19,000	N/A
Meriam Manufacturing	North Main Street	130,000	60
Tri Star Armored Car	Industrial Park Roa	9,000	6
CheckerBee Publishing	Industrial Park Roa	35,000	108
Habasit ABT Inc.	Industrial Park Roa	4,600	N/A
KCM	Middle Street	12,000	12
Manufacturing Total		***394,600***	***478***
Services:			
Assisted Living	Main Street Ext.	49,000	40
Assisted Living	Saybrook Road	86,400	100
Flatley Office Park	Industrial Park Roa	300,000	N/A
Better Bedding	Route 66	10,000	N/A
Goodwill Store	South Main Street	6,000	N/A
Bakery	Newfield Street	3,000	3
Alzheimers Facility	Saybrook Road	37,000	40
Destinta 12-screen Theatre	Main Street	35,000	77
Forest Glen Apartments	Westlake	N/A	N/A
Rice, Davis, Daly and Krenz	N/A	N/A	N/A
Dress Barn	N/A	N/A	N/A
Dialysis Unit	N/A	N/A	N/A
Center for Massage Therapy	Middle Street	23,000	80
Services Total		***549,400***	***340***
Overall Total		**944,000**	**818**

Source: Middlesex County Planning, Conservation and Development

As noted in the table, more than 800 new jobs have been created in Middletown by new and expanding businesses which have absorbed or constructed more than 900,000 square feet of space. It is important to note that the information in the table does not include the impact of an anticipated restructuring of one of the area's largest employers - Pratt and Whitney. According to the latest available information, Pratt & Whitney is planning to move its West Palm Beach, Florida military engine operations to Middletown and East Hartford. Publicly released information indicates that this move is likely to generate 1,500 to 1,700 "white collar" positions including engineers and technicians. Information provided by Pratt and Whitney during our survey research indicated that approximately 1,000 of these jobs would be located at the Middletown location, increasing employment there from 3,500 to 4,500 over the next calendar year. Pratt and Whitney's Middletown complex is easily accessible to downtown Middletown via Saybrook Road and the Main Street extension. It is anticipated that this will have a very positive impact on downtown Middletown in general, and on the proposed hotel in particular.

Another noteworthy development has occurred on the edge of the downtown Middletown area where a banquet and meeting facility to be known as "The Wadsworth Mansion at Long Hill Estate" is being developed from an historic residence. In total, more than $5 million has been spent to restore and reconfigure this facility and plans are for it to open before the end of 1999 as a premier event and catering facility. A typical wedding at the Wadsworth mansion is expected to number approximately 175 to 200 attendees while conference activity is expected to be dominated by small, high level meetings of approximately 40. No overnight accommodations are to be offered. We are of the opinion that activity at the Wadsworth Mansion and at the subject Middletown Inn will be complimentary in nature and not competitive to any significant degree.

While the majority of the business expansion activity discussed above has occurred outside the downtown core of Middletown, there are positive developments occurring downtown as well. New restaurants, cafes, theatres and a total of approximately 30 new businesses have opened in the downtown area. In total, these new or expanded businesses have generated approximately 150 jobs in the downtown area according to available information from the City. In addition, the overall appearance of the Main Street corridor has been significantly improved as a result of streetscape and façade improvement programs.

Growth adjacent to downtown is expected to continue with the redevelopment of an 85-acre site on the Connecticut River known as "Riverfront Properties". While in its very early conceptual stages, this project is anticipated to result in a formerly blighted area being turned into a centerpiece of river shoreline development. Although plans have not been drawn at this point, it is also expected that the Route 9 corridor along the Connecticut River through Middletown will be substantially improved and that new interchanges will be constructed for access to the City. The goal of the City is to have the redesign of Route 9 improve Middletown's links to the River shoreline. Information provided by the Connecticut Department of Transportation during a presentation to the "Middletown 2000" group leads us to believe that DOT will work diligently with the City towards this end. The highway re-design could have further positive impact on the aesthetics and desirability of downtown Middletown, especially considering that the Connecticut River has been designated one of 10 American Heritage Rivers in America and is, in general, showing dramatic improvements in terms of recreational and scenic attractiveness.

Conclusion and Likely Impact on Hotel Demand

In conclusion, the published data regarding Middlesex County indicates that the economy is growing modestly. Moreover a closer inspection of individual levels of activity in Middletown and surrounding areas enhances this conclusion. We are firmly of the opinion that the positive economic developments occurring in the Middletown area will have both direct and indirect positive impact on the proposed Middletown Inn project. Most importantly, the perception of downtown Middletown has changed and is continuing to change in a very positive fashion, boding well for market acceptance of the proposed Inn.

Projected Operating Levels

Introduction

Because of the special nature of the proposed development with its downtown Middletown location, analysis of supply and demand dynamics by definition and study of a "competitive set" in the fashion of a more standard analysis was not appropriate as a basis for the analysis in our view. To augment the typical supply, demand and market penetration analysis, we performed a detailed survey with area businesses, attractions and Wesleyan University as the means of further bolstering our demand projection. The results of the survey research are discussed in this section along with the more standard supply and demand analysis.

Supply, Demand and Penetration Analysis

Defined Competitive Supply

On the basis of our research in the subject market, we have identified the following supply of hotels in the surrounding area as being of most relevance to this analysis:

Identified Competitive Supply

Property	Rooms
Hartford Marriott - Rocky Hill	251
Holiday Inn Cromwell	145
Radisson Hotel & Conference Center	210
Comfort Inn Cromwell	77
Inn at Chester	42
Courtyard by Marriott - Wallingford	149
Hampton Inn - Meriden	124
Ramada Plaza - Meriden	150
Total daily supply	**1,148**
Days annually	365
Total annual supply	**419,020**

Source: Pinnacle Advisory Group

Our research included in-depth interviews with representatives of management and site inspections at each of the hotels listed in the table above. During these interviews and site visits, we discussed overall market trends, issues specifically related to demand from specific demand generators as well as from the surrounding area in general and specific information relative to the operating performance of each competitor. A brief description of each hotel in the above list is provided in the paragraphs that follow.

In addition to the hotels listed above, we visited and or performed research regarding several hotels in the surrounding area which are not included above. On the basis of our research, excluded them from the defined competitive supply. These hotels include the Residence Inn in Meriden which was excluded because of its true orientation towards extended stay demand and several relatively lower rated hotels in the area including the Super 8 in Cromwell.

Hartford Marriott - Rocky Hill

The 251-unit Hartford Marriott Rocky Hill opened in September, 1991. Since opening, the hotel has maintained its position as the rate leader in the area. On the basis of year-to-date performance as of our research, it is also expected to be the area's occupancy leader for calendar 1999. Located in the Corporate Ridge office complex immediately adjacent to Interstate 91, the Marriott is well located to service demand from a broad geographic area. Because of its Marriott affiliation and Marriott's "cluster" marketing presence in the Hartford area, the Rocky Hill property has a broad regional demand base which is dominated by corporate demand. The property features more than 8,000 square feet of meeting space and has been maintained in excellent condition via frequent renovations. The most recent renovation has brought the property to essentially "new" condition. For high-end corporate individual and corporate group demand, it presents the most direct competition to the subject Middletown Inn on the basis of our recommended facilities profile and rate structure.

Holiday Inn - Cromwell

Originally opened in 1987, the Holiday Inn - Cromwell has undergone several renovations in the intervening years. According to management, a more dramatic renovation than any of the previous ones is planned to be completed over the next two years in order to bring the hotel up to the most recent Holiday Inn specifications by December 31, 2001. In addition to 145 guest rooms, the Holiday Inn features approximately 6,500 square feet of meeting space including the "Promenade" space adjacent to the indoor swimming pool. Second only to the two Marriott products in the defined competitive set in terms of anticipated 1999 calendar year occupancy, the Holiday Inn also reports very strong midweek demand with significant turnaways typical on Tuesday through Thursday nights. Like the Marriott products, it caters primarily to corporate demand and benefits greatly from its location proximate to the concentration of corporate development in the Middletown Industrial Park area.

Radisson Hotel & Conference Center

With approximately 30,000 square feet of total meeting space, the Radisson Hotel & Conference Center is the premier large group facility in the defined market. Its share of association and large group demand is larger than that of any other facility. At the time of our research, extensive renovations were occurring to the lobby and meeting areas of the hotel to make it more comparable, in terms of quality, with facilities offered at other hotels in the competitive set. While renovations have occurred and continue to occur to the guest room complement, our tour of the facilities revealed that there remains a somewhat disjointed ambiance owing to the fact that the facility was created via combination of several different structures and construction at various times since the hotel's original opening in 1982. Because of its large group orientation and reliance, to a significant extent on association business, we believe that the Radisson would represent a less direct level of competition to the subject Middletown Inn than either the Marriott or the Holiday Inn discussed above.

Comfort Inn - Cromwell

This relative small (77 units) property is owned and operated by the same group as the Radisson Hotel and Conference Center across the street. According to management, this provides a great deal of market synergy in that the Comfort can be used essentially as an expanded complement of guest rooms for the Radisson, allowing the latter to attract larger groups than would otherwise be possible. In addition, the Comfort Inn successfully attracts a relatively rate sensitive tourist market (travelling families and seniors) via its affiliation with the Choice Hotels reservation system. With regard to the corporate market, like the neighboring Radisson, the Comfort Inn reports frequent sell-outs mid-week. At the time of our site inspection, the Comfort Inn had just completed a renovation which included all case goods and carpets in the guest room areas. On the basis of its market orientation, we are of the opinion that the Comfort Inn would represent a secondary source of competition to the proposed Middletown Inn.

Inn at Chester

Marketed as a "country inn", the Inn at Chester has succeeded in developing a loyal following of leisure clientele and a strong local presence ,with regard to its restaurant and bar operation. The majority of its overnight business (more than 70%) is reported to be generated by leisure visitors with a very large core of social (primarily weddings) overnight demand. The smaller portion related to corporate activities is tied closely to relationships with several major users who make frequent use of the Inn's meeting space. Because of its more distant location (approximately 30 minutes' drive south via Route 9 from Middletown), we view the Inn at Chester as being secondarily competitive with the subject.

Courtyard by Marriott - Wallingford

We have included this property - located south of Middletown in Wallingford - as competitive primarily because of its Marriott affiliation and strong performance on a regional basis. More than 75% of the Courtyard's demand base is reportedly generated by corporate visitors. Corporate group business is relatively insignificant since only two small meeting rooms (40 persons each) are offered. While the hotel has been well maintained via frequent renovation, a comprehensive renovation of all areas is planned to essentially bring it to "like new" condition by the end of 2001.

Hampton Inn - Meriden

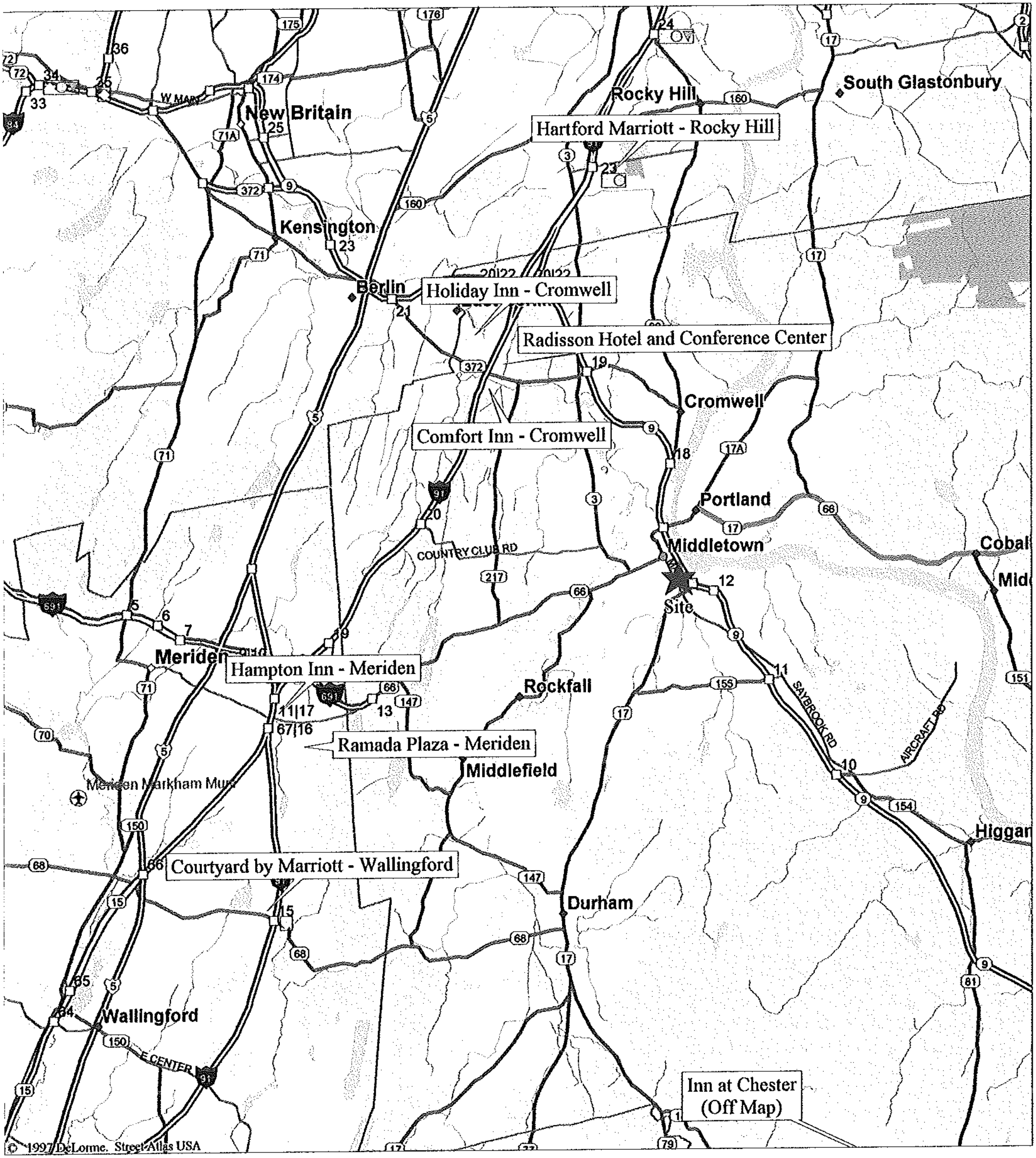
Opened originally in 1987, the Hampton Inn in Meriden has just completed a full renovation of all areas. With 124 guest rooms and only one small meeting room accommodating up to 20 persons, the Hampton functions, in true fashion, as a limited service hotel, offering only a continental breakfast for food service. Like the Marriott Courtyard, it does compete for regional corporate business although its demand base is not as dominated by this as is the Marriott Courtyard's. In addition, the Hampton caters to a significant leisure demand base (price sensitive families and seniors) and a significant number of bus tour groups. We view it as a secondary competitor to the subject.

Ramada Plaza - Meriden

Of all the hotels in the competitive set, the Ramada Plaza in Meriden has undergone the most dramatic transformation in the four years since our prior study. Its public areas were completely renovated during calendar year 1995. Renovations have continued and the overall appearance of the property is significantly improved. With 13,500 square feet of meeting and function space in 17 rooms, the Ramada caters to a significant core of corporate group demand. Although it is easily accessible to downtown Middletown via Route 66, we view the Ramada as a secondary competitor to the subject Middletown Inn because of its size and larger group orientation.

The location of each competitive property vis-à-vis downtown Middletown is shown in the map on the following page.

Competitive Supply Map



Historical Market Performance

During the course of our fieldwork, we obtained operating statistics for each property through interviews conducted with on-site management and then verified these operating statistics with representatives of corporate offices and ownership. We were able to analyze trends in the area over a longer period than is typical by referencing our research with the same competitive set of hotels during a prior study we conducted in 1995 for the same project.

On the basis of our research, we have estimated the defined market's historical supply and demand dynamics as presented in the table below.

Defined Competitive Market - Historical Demand and Occupancy

Year	Available Rooms	Occupied Rooms	Occupancy	Percent Change
1992	419,020	252,296	60.2%	
1993	419,020	261,362	62.4%	3.6%
1994	419,020	278,300	66.4%	6.5%
1995	419,020	295,781	70.6%	6.3%
1996	419,020	296,269	70.7%	0.2%
1997	419,020	295,632	70.6%	-0.2%
1998	419,020	298,800	71.3%	1.1%
1999 (est.)	419,020	309,279	73.8%	3.5%
Compound Annual Growth in Demand				3.0%

Source: Pinnacle Advisory Group

The information provided to us regarding performance at the subject hotels in the market leads us to believe that the entire market (with the exception of one competitor) operates at or near capacity on several nights during the business week. Operators reported between 50 and 75 nights per year when they approach or reach a "perfect sell out". Given the seasonal constraints and patterns of demand in the market, most operators indicated that the anticipated year-end occupancy for the market, projected to be slightly below 74% is an approximate ceiling occupancy for the market.

The level of achieved average rates at hotels within the defined competitive set also points to a steady improvement in market conditions over the study period. The table below exhibits overall average rates in the market from 1992 through (projected) 1999:

Average Rate Performance

Year		Average Rate	Percent Change
1992	$	63.40	
1993	$	62.75	-1.0%
1994	$	65.03	3.6%
1995	$	67.94	4.5%
1996	$	73.34	7.9%
1997	$	79.82	8.8%
1998	$	85.26	6.8%
1999 (est.)	$	88.55	3.9%
Compound Annual Increas			4.9%

Source: Pinnacle Advisory Group

From July 1992 (mid-year) through July 1999, the consumer price for Northeast urban areas increased at a compound annual rate of 2.7%. As shown in the previous table, over that same period, hotels were able to increase average rates by almost 5 percent, compounded annually. This, combined with the increases experienced in occupancies portrays a dramatically improved hotel market over the period.

Additions to Hotel Supply

Our research included discussions with representative of area Planning offices as well as with our industry contacts at major hotel companies regarding the potential for other new hotel developments in the Middletown and surrounding areas. We were able to identify only one major hotel development which, on the basis of its status should be included in our analysis. This project is discussed below.

Candlewood Suites - East Main Street, Meriden

At the time of our field research, ground had been broken for development of a Candlewood Suites hotel on East Main Street in Meriden. The site for the proposed development is a parcel of land on the south side of the street, proximate to the large Colony Ford automobile dealership. According to the information provided, plans call for a hotel of 124 units which would be designed to appeal to the extended stay market. Although this type of hotel would only offer marginal competition to the subject, it is likely that it will have some impact on hotels closer to its location which are included in the competitive set. For this reason we have included it within our definition of future competitive supply.

Other Hotel Supply Impact

While we were unable to identify any specific hotel project which appears certain enough to include in our projection, our research indicated that there are several possible developments in and around the subject area in the early stages of discussion. In addition to the Candlewood Suites site, two additional sites in the Bee Street area of Meriden are approved for hotel use, however, no site plans have been submitted and according to the information provided by the Planning office, they are only in the preliminary planning stages. A third site within the Roscommon Park complex proximate to the Aetna/US Healthcare offices in Middletown is approved for hotel use. Our interview with a representative of the owners of the Park - the Flatley Company of Boston - provided us with information that hotel development at the site is not likely in the immediately foreseeable future.

Total Future Supply and Recommended Sizing

On the basis of the discussion above, total future supply of lodging in the defined competitive market is outlined in the table which follows. As noted in the table, we have included the proposed Middletown Inn at a recommended 100 guest-room size as well as the Candlewood Suites which is under construction in Meriden. Otherwise, the supply going forward remains identical to the historical supply. On the basis of our interviews, no expansions are planned at any of the existing hotels in the market in the foreseeable future.

Our recommendation for 100 units at the subject is based upon our calculations that such a size would allow the entire competitive set (on average) to return to an occupancy level of 70% by the proposed Inn's third year of operation. This is the barometer which is used typically in the industry to judge what increase in guest room supply is "supportable." Projected occupancy levels for the competitive set as a whole are outlined in the table on page 25.

Projected Areawide Supply of Guest Rooms					
Property:	**2002**	**2003**	**2004**	**2005**	**2006**
Proposed Middletown Inn	*100*	*100*	*100*	*100*	*100*
Marriott Rocky Hill	251	251	251	251	251
Holiday Inn Cromwell	145	145	145	145	145
Radisson Hotel & Conference Cent	210	210	210	210	210
Comfort Inn Cromwell	77	77	77	77	77
Inn at Chester	42	42	42	42	42
Courtyard by Marriott - Wallingford	149	149	149	149	149
Hampton Inn - Meriden	124	124	124	124	124
Ramada Plaza - Meriden	150	150	150	150	150
Candlewood Suites	*124*	*124*	*124*	*124*	*124*
Total Available Rooms	1,372	1,372	1,372	1,372	1,372

Source: Pinnacle Advisory Group

Note: 2002 is assumed to be the first full calendar year of operation for the proposed hotel

Hotel Demand

Our discussions with local hoteliers indicated that hotel room night demand in the competitive market emanates from the following five primary demand segments which are shown with their respective share of total room night demand in calendar year 1998:

Historical Market Segmentation		
	Room Nights	
Segment	**Nights**	**Percent**
Corporate Individual	150,465	50.4%
Corporate Group	59,237	19.8%
Leisure Individual	49,998	16.7%
Leisure Group	35,235	11.8%
Wesleyan	3,865	1.3%
Total Occupied Rooms	298,800	100.0%

Source: Pinnacle Advisory Group

With regard to the classification of demand, it is important to note the following:

- Corporate Individual and Corporate Group demand, as defined, include demand generated by activities related to all area businesses including vendors providing services and products.
- To the extent possible, we asked the hotels to isolate demand related to Wesleyan University activities and programs. Many of the room nights related to these programs and activities are not booked via University offices and, therefore, are difficult to clearly identify. The demand identified for this segment includes both that which was separately tracked by the hotels and that which they estimate on the basis of observing activity during large events at Wesleyan as well as their impressions regarding visitation by parents, etc.

Growth of the individual segments of demand is outlined in the following table from 1994 to 1998. In reviewing the information, it is important to make note of the relatively stable level of occupancy in the low 70's level over the period which was indicated as the "typical" level by operators during our interviews.

Demand by Segment and Market Occupancy

Total		Corporate		Corp Grp		Leisure		Leis Grp		Wesleyan		
Roomnight	%	oomnight	%	oomnight	%	Roomnights	%	oomnight	%	Roomnight	%	Occupancy
278,300		140,617		55,631		45,915		32,527		3,610		66.4%
295,781	6.3%	148,419	5.5%	59,167	6.4%	49,869	8.6%	34,497	6.1%	3,828	6.0%	70.6%
296,269	0.2%	148,556	0.1%	59,279	0.2%	49,799	- 0.1%	34,792	0.9%	3,843	0.4%	70.7%
295,632	- 0.2%	147,678	- 0.6%	59,758	0.8%	49,562	- 0.5%	34,827	0.1%	3,807	- 0.9%	70.6%
298,800	1.1%	150,465	1.9%	59,237	- 0.9%	49,998	0.9%	35,235	1.2%	3,865	1.5%	71.3%
	1.8%		1.7%		1.6%		2.2%		2.0%		1.7%	

Source: Pinnacle Advisory Group

Projected growth in demand can be anticipated from two perspectives:

1. Underlying growth in demand which can be expected on the basis of expansion of the area's economy as discussed earlier, and
2. "Extraordinary" demand which should be factored in because of expansion of supply and the ability to accommodate demand which is currently overflowing into hotels outside the defined competitive set

Our projection of the rate of increase in base demand by market segment is outlined in the following table. In addition to the percentage growth rates projected, we have factored in "extraordinary demand" totaling approximately 22,400 room nights in the first year of the projection. This figure has been determined on the basis of reported turnaways by the hotels in the market during peak times and the anticipation that the two additions to supply (the subject and the Candlewood Suites) will allow some of these turnaways to return to the market. It represents slightly more than 6% of total demand projected for 2002 which, in our view, is reasonable on the basis of the market dynamics. It is also important to note that the growth rate shown for 2002 represents a cumulative growth rate for the 4 year interval from the base year - 1998 to opening of the proposed hotel.

Projected Increases in Demand over 1998 Levels

Segment	2002	2003	2004	2005	2006
Corporate Individual	6.1%	1.5%	1.5%	1.0%	1.0%
Corporate Group	6.1%	1.5%	1.5%	1.0%	1.0%
Leisure Individual	8.2%	2.0%	2.0%	1.5%	1.5%
Leisure Group	8.2%	2.0%	2.0%	1.5%	1.5%
Wesleyan	8.2%	2.0%	2.0%	2.0%	2.0%

Source: Pinnacle Advisory Group

Market Demand Summary

The following table summarizes demand from 2002, the estimated year of opening for the proposed hotel through the year 2006 when we project the market will have achieved a stabilized occupancy. We make this projection on the basis of historical patterns in the market. As shown in the table, we anticipate that the subject market will reach a stabilized operating level of approximately 72%.

Projected Demand and Areawide Occupancy					
Segment	2002	2003	2004	2005	2006
Corporate Individual	174,648	177,268	179,927	181,726	183,543
Corporate Group	70,371	71,427	72,498	73,223	73,955
Leisure Individual	54,120	55,202	56,306	57,151	58,008
Leisure Group	38,139	38,902	39,680	40,275	40,879
Wesleyan	4,183	4,267	4,352	4,439	4,528
Total Demand	341,461	347,066	352,763	356,814	360,913
Total Daily Supply	1,372	1,372	1,372	1,372	1,372
Total Annual Supply	500,780	500,780	500,780	500,780	500,780
Areawide Occupancy	68%	69%	70%	71%	72%

Source: Pinnacle Advisory Group

The stabilized occupancy is intended to reflect the anticipated results of the market over the long-term, given any changes in the competitive environment and/or local economy. Although it is possible that the market will achieve occupancies above this stabilized level, it is equally possible for new competition and temporary downturns in hotel demand to temporarily force occupancy below this selected point of stability.

Projected Operating Levels for Proposed Middletown Inn

We analyzed the likely ability of the subject property to compete with the hotels in the defined competitive supply on a segment-by-segment basis, utilizing a "market penetration" analysis on the basis of the subject's size and fair share of supply as it relates to fair share of demand. Detail regarding this analysis is provided in this section. On an overall basis, we believe that the subject's location proximate to Wesleyan University and its ability to function as the primary location for University-related demand will enable it to perform at approximately its full penetration in the market, i.e. at a level comparable to the other hotels in the market. Lower penetrations in non-University segments of demand are likely to be offset by the heavy usage attributable to the University itself after a period of business build-up to stabilization. More detail is provided below.

Corporate Individual Demand Penetration

Corporate Individual demand at the subject property is likely to be generated by business travelers having reason to be in the downtown area or finding a downtown location convenient (such as travelers to Pratt & Whitney for whom the inn would be the closest lodging property.) Penetration rates over the subject's first five years of operation and resultant room nights of demand are outlined in the table below. As noted in the table, we project that the subject will attain only 90 percent of its fair share overall in this segment. The primary basis for this expectation is the fact that the majority of the potential demand generators for the subject are located outside the downtown area. These companies are likely to continue patronizing hotels located more proximate to their office location.

Penetration - Corporate Individual Demand		
Year	Penetration Rate	Room Nights
2002	80%	10,184
2003	88%	11,370
2004	90%	11,803
2005	90%	11,921
2006	90%	12,040

Source: Pinnacle Advisory Group

Corporate Group Demand Penetration

Group and meeting demand at the subject property is likely to be somewhat limited by the relatively small complement of meeting space we are recommending for development. However, we do believe that there will be a core of relatively small scale corporate meeting planners who will find the subject and its more intimate facilities (vis-à-vis the other larger hotels in the market) attractive. Furthermore, it is important to note that a significant portion of the Corporate Group segment visits the subject market for the purpose of attending meetings and conferences which are not held at hotels hosting the overnight visitors, but rather are held at corporate and institutional locations. With this in mind, we believe that the subject hotel will be able to achieve somewhat in excess of its full fair share with respect to the Corporate Group market. The following table summarizes the subject property's projected penetration of this segment.

Penetration - Corporate Individual Demand		
Year	Penetration Rate	Room Nights
2002	90%	4,616
2003	100%	5,206
2004	105%	5,548
2005	105%	5,604
2006	105%	5,660

Source: Pinnacle Advisory Group

Individual Leisure Penetration

Leisure traveler demand at the subject property is likely to be hindered by the property's expected corporate "feel" as well as its downtown location which is typically less attractive to the broad spectrum of leisure travelers who are more comfortable being in suburban campus type environments. We have projected performance in the Leisure market as outlined below:

Penetration - Leisure Demand		
Year	Penetration Rate	Room Nights
2002	60%	2,367
2003	75%	3,018
2004	80%	3,283
2005	80%	3,332
2006	80%	3,382

Source: Pinnacle Advisory Group

Leisure Group Demand

In a similar fashion to individual leisure travelers, we believe that the Leisure Group demand segment (bus tours, etc.) is less likely to be attracted to the subject Inn than corporate users and have projected it will achieve somewhat less than its fair share of this demand:

Penetration - Leisure Group Demand		
Year	Penetration Rate	Room Nights
2002	60%	1,668
2003	75%	2,127
2004	80%	2,314
2005	80%	2,348
2006	80%	2,384

Source: Pinnacle Advisory Group

Wesleyan University Demand

On the basis of the results of the Wesleyan survey and focus group research as outlined later in this section of the report, we believe that the subject hotel will be able to capture a large portion of the total lodging demand demonstrated by Wesleyan University. While it is not likely to be attractive to the most price-sensitive groups (including athletic teams), it should be able to capture other Wesleyan demand effectively. In the table below, very heavy penetration levels are projected to effectively demonstrate this:

Penetration - Wesleyan University Demand

Year	Penetration Rate	Room Nights
2002	800%	2,439
2003	950%	2,955
2004	950%	3,013
2005	950%	3,074
2006	950%	3,135

Source: Pinnacle Advisory Group

Summary of Subject Penetration

The following table outlines the forecast of occupancy and market mix for the proposed hotel until stabilization during its first five years of operation, 2002 to 2006:

Summary of Market Performance - Proposed Middletown Inn					
Year	**2002**	**2003**	**2004**	**2005**	**2006**
Corporate Individual					
Subject Demand	10,184	11,370	11,803	11,921	12,040
Market Mix	48%	46%	45%	45%	45%
Penetration Rate	80%	88%	90%	90%	90%
Corporate Group					
Subject Demand	4,616	5,206	5,548	5,604	5,660
Market Mix	22%	21%	21%	21%	21%
Penetration Rate	90%	100%	105%	105%	105%
Leisure Individual					
Subject Demand	2,367	3,018	3,283	3,332	3,382
Market Mix	11%	12%	13%	13%	13%
Penetration Rate	60%	75%	80%	80%	80%
Leisure Group					
Subject Demand	1,668	2,127	2,314	2,348	2,384
Market Mix	8%	9%	9%	9%	9%
Penetration Rate	60%	75%	80%	80%	80%
Wesleyan University					
Subject Demand	2,439	2,955	3,013	3,074	3,135
Market Mix	11%	12%	12%	12%	12%
Penetration Rate	800%	950%	950%	950%	950%
Total Demand	**21,273**	**24,675**	**25,961**	**26,279**	**26,601**
Overall Penetration	**85%**	**98%**	**101%**	**101%**	**101%**
Subject Occupancy	**58%**	**68%**	**71%**	**72%**	**73%**

Source: Pinnacle Advisory Group

Quantification of Demand from Survey Research

Because the proposed hotel in downtown Middletown would be the first lodging facility of its kind and the first downtown hotel in recent memory, we felt it was important to check on the reasonableness of the results reached via the supply and demand and market penetration model. In order to do so, we conducted surveys with area businesses as well as with representatives of Wesleyan University. More information regarding the survey research is provided below.

Survey Research

For the subject project, a survey instrument was developed which solicited information from respondents regarding the following key areas:

- Level of overall lodging demand;
- Characteristics potential demand such as average length of stay for transient visitors, average size of meeting, typical range of sizes, number of overnight stays involved, meeting duration, etc.
- Importance of various attributes at a facility to potential visitors
- Typical amounts spent at facilities currently used.
- Perception regarding various attributes of the subject project after it is described to them.

- Estimate of actual demand, generally and for the proposed inn at a downtown Middletown location in particular.
- Expectations regarding how demand levels might change in the future.

The scope of research for this analysis did not include a classical statistical analysis of a large cross-section of potential users. This type of statistical sampling is excellent when the survey instrument is a brief questionnaire soliciting quantitative information only. In the case of a development like the subject, it was critical to have both quantitative and qualitative input. This is typically gathered via a smaller, focused survey like the one utilized and, in some cases, augmented by even smaller sampling sessions or "focus groups" with potential users. Such focus groups were utilized only with regard to demand from Wesleyan University for the proposed inn. In any case, the surveys conducted were intended to provide a check for the reasonableness of the demand calculations performed earlier in this section via a standard supply and demand analysis.

Surveys were distributed to three segments of the population:

1. The Middlesex County business community;
2. Representatives of area attractions; and
3. Representatives of Wesleyan University

We received completed survey responses from 20 businesses - approximately one-half of those in the business community to whom the survey was distributed. All of the questionnaires distributed to the Wesleyan community were returned and a follow-up focus group was held on campus. Responses from area attractions regarding the level of likely demand for the proposed hotel from their visitors were relatively sparse. For that reason, they are not discussed separately herein. We did, however, keep the information provided by the attractions which did participate in mind when making our recommendations.

It is important to note that acceptance of the input from the limited survey of potential users does not imply that these are the only potential users. Like focus group research, a limited survey is intended to provide a conceptual understanding of demand patterns and the needs and wants of the market which can be applied to the broader potential base of similar demand sources to those interviewed. As detailed in this section, the demand base identified by the survey was "grossed up" to account for the portion of demand which would likely come from the universe of users who were not sampled.

Survey Findings

The key findings of the survey research with area businesses are outlined in the summary tables which follow.

Summary of Key Survey Findings - Area Businesses

Average number of visitors annually	94
Average number of nights stay	1.8
Average number of annual meetings	2
Average number of nights lodging per meeting	1.9
Average group size	32
Average smallest group size	15
Average largest group size	112
Number of break-outs utilized	1
Percent of meeting attendees staying overnight	52%
Expect future demand to increase	32%
Expect future demand to stay the same	63%
Expect future demand to decrease	5%
Average hotel room rate paid	$ 93
Downtown location better than others	79%
Downtown location equal to others	16%
Downtown location not as good as others	5%
Downtown location not acceptable	0%
Weighted acceptable room rate*	$ 96

Source: Pinnacle Advisory Group
*Weighted for those who indicated they would use subject
Survey results from 20 responses received of 42 distributed

Ranked Importance of Services and Amenities - Businesses

Service or Amenity	Ranking
Full service restaurant	1
High-speed modem connections	2
Complimentary breakfast	3
Function/Meeting rooms	4
2-line phone with modem hook-up	5
Bar/Lounge	6
Room service	7
Transportation to airport	8
Conference planning services	9
Walking distance to shops/restaurants	10
Sophisticated health club	10
Instructional computer use	10
In-room fax machine	13
Full concierge services	14
Family and children activities	15
In-room mini bars	16
Spa facilities and services	17

Source: Pinnacle Advisory Group

With regard to area businesses, the following key findings emerged from the survey research:

- The complexion of demand calls for a full service hotel at the subject location. A full service restaurant, function/meeting rooms and other amenities typically offered only by a full service hotel are high on the priority list in terms of importance.
- The perception of the business community is positive, on the whole, with regard to the downtown location for the subject hotel.
- Generally, those who responded to the survey are accustomed to hotel rates slightly higher than the average of area hotels currently. The average acceptable rate (weighted for those expressing interest in using the proposed inn) was $96 which compares with an average rate at all the hotels in the competitive set of $85.26 in 1998.
- Most respondents were bullish with regard to the future - only 5 percent anticipated that their activity levels and need for hotel space would decrease in the future.
- With an average meeting group size of 32 participants, the respondents could very well make use of a relatively small scale, but full service hotel such as that recommended.

Wesleyan University demand patterns and priorities differed somewhat, as might be expected from the business community's as outlined in the following tables:

Ranked Importance of Services and Amenities - Wesleyan

Service or Amenity	Ranking
Transportation to airport	1
Walking distance to shops/restaurants	2
Full service restaurant	3
2-line phone with modem hook-up	4
Complimentary breakfast	5
Bar/Lounge	6
Spa facilities and services	6
High-speed modem connections	6
Instructional computer use	9
Function/Meeting rooms	10
Sophisticated health club	10
Family and children activities	12
Room service	13
Conference planning services	13
In-room fax machine	15
Full concierge services	15
In-room mini bars	17

Source: Pinnacle Advisory Group

Other Key Information - Wesleyan	
Expect future demand to increase	86%
Expect future demand to stay the same	14%
Expect future demand to decrease	0%
Downtown location better than others	86%
Downtown location equal to others	14%
Downtown location not as good as others	0%
Downtown location not acceptable	0%
Acceptable room rate	$ 85

Source: Pinnacle Advisory Group

As noted in the tables:

- Wesleyan demand was slightly more price-sensitive, reporting an acceptable rate of $85.
- No one reporting from Wesleyan anticipates that activity or demand levels will decrease in the future.
- 100% of the Wesleyan respondents felt that a downtown location was equal or better to the other hotel locations in the market.

We have taken the qualitative information discussed above with regard to Wesleyan and the area business community into account in our analysis and recommendations as outlined in the balance of this report.

Build-Up of Demand - Area Businesses

To perform a check on the reasonableness of our projections earlier using a standard supply and demand model with a penetration analysis, we calculated potential demand on the basis of the survey results. For area businesses, this calculation is contained in the following tables:

Corporate Individual Demand Identified by Survey	
Average annual room nights per business	94
Total sample size	42
Total calculated demand	3,942
Assume survey extracted this % of total	50%
"Grossed up" demand - 1999 levels	7,883
Stabilized demand in 2006*	8,749
Rounded	8,700
Compare with penetration model results	12,000
Percent identified by survey	73%

*Based on 1.5% increase annually, rounded

Source: Pinnacle Advisory Group

Corporate Group Demand Identified by Survey	
Average annual room nights per business	46
Total sample size	42
Total calculated demand	1,913
Assume survey extracted this % of total	50%
"Grossed up" demand - 1999 levels	3,826
Stabilized demand in 2006*	4,246
Rounded	4,200
Compare with penetration model results	5,660
Percent identified by survey	74%
*Based on 1.5% increase annually, rounded	

Source: Pinnacle Advisory Group

As shown in the tables, the survey tabulation equates to 73% and 74%, respectively of the demand levels identified via the penetration analysis. We believe that this provides a strong indication that the penetration analysis is within the range of reasonableness. It is important to note that the survey was conducted with members of the Middlesex County Chamber of Commerce only. Said another way, it is reasonable to conclude that the hotel demand generated in the area by activities related to companies which are members of the Chamber represents 73% of total transient activity and 74% of meeting activity which is what the above tables allow one to conclude.

Build-Up of Demand - Wesleyan University

Total potential demand from Wesleyan was more difficult to calculate since many of the events occurring at Wesleyan which generate overnight lodging demand may overlap on one another. Total demand from Wesleyan is outlined in the table on the following page. As shown in the table, total demand identified by the survey equated to approximately 700 room nights more than total demand as tracked by area hotels. The relatively close relationship between the two numbers however, leads us to conclude, as with the business demand calculations, that our penetration model and the results generated therefrom is reasonable.

Wesleyan Events - Room Night Generation Analysis					
Event	Number	Attendee Units	Average Stay	Percent Overnight	Room Nights
Admissions:					
Prospective Student Visits	5000	1	1	25%	1,250
Fall Open House	2	400	1	50%	400
Wesfest	1	500	1	50%	250
Saturday Panel	13	80	1	50%	520
Writing Programs:					
Writers visits to campus	12	1	1.5	100%	18
Writers Conference	1	15	5	100%	75
Alumni and Parent Events	3	50	2	100%	300
Writing Program Faculty Conference	1	50	1	100%	50
University Relations Office:					
Combined events	7	75	2	80%	840
Physical Education:					
Athletic events	200	25	1.5	60%	4,500
Human Resources:					
Job applicants	100	1	1	50%	50
Chemistry Department:					
Annual symposium	1	300	2	5%	30
Seminars	36	1	1	25%	9
Center for the Arts:					
Annual Navartri Festival	1	900	6	10%	540
Crowell Concert Series	3	300	1.5	2%	27
Artists while installing exhibitions	4	1	4	100%	16
Departmental Conferences	3	50	2	20%	60
Candidate searches	6	1	1	100%	6
Graduate Liberal Studies Program:					
Indicated no demand	0	0	0	0	0
Board of Trustees:					
Board meeting	4	30	2	80%	192
Total room nights from survey					9,133
Reduce by 50% because of peak demand overlap:					4,567
Round					**4,600**
Wesleyan-related room nights as tracked by area hotels in 1998:					**3,865**

Source: Pinnacle Advisory Group

Projected Average Daily Rate

We have projected average rate per occupied room for the subject inn on the basis of the rates which were identified as being acceptable to the area business and University community during our research as well as on the basis of rates being charged by the hotels in the competitive supply for other segments of demand to which the proposed hotel would cater. We have taken the comments made and information provided to us during the focus group and expanded research in the community into account in projecting average rate going forward on the basis of the following rates, by segment, expressed in 1998 value dollars:

Corporate Individual	$112
Corporate Group	$112
Leisure Individual	$97
Leisure Group	$97
Wesleyan	$99

It is important to note that these rates are expressed in 1998 value dollars since full year operating data for 1998 for the competitive supply was available for that year. Because of the subject's relatively small size and expected ambiance, we have projected a rate premium of approximately 20% for both corporate and Wesleyan above the "acceptable" rate stated in the survey research.

Utilizing the above rates, by segment results in a weighted average rate, expressed in 1998 value dollars of approximately $111 at stabilization. On the basis of available information regarding rate progression in the market, we have inflated average rate, by segment going forward at rates approximately commensurate with inflationary forces or 3% annually.

The table below illustrates projected average rate for the subject hotel over the period of the projections:

Projected Average Daily Rate

Period	Projecte Rate	Rate of Change
2002	$121.18	-
2003	$124.41	2.7%
2004	$128.07	2.9%
2005	$131.89	3.0%
2006	$135.82	3.0%

Source: Pinnacle Advisory Group

Projected Financial Performance

Methodology

In order to project financial operating results for the proposed Middletown Inn, we collected financial operating data for a selection of similar facilities which were then analyzed and utilized to prepare, on a line-by-line basis, statements of estimated annual operating results for the subject for a five-year period of operations. Specifically, financial operating data from the following key sources were analyzed:

- Eight hotels which we believe provide excellent comparable benchmarks for the subject. Of these, six were within the "defined competitive set" discussed earlier in this report and, therefore, bear particular relevance.
- Data from six sub-categories for full service hotels from the *1999 HOST Report* (presenting year-end operating data for calendar 1998) prepared by Smith Travel Research. We present only the high, medium and low range values of the HOST data in the body of the report, although all data provided by HOST was evaluated in our analysis.

Reference is made to these sources in the paragraphs which follow which provide a brief description of the inputs used to prepare the attached financial projections. Following each written description, a table is provided with the actual data. The identity of each comparable property is not revealed in order to maintain confidentiality. Properties are described simply as "Comparable 1" through "Comparable 9." The data from Smith Travel's *1999 HOST Report* is identified as such.

Inflation and Growth in Revenues and Expenses

Projections of revenue and expense categories are inflated to reflect current dollars for each projection year. Each category for the various revenues and expenses can be affected by different types of inflation, although a general rate of change has been applied to most all revenue and most expense line items. To summarize, from August 1989 to August 1999 (the latest available as of this writing), the CPI index for Northeast urban areas increased from 129.1 to 174.1, indicating a compound annual rate of increase of 3.0 percent. For the 5-year period from 1994 to 1999, this rate of increase slowed to 2.2% on a compound annual basis. During the more representative 10-year period, the Northeast economy has completed an entire business cycle ranging from healthy levels in the late 1980's to relatively severe recession in the early 1990's to a return to very healthy levels in recent years. Therefore, it appears that the average inflation rate reflected by the longer-term (10-year period) represents a fairly accurate and long-term estimate for inflation. In recognition of the available data, we have estimated the general rate of inflation of revenues and all expenses to be 3 percent over the projection period. The exceptions to this general rate of increase are the rate of increase for rooms revenues which is driven by average rate increases as discussed in the prior section of this report.

Term of Analysis

In the case of the subject property a five-year projection period was utilized to mimic a typical hotel analyst's approach in reviewing the propriety of a new development. It is envisioned that the proposed Middletown Inn will have reached a "stabilized operating level" in that time frame.

Departmental Revenues

Rooms Revenue

There are two major factors in the computation of the rooms revenue figure for the income statement: the projection of an occupancy curve and inflated average daily room rates for the facility. We projected occupancy and rate for the subject hotel over the projection period as summarized in the following table. A discussion of the rationale for our occupancy and average rate projections is contained in an earlier section of this report.

Projected Rooms Departmental Revenues

Year	Occupancy	Average Rate	Rooms Revenues ($Thousands)
2002	58%	$121.18	$2,578
2003	68%	$124.41	$3,070
2004	71%	$128.07	$3,325
2005	72%	$131.89	$3,466
2006	73%	$135.82	$3,613

Source: Pinnacle Advisory Group

Food Revenue

Food revenue at the subject will be generated by the Inn's restaurant, lounge, conferences, banquets, and room service. On a per occupied room basis, food revenues for the comparable supply (only those who offer full food service) ranged from a low of $28.06 to a high of $140.92, expressed in base year 1998 dollars. HOST data for comparable facilities ranged from a low of $16.01 to a high of $48.16 per occupied room. On the basis of our analysis, we have projected food revenues at a level of $41per occupied room in the stabilized year, expressed in base year 1998 dollars for the subject. We have carefully reviewed restaurant pricing in the surrounding area, placing special emphasis on restaurants located at the competitive set of hotels. On the basis of the expected attractiveness of the subject to non-guests in the downtown area during the business day and to the Wesleyan community, we believe this projection at the high end of the comparable data is reasonable.

Analysis of Food Revenues

	Per Occupied Room
Comparable 1	$28.06
Comparable 2	$34.48
Comparable 3	$68.99
Comparable 4	N/A
Comparable 5	$140.92
Comparable 6	$29.33
Comparable 7	$52.32
Comparable 8	N/A
HOST High	$48.16
HOST Average	$34.53
HOST Low	$16.01

Source: Pinnacle Advisory Group

Beverage Revenue

Beverage revenue at the subject, in a similar fashion to food revenues, will be generated by the facility's restaurant, lounge, conferences, banquets, and room service. On a per occupied room basis, beverage revenues for the comparable supply ranged from a low of $5.76 to a high of $37.49, expressed in base year 1998 dollars. Expressed as a percentage of food sales, the comparable data ranged from a low of 16% to a high of 26% of food sales. HOST data for comparable properties ranged from a low of $4.46 to a high of $12.93 per occupied room. On the basis of our analysis, we have projected beverage revenues at a level of $10.00 per occupied room in the stabilized year (equating to 24% of food sales), expressed in base year 1998 dollars for the subject.

Analysis of Beverage Revenues

	Per Occupied Room
Comparable 1	$6.13
Comparable 2	$5.76
Comparable 3	$14.25
Comparable 4	N/A
Comparable 5	$37.49
Comparable 6	$6.64
Comparable 7	$13.73
Comparable 8	N/A
HOST High	$12.93
HOST Average	$8.71
HOST Low	$4.46

Source: Pinnacle Advisory Group

Telephone Revenue

Telephone revenue consists of all local and long-distance call charges generated by guests at the Inn. On a per occupied room basis, telephone revenues for the comparable properties ranged from a low of $1.50 to a high of $4.63, expressed in base year 1998 dollars. HOST data for comparable hotels ranged from a low of $2.60 to a high of $5.87 per occupied room. On the basis of our analysis, we have projected telephone revenues at a level of $3.25 per occupied room in the stabilized year, expressed in base year 1998 dollars for the subject.

Analysis of Telephone Revenues

	Per Occupied Room
Comparable 1	$4.63
Comparable 2	$4.21
Comparable 3	$3.50
Comparable 4	$1.50
Comparable 5	$2.77
Comparable 6	$2.28
Comparable 7	$2.89
Comparable 8	$1.56
HOST High	$5.87
HOST Average	$4.17
HOST Low	$2.60

Source: Pinnacle Advisory Group

Other Operated Departments Income

Generally, this line item incorporates income which comes from a variety of sources such as net revenue from vending operations, valet and other ancillary operations. On a per occupied room basis, such revenues for the comparable facilities ranged from a low of $.42 to a high of $5.93, expressed in base year 1998 dollars. The average of the comparable hotels data was $1.75. HOST data for comparable facilities ranged from a low of $3.52 to a high of $17.51 per occupied room. On the basis of our analysis, we have projected other operated departmental revenues at a level of $2.00 per occupied room in the stabilized year, expressed in base year 1998 dollars for the subject, slightly above the average in the area.

Analysis of Other Operated Departments Income

	Per Occupied Room
Comparable 1	$1.49
Comparable 2	$1.23
Comparable 3	$0.60
Comparable 4	$0.42
Comparable 5	$5.93
Comparable 6	$0.52
Comparable 7	$0.00
Comparable 8	$2.06
HOST High	$17.51
HOST Average	$7.19
HOST Low	$3.52

Source: Pinnacle Advisory Group

Rentals and Other Income

Rentals and other income consists miscellaneous sources of income such as sales of sundry items including newspapers, postcards, and gift items, interest income and other miscellaneous sources such as video rentals. Many of the comparable facilities do not report rentals and other income separately from "other operated departments" income. Expressed on a dollar per available room basis, revenues for the comparable facilities ranged from a low of $15 to a high of $252 We note that available data for this income item was limited to only four relevant comparables. HOST data for comparable facilities ranged from a low of $286 to a high of $1,358 per available room. On the basis of our analysis, we have projected rentals and other income at a level of $25 per available room in the stabilized year.

Analysis of Rentals and Other Income	Per Available Room
Comparable 1	$247
Comparable 2	$252
Comparable 3	N/A
Comparable 4	N/A
Comparable 5	N/A
Comparable 6	$15
Comparable 7	N/A
Comparable 8	$39
HOST High	$1,358
HOST Average	$686
HOST Low	$286

Source: Pinnacle Advisory Group

Departmental Expenses

Rooms Expense

Rooms departmental expenses include expenses associated with the operation of a property's rooms department including front desk and housekeeping staffing, cleaning supplies, guest amenities, cable TV, reservation system expense, and travel agent commissions. The expense of operating the guest transportation service to points along Main Street and to the Wesleyan Campus, including related labor, should one be provided as recommended, would also be included in the rooms department expense. On a per occupied room basis, rooms departmental expenses for the comparable facilities ranged from a low of $10.70 to a high of $37.24 expressed in base year 1998 dollars. HOST data for comparable facilities ranged from a low of $21.97 to a high of $34.51 per occupied room. On the basis of our analysis regarding the most comparable properties, we have projected rooms departmental expenses at a level of $22 per occupied room in 1998 value dollars.

Analysis of Rooms Departmental Expenses	Per Occupied Room
Comparable 1	$24.57
Comparable 2	$24.97
Comparable 3	$17.36
Comparable 4	$10.70
Comparable 5	$37.24
Comparable 6	$17.47
Comparable 7	$17.57
Comparable 8	$14.30
HOST High	$34.51
HOST Average	$29.26
HOST Low	$21.97

Source: Pinnacle Advisory Group

Food and Beverage Departmental Expenses

Food and beverage expense consists of the cost of food and beverage, salaries and wages, and other expenses associated with the operation of a property's food and beverage facilities. On a percentage of related sales basis, food and beverage departmental expenses for the comparable facilities ranged from a low of 63% to a high of 75%. HOST data for comparable facilities ranged from a low of 76% to a high of 85%. On the basis of our analysis, we have projected food and beverage departmental expenses at a level of 74% of sales in the stabilized year. We have projected expenses at this level in order to reflect the relative expense of providing a "fine dining" experience during the dinner hour. Furthermore, we believe that the hotel in the comparable supply experience a lower food and beverage departmental expense level than is typical as a result of their large group orientation in the market.

Analysis of Food and Beverage Expenses

	Percent of Revenues
Comparable 1	64%
Comparable 2	65%
Comparable 3	63%
Comparable 4	N/A
Comparable 5	72%
Comparable 6	75%
Comparable 7	67%
Comparable 8	N/A
HOST High	85%
HOST Average	79%
HOST Low	76%

Source: Pinnacle Advisory Group

Telephone Departmental Expenses

Telephone expense includes equipment rental and/or maintenance, and telephone company service charges. On a percentage of related sales basis, telephone departmental expenses for the comparable facilities ranged from a low of 35% to a high of 95%. We have discounted the reported results of Comparables 3 and 4 somewhat since we believe their expense levels may be influenced by the age of their telecommunications systems. HOST data for comparable facilities ranged from a low of 45% to a high of 55%. On the basis of our analysis, we have projected telephone departmental expenses at a level of 50% of related sales in the stabilized year.

Analysis of Telephone Expenses	Percent of Sales
Comparable 1	36%
Comparable 2	36%
Comparable 3	95%
Comparable 4	80%
Comparable 5	N/A
Comparable 6	35%
Comparable 7	63%
Comparable 8	37%
HOST High	55%
HOST Average	49%
HOST Low	45%

Source: Pinnacle Advisory Group

Other Operated Departments Expenses

Expenses related to "other operated departments" typically vary greatly from property to property as a result of individual accounting policies. On a percentage of related sales basis, other operated departmental expenses for the comparable facilities (those who account for them) ranged from a low of 49% to a high of 91% when Comparable 5 is discounted which is, we believe appropriate. HOST data for comparable facilities ranged from a low of 70% to a high of 74%. On the basis of our analysis, we have projected other operated departmental expenses at a level of 60% of sales in the stabilized year, slightly below the average of the reporting comparable properties when Comparable 5 is discounted.

Analysis of Other Operated Departments Expenses	Percent of Sales
Comparable 1	N/A
Comparable 2	91%
Comparable 3	N/A
Comparable 4	N/A
Comparable 5	360%
Comparable 6	47%
Comparable 7	N/A
Comparable 8	49%
HOST High	74%
HOST Average	72%
HOST Low	70%

Source: Pinnacle Advisory Group

Undistributed Operating Expenses

Administrative & General

Fixed administrative and general expenses include the salaries of the general manager, controller, accountants, and human resources staff. In addition, this expense includes licenses, professional fees, legal and accounting fees, security service, donations, office supplies, travel costs, and other miscellaneous expenses. Variable administrative and general expense consists primarily of credit card commissions. On a per available room basis, these expenses for the comparable facilities ranged from a low of $1,410 to a high of $4,589, expressed in base year 1998 dollars. HOST data for comparable facilities ranged from a low of $3,404 to a high of $4,769 per available room. On the basis of our analysis, we have projected Administrative and General expenses at a level of $3,800 per available room in the stabilized year, expressed in base year 1998 dollars for the subject. This is at the higher end of the range shown, but justified, in our view, by the relatively smaller size (fewer available rooms as a basis of the calculation) of the subject relative to many of the comparable properties.

Analysis of Administrative and General Expenses

	Per Available Room
Comparable 1	$3,274
Comparable 2	$3,370
Comparable 3	$2,653
Comparable 4	$1,979
Comparable 5	$4,589
Comparable 6	$1,955
Comparable 7	$2,107
Comparable 8	$1,410
HOST High	$4,769
HOST Average	$4,052
HOST Low	$3,404

Source: Pinnacle Advisory Group

Management Fee

Industry standards for basic fees charged by third-party management typically range from 2.0 to 5.0 percent of total revenues, depending upon the complexity of the operation, the revenue potential of the property, and other strategic considerations. On a percentage of total sales basis, management fees for the comparable facilities ranged from a low of 3.0% to a high of 4.6%. HOST data for comparable facilities ranged from a low of 2.1% to a high of 5.6%. On the basis of our analysis, we have projected management fee on the basis of 3% of total sales for the subject. This represents a figure slightly lower than the average of the figures reported but is similar to the level at the properties which we consider the most comparable.

Analysis of Management Fee

	Percent of Total Sales
Comparable 1	3.0%
Comparable 2	3.0%
Comparable 3	3.3%
Comparable 4	4.1%
Comparable 5	N/A
Comparable 6	4.6%
Comparable 7	N/A
Comparable 8	N/A
HOST High	5.6%
HOST Average	3.6%
HOST Low	2.1%

Source: Pinnacle Advisory Group

Marketing Expense

Marketing expense includes the national advertising, local advertising and promotional expenses and internal merchandising expenses for the proposed Middletown Inn. As outlined earlier, we do not believe that a national brand name or franchise affiliation would in any substantial way, benefit the subject. Therefore, marketing expenses need to reflect the broad range of all marketing activities which would be necessary. On a per available room basis, marketing expenses for the comparable facilities ranged from a low of $838 to a high of $2,785, expressed in base year 1998 dollars. HOST data for comparable facilities ranged from a low of $1,188 to a high of $3,194 per available room. On the basis of our analysis, we have projected marketing expenses at a level of $3,000 per available room in the stabilized year, expressed in base year 1998 dollars for the subject. This amount is justified, we believe, since the base number of rooms upon which the expense is calculated (100) is relatively small, when compared with many of the comparable properties. Further, we believe that aggressive marketing will be necessary in order to attract the level of demand which we have projected to a downtown location.

Analysis of Marketing Expenses

	Per Available Room
Comparable 1	$2,636
Comparable 2	$2,371
Comparable 3	$1,893
Comparable 4	$1,315
Comparable 5	$2,785
Comparable 6	$2,474
Comparable 7	$1,641
Comparable 8	$838
HOST High	$3,194
HOST Average	$2,506
HOST Low	$1,188

Source: Pinnacle Advisory Group

Energy Expense

Energy expense includes the cost of electricity, gas, oil, water and sewer. On a per occupied room basis, energy expenses for the comparable facilities ranged from a low of $3.22 to a high of $10.40, expressed in base year 1998 dollars. HOST data for comparable facilities ranged from a low of $4.74 to a high of $7.35 per occupied room. On the basis of our analysis, we have projected energy expenses at a level of $6.50 per occupied room in the stabilized year, expressed in base year 1998 dollars for the subject. We have assumed that the newly developed spaces at the subject facility will be designed in the most energy efficient method possible and that every effort will be made in retrofitting the existing areas of the Armory structure to make them as energy efficient as possible.

Analysis of Energy Expenses	Per Occupied Room
Comparable 1	$6.32
Comparable 2	$5.57
Comparable 3	$9.96
Comparable 4	$3.40
Comparable 5	$10.40
Comparable 6	$5.64
Comparable 7	$6.79
Comparable 8	$3.22
HOST High	$7.35
HOST Average	$6.29
HOST Low	$4.74

Source: Pinnacle Advisory Group

Property Operations and Maintenance Expense

Property operations and maintenance expense is comprised of wages, contract services, and supplies associated with the maintenance of the property building and grounds. On a per occupied room basis, these expenses for the comparable facilities ranged from a low of $3.00 to a high of $10.75, expressed in base year 1998 dollars. HOST data for comparable facilities ranged from a low of $5.80 to a high of $11.91 per occupied room. On the basis of our analysis, we believe property operations and maintenance expenses will be similar but slightly higher than those experienced by Comparable 6 and, therefore, have projected them at a level of $7.50 per occupied room in the stabilized year, expressed in base year 1998 dollars for the subject.

Analysis of Property Operations and Maintenance Expenses	Per Occupied Room
Comparable 1	$4.54
Comparable 2	$5.59
Comparable 3	$5.87
Comparable 4	$5.99
Comparable 5	$10.75
Comparable 6	$6.57
Comparable 7	$6.31
Comparable 8	$3.00
HOST High	$11.91
HOST Average	$8.68
HOST Low	$5.80

Source: Pinnacle Advisory Group

Fixed Expenses

Property Taxes

We were informed at the outset of this assignment that, as a result of the City of Middletown's interest in having the subject project succeed, the issue of property tax assessment, including possible tax abatements is one which will be undecided until after this analysis is complete. However, our detailed knowledge of taxes paid by comparable facilities throughout the country and particularly those within the defined competitive and comparable set leads us to believe that we can provide a relatively accurate estimate of likely "market level" property taxes on the basis of an amount per available guest room. As shown in the table below, property taxes paid by the comparables ranged from a low of $703 to a high of $1,473 per available room. We have utilized an amount equivalent to $1,400 per available room as the "market" property tax burden for the subject upon stabilized market performance which represents an amount at the high end of the range for properties reporting. We believe this is appropriate given the subject's location in the core of downtown Middletown.

Analysis of Property Tax Expenses

	Per Available Room
Comparable 1	$1,082
Comparable 2	$1,473
Comparable 3	$1,283
Comparable 4	$703
Comparable 5	$965
Comparable 6	$1,106
Comparable 7	N/A
Comparable 8	N/A
HOST High	$1,922
HOST Average	$1,371
HOST Low	$912

Source: Pinnacle Advisory Group

Insurance

Property insurance expense includes building and contents insurance for a hotel. Under the most recent edition of The Uniform System of Accounts for Hotels, this line item also includes general liability insurance. On a per available room basis, insurance expenses for the comparable facilities ranged from a low of $26 to a high of $389 expressed in base year 1998 dollars. The most comparable facilities averaged from $196 to $270. HOST data for comparable facilities ranged from a low of $159 to a high of $422 per available room. On the basis of our analysis, we have projected insurance expenses at a level of $225 per available room in the stabilized year, expressed in base year 1998 dollars for the subject.

Analysis of Insurance Expenses

	Per Available Room
Comparable 1	$215
Comparable 2	$238
Comparable 3	$57
Comparable 4	$26
Comparable 5	N/A
Comparable 6	$270
Comparable 7	$389
Comparable 8	$196
HOST High	$422
HOST Average	$228
HOST Low	$159

Source: Pinnacle Advisory Group

Reserve for Replacement

Provision has been made for a reserve for periodic replacement of furnishings, fixtures, and equipment. We have included an annual reserve for replacement allocation of five percent of total revenues considered reasonable based on industry standards, the expected quality level of the property, the anticipated revenue stream and the estimated replacement cost of short-lived items.

Cash Flow Projections

Our projections for the subject property, prior to debt service and income taxes, are presented on the following page The table below compares the net operating income (NOI) for the subject, as projected before reserve for replacement with the corresponding net operating income for the comparable hotels before adjustment for reserves:

Analysis of NOI Before Reserves	**Percent**
Comparable 1	42.9%
Comparable 2	41.4%
Comparable 3	23.0%
Comparable 4	20.9%
Comparable 5	9.2%
Comparable 6	25.2%
Comparable 7	32.7%
Comparable 8	49.4%
Average of All Comparables	30.6%
HOST High	28.6%
HOST Average	26.9%
HOST Low	23.7%
Subject Stabilized Projection	**30.4%**

Source: Pinnacle Advisory Group

As noted in the table, our projection for the subject results in a stabilized net operating income (before reserves) which is very close to the average of all the comparable properties and higher than any of the HOST figures. Since the comparable supply includes several limited service properties with relatively high net operating incomes, expressed as a percentage of revenue, we believe that it is appropriate for the subject to perform at the level shown relative to the average.

Forecast of Income & Expense ($,000) - Proposed Middletown Inn, Middletown, CT

Year (1)	2002		2003		2004		2005		2006	
Number of Rooms:	100		100		100		100		100	
Occupancy:	58%		68%		71%		72%		73%	
Average Rate:	$121.18		$124.41		$128.07		$131.89		$135.82	
	$	%	$	%	$	%	$	%	$	%
REVENUES										
Rooms	2,578	63.8%	3,070	64.9%	3,325	65.3%	3,466	65.4%	3,613	65.5%
Food	1,092	27.0%	1,214	25.7%	1,285	25.3%	1,332	25.2%	1,382	25.1%
Beverage	239	5.9%	286	6.1%	310	6.1%	323	6.1%	337	6.1%
Telephone	84	2.1%	95	2.0%	101	2.0%	105	2.0%	110	2.0%
Other Operated Departments	49	1.2%	58	1.2%	62	1.2%	65	1.2%	67	1.2%
Rentals & Other Income	2	0.0%	3	0.1%	3	0.1%	3	0.1%	3	0.1%
Total	**4,044**	**100.0%**	**4,726**	**100.0%**	**5,086**	**100.0%**	**5,294**	**100.0%**	**5,512**	**100.0%**
DEPARTMENTAL EXPENSES (2)										
Rooms	566	22.0%	644	21.0%	687	20.7%	714	20.6%	741	20.5%
Food & Beverage	1,072	80.5%	1,142	76.1%	1,191	74.7%	1,231	74.4%	1,272	74.0%
Telephone	46	54.8%	49	51.6%	51	50.5%	53	50.5%	55	50.0%
Other Operated Departments	33	67.3%	36	62.1%	38	61.3%	39	60.0%	40	59.7%
Total	**1,717**	**42.5%**	**1,871**	**39.6%**	**1,967**	**38.7%**	**2,037**	**38.5%**	**2,108**	**38.2%**
DEPARTMENTAL INCOME	**2,327**	**57.5%**	**2,855**	**60.4%**	**3,119**	**61.3%**	**3,257**	**61.5%**	**3,404**	**61.8%**
OPERATING EXPENSES										
Administrative & General	411	10.2%	439	9.3%	459	9.0%	474	9.0%	490	8.9%
Management Fee	121	3.0%	142	3.0%	153	3.0%	159	3.0%	165	3.0%
Marketing	325	8.0%	347	7.3%	362	7.1%	374	7.1%	387	7.0%
Property Oper. & Maintenance	216	5.3%	231	4.9%	241	4.7%	249	4.7%	257	4.7%
Energy	181	4.5%	200	4.2%	211	4.1%	218	4.1%	226	4.1%
Total	**1,254**	**31.0%**	**1,359**	**28.7%**	**1,426**	**27.9%**	**1,474**	**27.9%**	**1,525**	**27.7%**
GROSS OPERATING PROFIT	**1,073**	**26.5%**	**1,496**	**31.7%**	**1,693**	**33.4%**	**1,783**	**33.6%**	**1,879**	**34.1%**
FIXED EXPENSES										
Property Taxes	158	3.9%	162	3.4%	167	3.3%	172	3.2%	177	3.2%
Insurance	25	0.6%	26	0.6%	27	0.5%	28	0.5%	29	0.5%
Reserve for Replacement	202	5.0%	236	5.0%	254	5.0%	265	5.0%	276	5.0%
Total	**385**	**9.5%**	**424**	**9.0%**	**448**	**8.8%**	**465**	**8.7%**	**482**	**8.7%**
NET OPERATING INCOME (3)	**688**	**17.0%**	**1,072**	**22.7%**	**1,245**	**24.6%**	**1,318**	**24.9%**	**1,397**	**25.4%**

Notes

(1) 2002 represents a calendar year beginning January, 1 and ending December, 31

(2) Departmental expense ratios are expressed as a percentage of their respective departmental revenues, and therefore will not total

(3) Income before other deductions such debt service, interest, depreciation, amortization, and income taxes

Source: Pinnacle Advisory Group

Addenda

Business Demand Questionnaire

Attraction Demand Questionnaire

Wesleyan Demand Questionnaire

Total Recommended Spatial Allocations

MIDDLETOWN INN/HOTEL FEASIBILITY ANALYSIS - 1999
BUSINESS DEMAND QUESTIONNAIRE

Please return via FAX to (802) 875-4021 no later than August 27. Thank You!

1. Company/Organization Name: ______________________________

2. Address: ______________________________
   Street Address Town

3. Your name and title: ______________________________

4. Telephone Number: ______________________

5. Total number of employees in or near Middletown ____________

6. How many visitors doing business with your company (clients, temporary relocations, consultants, etc.) and needing overnight accommodations come to Middletown and the surrounding area in a typical month? **(Not including attendees to off-site conferences)**

   ____

7. How many nights does the "typical" visitor stay at an area hotel? ______

8. In a typical year, how many meetings or conferences does your company hold in the Middletown area which require both overnight accommodations and conference facilities?

   0 1 2 3 4 5 6 7 8 9 10 If more than 10, please estimate how many:

9. The average number of nights lodging required for one of these conferences is:

   1 night 2 nights 3 nights 4 nights 5 nights If more than 5, please estimate #:

10. What is the average number of attendees at one of these meetings: __________

11. What is the range of size of these meetings: Smallest: ________ Largest: ________

12. When you hold off-site meetings (outside your offices) in addition to a meeting room for the general session, how many smaller break out rooms do you typically require for your average meeting of this type?

    ____

13. What percentage of attendees typically require overnight accommodations? ______%

14. Please rate the following possible attributes of a lodging facility in terms of their importance to your company's overnight visitors in general (1= VERY IMPORTANT, 5 = NOT AT ALL IMPORTANT)

    Full service restaurant 1 2 3 4 5

    Bar/Lounge 1 2 3 4 5

Room service	1 2 3 4 5
In-room mini bars	1 2 3 4 5
Transportation to/from airports	1 2 3 4 5
Walking distance to restaurants, shops and attractions	1 2 3 4 5
2-line telephones with modem hook-up	1 2 3 4 5
Complimentary breakfast	1 2 3 4 5
Function room for banquets or meetings	1 2 3 4 5
Conference planning services	1 2 3 4 5
Sophisticated health club/athletic facilities	1 2 3 4 5
"Spa" facilities and services (such as massage)	1 2 3 4 5
High-speed modem connection	1 2 3 4 5
In-room fax machines	1 2 3 4 5
Ability to handle instructional use of computers in meeting rooms	1 2 3 4 5
Full concierge services	1 2 3 4 5
Activities and amenities geared for families with children	1 2 3 4 5

Are there any other facilities/amenities which are important to your visitors which we have not listed above:

____

15. Please circle the amount below which most closely approximates the average amount visitors related to your company are willing to spend per night for overnight lodging, not including meals, taxes or gratuities:

Less than \$70 \$75 \$80 \$85 \$90 \$95 \$100 \$105 \$110 \$115

\$120 \$125 \$130 \$135 \$140 More than \$140

16. Based upon your impressions and knowledge of your company's out-of-town visitors, what would you estimate their household annual income level to be:

\$40,000 to \$49,999	\$50,000 to \$59,999	\$60,000 to \$69,999	\$70,000 to \$79,999
\$80,000 to \$89,999	\$90,000 to \$99,999	\$100,000 to \$109,999	\$110,000 to \$119,999
\$120,000 to \$129,999	\$130,000 to \$139,999	\$140,000 to \$149,000	\$150,000 and over

17. If an inn/hotel were developed in the Main Street/Wesleyan District of downtown Middletown how would you rate the LOCATION of such an inn/hotel with regard to its attractiveness to visitors to your company:

Much more desirable than currently available locations

Somewhat more desirable than currently available locations

About equal to currently available locations

Less desirable than currently available locations

Not acceptable -- would probably not consider using

18. On a scale of 1 to 5 where 1 is "very important" and 5 is "not important", please rank the following with regard to how you believe visitors doing business with your company who do stay overnight in the area select their lodging place:

Location close to our offices	1 2 3 4 5
Location close to highway	1 2 3 4 5
Location close to airport	1 2 3 4 5
Chain or brand name affiliation	1 2 3 4 5
Ambiance of the surrounding area	1 2 3 4 5
Low price critical - services secondary	1 2 3 4 5
Full service critical - price secondary	1 2 3 4 5
"Boutique" ambiance (intimate feel)	1 2 3 4 5

19. If an inn/hotel were developed in the Main Street/Wesleyan District of downtown Middletown and it had services, amenities and pricing structure which met the needs of your visitors, what percent of your visitors do you believe would use it?

0% 5% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

20. Please tell us which hotels your company or organization has utilized in the past for local visitors: (Name and location) (In order of frequency)

1)________________________ 2)________________________

3)________________________

21. How do you anticipate demand for overnight guest rooms will change in the future:

Increase dramatically Increase Moderately Stay the Same

Decrease Moderately Decrease Dramatically

22. Please use the attached blank sheet to provide us with any other comments/suggestions relative to the proposed inn/hotel development. Are there any services and amenities we didn't discuss which would help to make the proposed inn/hotel a success in your view? Any other comments?

Please return by fax to Pinnacle Advisory Group (802) 875-4021
Should you have any questions, please feel free to call Greg Bohan at (802) 875-2724

Thank you very much for taking the time to complete this survey!

MIDDLETOWN INN/HOTEL FEASIBILITY ANALYSIS - 1999
AREA ATTRACTION DEMAND QUESTIONNAIRE

Please return via FAX to (802) 875-4021 no later than August 27. Thank You!

1. Attraction Name: ______________________________

2. Address: ______________________________
   Street Address Town

3. Your name and title: ______________________________

4. Telephone Number: ______________________________

5. Annual attendance in 1998: ______________ Projected attendance in 1999:______________

5. In a typical year, what percentage of the visitors to your attraction do you estimate utilize overnight lodging in the surrounding area?

   0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

6. How many nights does the "typical" visitor to your attraction stay at an area hotel? ______

7. Please rate the following possible attributes of a lodging facility in terms of their probable importance to those visiting your attraction and staying over night (1= VERY IMPORTANT, 5 = NOT AT ALL IMPORTANT)

Full service restaurant	1 2 3 4 5
Bar/Lounge	1 2 3 4 5
Room service	1 2 3 4 5
In-room mini bars	1 2 3 4 5
Transportation to/from airports	1 2 3 4 5
Walking distance to restaurants, shops and attractions	1 2 3 4 5
2-line telephones with modem hook-up	1 2 3 4 5
Complimentary breakfast	1 2 3 4 5
Function room for banquets or meetings	1 2 3 4 5
Conference planning services	1 2 3 4 5
Sophisticated health club/athletic facilities	1 2 3 4 5
"Spa" facilities and services (such as massage)	1 2 3 4 5
High-speed modem connection	1 2 3 4 5
In-room fax machines	1 2 3 4 5

Ability to handle instructional use of computers in meeting rooms 1 2 3 4 5

Full concierge services 1 2 3 4 5

Activities and amenities geared for families with children 1 2 3 4 5

Are there any other facilities/amenities which are important to your visitors which we have not listed above:

____

8. Please circle the amount below which most closely approximates the average amount visitors in the area to visit your attraction are willing to spend per night for overnight lodging, not including meals, taxes or gratuities:

Less than $70 $75 $80 $85 $90 $95 $100 $105 $110 $115

$120 $125 $130 $135 $140 More than $140

9. Based upon your impressions and knowledge of the visitors to your attraction, what would you estimate their household annual income level to be:

$40,000 to $49,999	$50,000 to $59,999	$60,000 to $69,999	$70,000 to $79,999
$80,000 to $89,999	$90,000 to $99,999	$100,000 to $109,999	$110,000 to $119,999
$120,000 to $129,999	$130,000 to $139,999	$140,000 to $149,000	$150,000 and over

10. If an inn/hotel were developed in the Main Street/Wesleyan District of downtown Middletown how would you rate the LOCATION of such an inn/hotel with regard to its attractiveness for visitors to your attraction:

Much more desirable than currently available locations

Somewhat more desirable than currently available locations

About equal to currently available locations

Less desirable than currently available locations

Not acceptable -- would probably not consider using

11. On a scale of 1 to 5 where 1 is "very important" and 5 is "not important", please rank the following with regard to how you believe visitors doing business with your company who do stay overnight in the area select their lodging place:

Location close to our attraction 1 2 3 4 5

Location close to highway 1 2 3 4 5

Location close to airport 1 2 3 4 5

Chain or brand name affiliation 1 2 3 4 5

Ambiance of the surrounding area 1 2 3 4 5

Low price critical - services secondary 1 2 3 4 5

Full service critical - price secondary 1 2 3 4 5

"Boutique" ambiance (intimate feel) 1 2 3 4 5

12. If an inn/hotel were developed in the Main Street/Wesleyan District of downtown Middletown and it had services, amenities and pricing structure which met the needs of your visitors, what percent of the visitors to your attraction who stay overnight do you believe would use it?

0% 5% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

13. Please tell us which hotels in the surrounding area are utilized most frequently at the present time by visitors to your attraction who stay overnight in the area: (Name and location) (In order of frequency)

____

____

____

14. How do you anticipate demand for overnight guest rooms will change in the future:

Increase dramatically Increase Moderately Stay the Same

Decrease Moderately Decrease Dramatically

15. Please use the attached blank sheet to provide us with any other comments/suggestions relative to the proposed inn/hotel development. Are there any services and amenities we didn't discuss which would help to make the proposed inn/hotel a success in your view? Any other comments?

Please return by fax to Pinnacle Advisory Group (802) 875-4021
Should you have any questions, please feel free to call Greg Bohan at (802) 875-2724

Thank you very much for taking the time to complete this survey!

MIDDLETOWN INN/HOTEL FEASIBILITY ANALYSIS - 1999
WESLEYAN UNIVERSITY DEMAND QUESTIONNAIRE

Please return via FAX to (802) 875-4021 no later than August 27. Thank You!

1. University Department or Office: ______________________________

2. Campus Address: ____

3. Your name and position with Wesleyan: ______________________________

4. Telephone Number: ____

6. In a typical year, how many events* related to your department (or general University events of which you have the most working knowledge) occur in the Middletown area which result in the need for housing overnight visitors

   0 1 2 3 4 5 6 7 8 9 10 If more than 10, please estimate how many:

   *Please include all types of events including, but not limited to:
   - Sporting events
   - Theatrical or musical events
   - Conferences, symposia or seminars
   - Campus visitation related to admissions (on-going)
   - Visits from prospective students, faculty or employees
   - Graduation exercises
   - Parents Weekends
   - Etc.

7. For each major type of event, please provide the following information:

Event Type 1

Type of event: ____

How many times annually does this event occur: __________________________

During what months of the year: ____________________________________

On what days of the week (typically): ________________________________

The average number of nights lodging required for this event is: ___________ nights

The average number of attendees at this event is: ___________.

What is the range of size for this event typically: Smallest: _________ Largest: ________

What percentage of attendees for each of these events would typically require overnight accommodations?

___________%

Event Type 2

Type of event:____

How many times annually does this event occur:______________________

During what months of the year:_________________________________

On what days of the week (typically):______________________________

The average number of nights lodging required for this event is:__________nights

The average number of attendees at this event is: ___________

What is the range of size for this event typically: Smallest: ________ Largest: _______

What percentage of attendees for each of these events would typically require overnight accommodations?

__________%

Event Type 3

Type of event:____

How many times annually does this event occur:______________________

During what months of the year:_________________________________

On what days of the week (typically):______________________________

The average number of nights lodging required for this event is:__________nights

The average number of attendees at this event is: ___________

What is the range of size for this event typically: Smallest: ________ Largest: _______

What percentage of attendees for each of these events would typically require overnight accommodations?

__________%

Event Type 4

Type of event:____

How many times annually does this event occur:___________________________

During what months of the year:____

On what days of the week (typically):____________________________________

The average number of nights lodging required for this event is:____________nights

The average number of attendees at this event is: ____________

What is the range of size for this event typically: Smallest: _________ Largest: ________

What percentage of attendees for each of these events would typically require overnight accommodations?

____________%

Event Type 5

Type of event:____

How many times annually does this event occur:___________________________

During what months of the year:____

On what days of the week (typically):____________________________________

The average number of nights lodging required for this event is:____________nights

The average number of attendees at this event is: ____________

What is the range of size for this event typically: Smallest: _________ Largest: ________

What percentage of attendees for each of these events would typically require overnight accommodations?

____________%

8. Please rate the following possible attributes of a lodging facility in terms of their importance to overnight visitors related to the events you hae described (in general) (1= VERY IMPORTANT, 5 = NOT AT ALL IMPORTANT)

Full service restaurant	1 2 3 4 5
Bar/Lounge	1 2 3 4 5
Room service	1 2 3 4 5
In-room mini bars	1 2 3 4 5
Transportation to/from airports	1 2 3 4 5
Walking distance to restaurants, shops and attractions	1 2 3 4 5
2-line telephones with modem hook-up	1 2 3 4 5
Complimentary breakfast	1 2 3 4 5
Function room for banquets or meetings	1 2 3 4 5
Conference planning services	1 2 3 4 5
Sophisticated health club/athletic facilities	1 2 3 4 5
"Spa" facilities and services (such as massage)	1 2 3 4 5
High-speed modem connection	1 2 3 4 5
In-room fax machines	1 2 3 4 5
Ability to handle instructional use of computers in meeting rooms	1 2 3 4 5
Full concierge services	1 2 3 4 5
Activities and amenities geared for families with children	1 2 3 4 5

Are there any other facilities/amenities which are important to your visitors which we have not listed above:

____

9. Please circle the amount below which most closely approximates the average amount visitors related to your department or office are willing to spend per night for overnight lodging, not including meals, taxes or gratuities:

Less than $70 $75 $80 $85 $90 $95 $100 $105 $110 $115

$120 $125 $130 $135 $140 More than $140

10. Based upon your impressions and knowledge of the out-of-town visitors being discussed, what would you estimate their household annual income level to be:

$40,000 to $49,999	$50,000 to $59,999	$60,000 to $69,999	$70,000 to $79,999
$80,000 to $89,999	$90,000 to $99,999	$100,000 to $109,999	$110,000 to $119,999
$120,000 to $129,999	$130,000 to $139,999	$140,000 to $149,000	$150,000 and over

11. If an inn/hotel were developed in the Main Street/Wesleyan District of downtown Middletown how would you rate the LOCATION of such an inn/hotel with regard to its attractiveness to the visitors related to the activities being discussed:

Much more desirable than currently available locations

Somewhat more desirable than currently available locations

About equal to currently available locations

Less desirable than currently available locations

Not acceptable -- would probably not consider using

12. On a scale of 1 to 5 where 1 is "very important" and 5 is "not important", please rank the following with regard to how you believe visitors to the events you described earlier who do stay overnight in the area select their lodging place:

Location close to Wesleyan campus	1 2 3 4 5
Location close to highway	1 2 3 4 5
Location close to airport	1 2 3 4 5
Chain or brand name affiliation	1 2 3 4 5
Ambiance of the surrounding area	1 2 3 4 5
Low price critical - services secondary	1 2 3 4 5
Full service critical - price secondary	1 2 3 4 5
"Boutique" ambiance (intimate feel)	1 2 3 4 5

13. If an inn/hotel were developed in the Main Street/Wesleyan District of downtown Middletown and it had services, amenities and pricing structure which met the needs of the visitors to the events you described, what percent of those visitors do you believe would use it?

0% 5% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

14. Please tell us which hotels you believe have been utilized most frequently in the past for visitors related to the events you described: (Name and location) (In order of frequency)

____

____

____

15. How do you anticipate demand for overnight guest rooms from these types of events will change in the future:

Increase dramatically   Increase Moderately   Stay the Same

Decrease Moderately   Decrease Dramatically

16. Please use the blank area below to provide us with any other comments/suggestions relative to the proposed inn/hotel development. Are there any services and amenities we didn't discuss which would help to make the inn/hotel a success in your view? Any other comments?

Please return by fax to Pinnacle Advisory Group (802) 875-4021
Should you have any questions, please feel free to call Greg Bohan at (802) 875-2724

Thank you very much for taking the time to complete this survey with us!

Proposed Middletown Inn
Estimated Spatial Allocations

Guest Rooms: **Total:** 100

Room Types:	Percent of Total	Number	Square Feet Each	Total Square Feet
King	58%	58	350	20300
Double Double	15%	15	375	5625
Handicapped	2%	2	400	800
Suites	25%	25	500	12500
Net Total	100%	100		39225
Gross Factor				35%
Total Gross Square Footage				**52954**
Rounded				**53000**

Food and Beverage Space

Recommended Space:	Seats per Guest Room	Square Feet per Seat	Number of Seats	Rounded Seats	Total Square Feet
Café Restaurant	1	16	100	100	1600
Small Lobby Bar	0.1	15	10	10	150
Net Total					1750
Gross Factor					25%
Total Gross Square Footage					**2188**
Rounded					**2200**

Meeting and Conference Space

Recommended Space:	Seats per Guest Room	Square Feet per Seat	Number of Seats	Rounded Seats	Total Square Feet
Conference and Board Rooms	1.5	15	150	150	2250
Divisible Function Room	2.5	18	250	250	4500
Net Total					6750
Calculated Net Total per Guest Room					*68*
Gross Factor					20%
Total Gross Square Footage					**8100**
Rounded					**8100**

Lobby and Related Area Square Footage:

Calculated on the basis of 10 square feet per guest room	**1000**

Health Club and Pool (Recommend arrangement with "Executive" Club at YMCA across street

Swimming Pool	0
Health Club	0
Total Gross Square Footage	**0**

Administration

	Square Feet per Guest Room	Total Square Feet
Front Office	3.5	350
Executive Offices	2.5	250
Sales and Catering	5	500
Accounting	2	200
Net Total		1300
Gross factor		20%
Total Gross Square Footage		**1560**
Rounded		**1560**

Service Areas:

		Square Feet per Guest Room	Total Square Feet
Food Preparation:			
	Café Kitchen	3	300
	Food and Beverage Storage	3.2	320
Receiving/Storage:			
	Receiving/Trash	3.1	310

	General Storage	2	200
Employee Areas:			
	Personnel	3	300
	Employee Lockers	5.1	510
	Employee Dining	2.6	260
Laundry/Housekeeping			
	Laundry	8.3	830
	Housekeeping	4.1	410
Engineering/Mechanical			
	Engineering office/shop	5	500
	Mechanical	10	1000
Net Total			4940
Gross factor			20%
Total Gross Square Footage			5928
Round			5930
OVERALL TOTAL GROSS SQUARE FOOTAGE			71729
ROUNDED			72000
Calculated Gross Square Footage per Guest Room (Based on rounded size)			*720*

Source: Pinnacle Advisory Group

Footprint and Likely Land Area Determination

Total square footage, not including guest room areas:	18776
Assumed number of levels for non-guest room uses	1.5
Calculated footprint square footage on this basis:	12517
Add landscaped areas at 10% of footprint	1,252
Calculated Land Area Required:	13769
Rounded Estimate of Land Area Required	14000

Square Footage of Available Sites:

	Footprint (sf) possible:	
Middlesex Mutual Green Space	10,000 to 20,000	Parking at Middlesex Mutual Garage
Plaza Middlesex	10,000 to 15,000	Parking at Middlesex Mutual Garage
Armory Building	10,000 to 15,000	With 5,000 for parking - might need Press parking too
Middlesex County Courthouse	15,000	60 to 70 parking spaces plus Municipal Lot
Nehemiah Housing Site	10,000	Parking "very difficult" per Planning memo

Source: Pinnacle Advisory Group, on the basis of planning parameters established in the text of ***Hotel Planning and Design*** by Rutes and Penner, Cornell University School of Hotel Administration