

Pinnacle Management -- Downtown Pensacola Hawkshaw Development

5/15/17

Team/Experience/Credentials

Mitesh Patel -- President/Owner Pinnacle Management
Champaklal Patel -- Vice President/Shareholder

Please see attached Resume of our past developments, projects, and overall qualifications and experience to develop, build, and manage a successful mixed used development.

We have a history of taking properties that are unfinished, closed down, or in bad shape and turning them around to improve the overall area of that property with several examples right here in Pensacola. Best Western Plus Blue Angel Inn at 2390 W. Detroit Blvd was an unfinished project that was at a completely stand still for over 7 years which we purchased and took over the property from the bank, completed construction, and have successfully managed the property for the last 10+ years. The Baymont Inn and Clarion at 7330 and 7200 Plantation road were in terrible shape, the Clarion was closed down; we opened the hotel back up, renovated both properties and helped ignite the revival to the University Mall area. The Americas Best Value Inn at 7194 Pensacola Blvd was foreclosed, in need of repair and renovations we purchased the property from Hancock Bank, turned it around and have very successfully managed the property for almost 5 years. We appreciate the challenge, enjoy being able to improve the area, and are well qualified to manage successful developments of all shapes and sizes.

Overall Project Description

We are proposing a mixed use development that would include 45 to 50 upscale condominiums in a 4 to 6 story building (depending on parking requirements and needs), several small shops/restaurants/retail space totaling anywhere from 7,500 square ft to 10,000 of space, additional green space for outdoor dining, walking the shops, outdoor seating. With being the owners of the current 5 acre parcel next door and this 2 acre parcel; we would completely have all rights to Colfax street; which we would like to bollard off, lay down pavers and make it a very nice outdoor, walkable, dining, and sitting area for the public to use while visiting the shops or restaurants. Storm water drainage would be directly into the Admiral Mason Park access that is currently in place for this parcel.

Our offer price for the purchase of this property would be \$550,000 plus property tax abatement allowance for the first 3 years (Development and ramp up period)

Completion Schedule

Design and Planning stage for a project of this magnitude will take 3 to 4 months, construction of this project would last 12 to 14 months; bringing total time of commencement to 15 to 18 months.

We are requesting property tax abatement for the first 36 months on our total 7+ acres of development to offset additional cost associated with flood zone requirements, constructing on pilings, etc. that would drive the cost of this development up much higher.

Project Financing and Economics

We have currently taken over full control of the 5+ acre parcel adjacent to this parcel for \$3M, have worked with several banks locally for past projects in our area and use local bank in our area for all of our banking needs. We would close on this offer for this parcel if approved with an all cash deal within days of approval.

This project when completed will provide the City of Pensacola with a great amount of property taxes and even greater increase sales tax with the shops and restaurants as well.

MITESH C. PATEL - Resume

4031 Stefani Road
Cantonment, Fl. 32533
Email: tishpatel@cox.net

EDUCATION:

2002 Bachelors Degree University of West Florida in Finance and Business Management

2003 Florida Real Estate License (Voluntarily Inactive)

2009 CHO Certified

WORK / BUSINESS EXPERIENCE

1997 – 2002 General Manager of Executive Inn (Pensacola, Florida)

2003-2005 Owned/Managed 2 Convenience Stores/Gas Stations (Pensacola, Florida)

2005-2007 Fully Renovated and Managed Hampton Inn (Ocean Springs, Ms.)

2006 Temporarily Managed and Sold Super 8 Motel (Moss Point, Ms)

2007 Completed Construction and Opened Best Western Blue Angel Inn (Pensacola, FL.)

2008-2009 Completed Construction and Opened Best Western Troy Inn (Troy, AL)

2009 Completed Construction and Opened Holiday Inn Express (Pensacola, FL.)

2010 Purchased Baymont Inn and Suites (formerly Holiday Inn Express) Pensacola, FL.

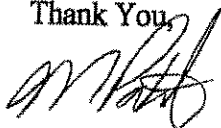
2010 Purchased Closed down Clarion Inn (formerly Holiday Inn) Pensacola, FL.

2010-2011 Renovated Baymont Inn and Opened closed down property as Americas Best Value Inn and Suites

2012-2013 Purchased and Renovated Americas Best Value Inn (Pensacola, FL.)

2016 Purchased Property in Downtown Pensacola for Development of 2 New Hotels

Thank You,



Mitesh Patel

Company History and Background of Pinnacle Management and Investments, LLC
Champaklal Patel (Majority Shareholder) and Mitesh Patel (Managing Member)

PROFESSIONAL EXPERIENCE

<u>COMPANY</u>	<u>POSITION HELD</u>	<u>DURATION</u>	<u>No. OF YEARS</u>
Millwood Motel Millbrae, CA.	Manager	Sept. 1974 to March 1976	2 Years
Apex Motel Modesto, CA.	Owner/Mgt	March 1976 to Dec. 1982	6 Years
Budget Inn Turlock, CA.	Owner/Mgt	April 1979 to Dec. 1982	3 Years
Travel Inn Pensacola, Fl.	Owner/Mgt	May 1983 to Jan 1996	14 Years
Executive Inn Pensacola, Fl.	Owner/Builder/Mgt	Feb. 1984 to Present	33 Years
Days Inn Moss Point, Ms.	Owner/Builder/Mgt	July 1991 to Present	26 Years
Comfort Inn Mobile, Al.	Owner/Builder	Aug. 1994 to 2013	19 Years
Super 8 Motel Moss Point, Ms.	Owner/Builder/Mgt	May 1996 to 2007	11 Years
Hampton Inn Biloxi, Ms.	Owner/Builder/Mgt	Sept. 1997 to 2007	10 Years
Ramada Ltd. Meridian, Ms.	Owner	May 1992 to 1999	7 Years
Constructed Home Pensacola, Fl.	Owner	Feb. 1997 to Present	20 Years
Microtel Inn & Suites Louisville, Tx.	Owner	July 1998 to 2004	6 Years
Comfort Suites Spring, Tx.	Owner	Sept. 1998 to 2005	7 Years
Guru Krupa Mtg. Co. Pensacola, Fl.	Owner/Mgt	Jan. 1999 to Present	18 Years
Circle A Food Mart	Owner/Mgt.	Jan. 1985 to Present	32 Years

Pensacola, Fl.			
CMP Food Mart Pensacola, Fl.	Owner/Mgt.	March 2003 to Present	14 Years
Best Western Pensacola, Fl.	Owner/Builder/Mgt	Opened Feb. 2007 to Present	10 Years
Comfort Suites Mobile, Al.	Owner/Builder	Opened Dec 2007 to 2014	7 Years
Holiday Inn Express Pensacola, Fl.	Owner/Builder	Opened Aug 2009 to Present	8 Years
Americas Best Value Inn Pensacola, Fl.	Owner	Purchased in 2010 to Present	7 years
Baymont Inn and Suites Pensacola, Fl.	Owner	Purchased in 2010 to Present	7 Years
Americas Best Value Inn Pensacola, Fl.	Owner	Purchased in 2012 to Present	5 Years

ADDITIONAL QUALIFICATIONS

With over 35 years of experience in the hotel industry including site selection, planning, construction, financing, and management of every property purchased or built from 1976 to present, we have been able to build a strong portfolio of diversified properties in the southeast region of the United States.

Our long term goal is to sell off older properties in our portfolio and with those resources move into the upscale/upper mid-scale franchised properties around a 60 mile radius of Pensacola, Florida, and to acquire management contracts for other properties within our area to fully diversify our portfolio within a local area, operated through our management company. We have recently decided to diversify our portfolio by looking to tap into the convenience store, strip mall, and fast food industry. We have many years of experience in the convenience store industry and now are looking into nationally recognized fast food restaurants in our comfort zone which is approximately within a 40 to 90 mile radius.

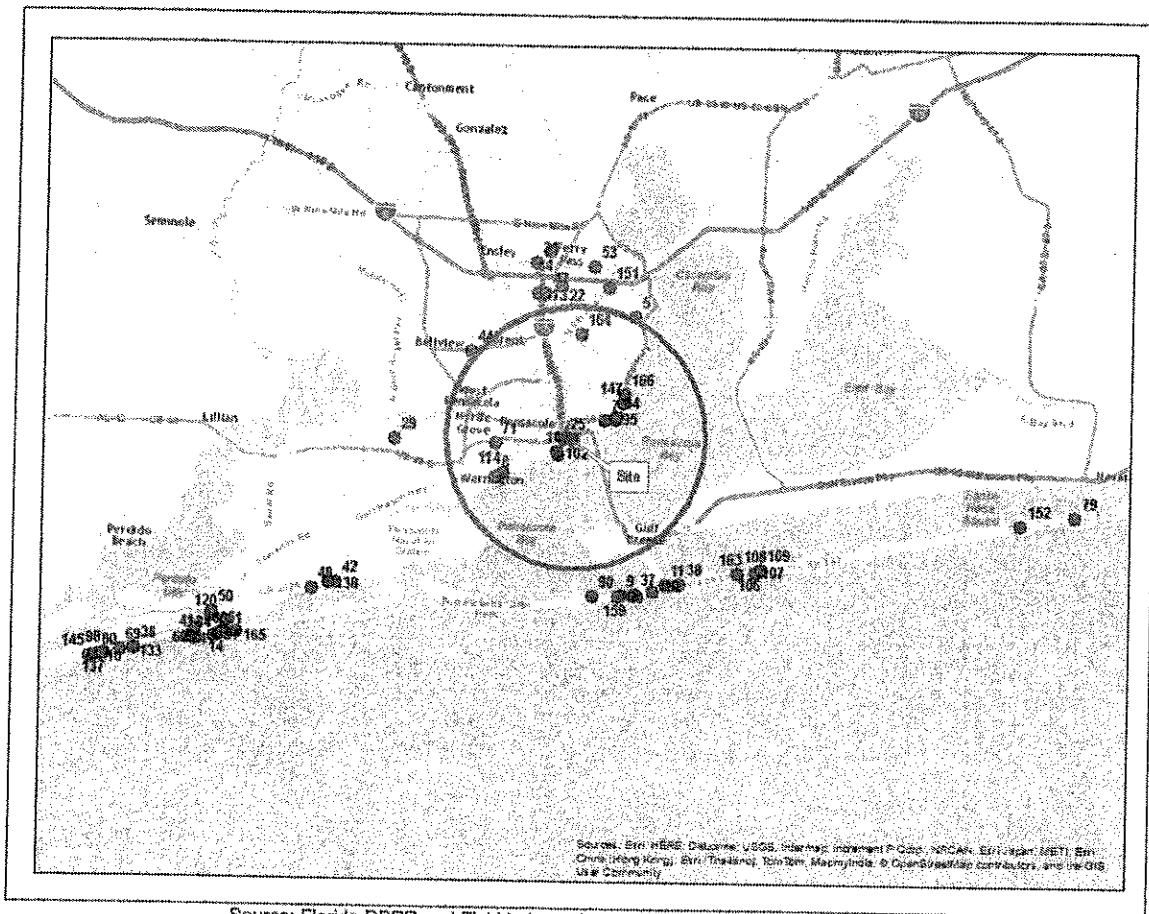
This is a family owned business that is now into our second generation of management and ownership. We have always been conservative in our growth to carefully and quietly grow our company to benefit our investors, partners, employees, and the community in which we live and support.

4.0 Condominium Analysis

4.1 Condominium Supply and Sales History

Similar to the hotel analysis, Fishkind evaluated the condominium market throughout Escambia County and specifically the downtown Pensacola market. Map 5 shows the condominium projects greater than 50 units throughout the county. Table 14 summarizes the competitive set of condominiums and Map 6 provides a summary of the competitive set of projects within five miles along Pensacola Bay, Florida.

Map 5. Escambia Condominium Projects (>50 units)

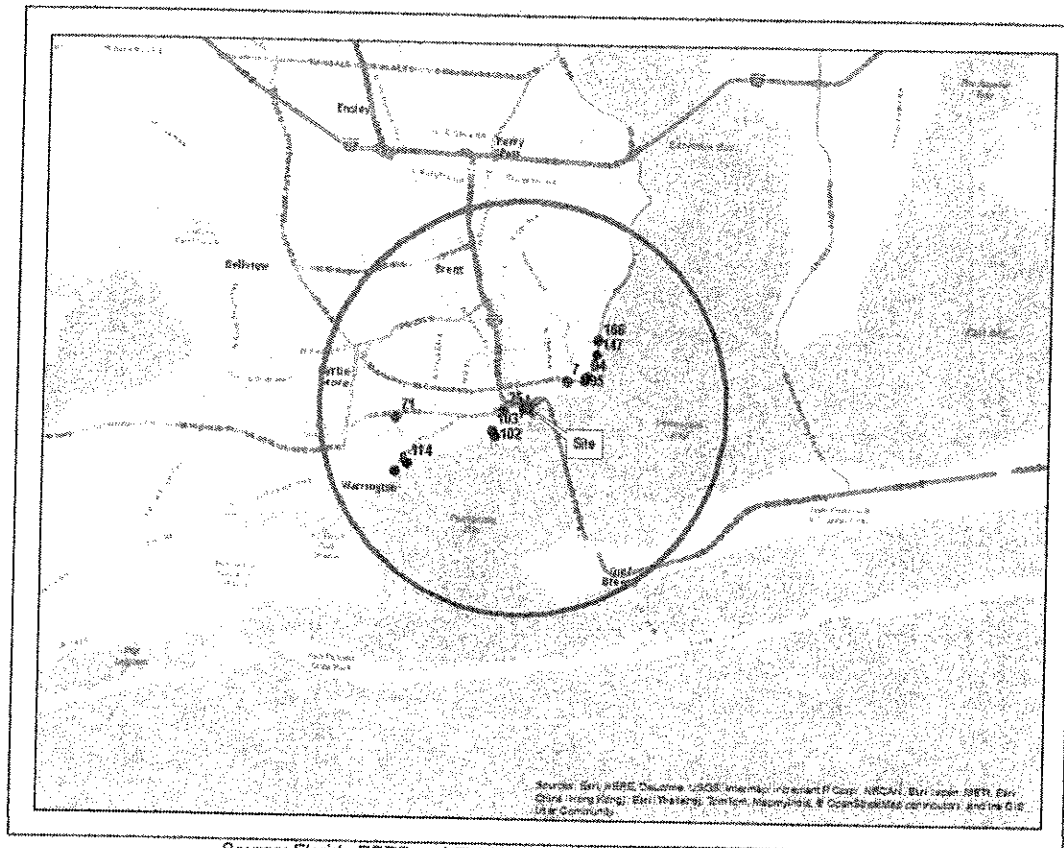


**Table 14. Pensacola Condominium Projects
(within 5 miles near Pensacola Bay)**

ID	Condo Name	Street	City	State	Zip	Units	Year Recorded
102	PORT ROYAL CONDOS	301 PORT ROYAL WAY	PENSACOLA	FL	32502	55	1985
103	PORT ROYAL, A CONDO	94 PORT ROYAL WAY	PENSACOLA	FL	32501	60	1984
71	MARTINIQUE ON THE BAYOU, A CONDO	201 STILLMAN STREET	PENSACOLA	FL	32505	66	2005
7	BAYOU BREEZE CONDO	300 BAYOU BLVD	PENSACOLA	FL	32503	68	1982
95	PENSACOLA SCENIC ARMS CONDO	600 SCENIC HWY	PENSACOLA	FL	32503	72	1982
94	PENSACOLA RICHELIEU THE, A CONDO	710 SCENIC HWY	PENSACOLA	FL	32503	74	1981
114	RIVIERA 615 CONDO	615 BAYSHORE DR	PENSACOLA	FL	32507	94	1974
8	BAYSHORE CONDO	825 BAYSHORE DR	PENSACOLA	FL	32507	98	1980
147	SPYGLASS POINT, A CONDO	2201 SCENIC HWY	PENSACOLA	FL	32503	120	1982
25	CARLTON PALMS, A CONDO	224 EAST GARDEN STREET	PENSACOLA	FL	32501	141	1995
166	WINDCHASE BAY, A CONDO	2299 SCENIC HIGHWAY	PENSACOLA	FL	32503	176	1983

Source: Florida DBPR and Fishkind and Associates, Inc.

Map 6. Condominium Projects in Pensacola (>50 units)



Fishkind gathered historical data regarding sales of the competitive set of condominium projects within the 5-mile radius and near Pensacola Bay. Table 15 summarizes the findings and Figure 14 shows the relationship between sales and average sale price.

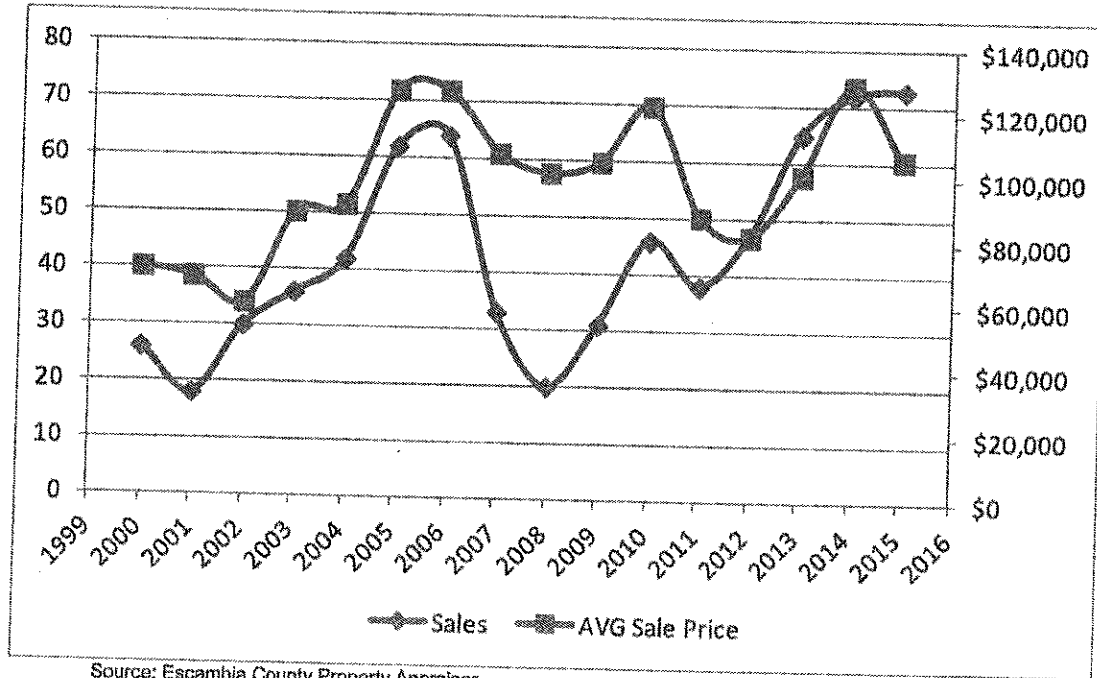
**Table 15. Pensacola Condominium Sales History
(5-mile Radius along Pensacola Bay)**

Sale Year	Sales	AVG Sale Price	AVG SQFT HTD	AVG Sale\$/SQFT
2000	26	\$70,292	994	\$67.63
2001	18	\$67,617	1,081	\$60.44
2002	30	\$59,717	902	\$65.83
2003	36	\$87,875	1,054	\$78.44
2004	42	\$90,431	893	\$97.57
2005	62	\$125,827	934	\$127.19
2006	64	\$125,873	749	\$172.13
2007	33	\$106,806	895	\$121.17
2008	20	\$101,040	955	\$108.17
2009	31	\$104,643	1,047	\$94.95
2010	46	\$274,085	908	\$435.25
2011	38	\$87,918	994	\$78.60
2012	47	\$82,068	1,026	\$71.97
2013	65	\$101,152	956	\$90.72
2014	72	\$129,100	1,120	\$97.76
2015	73	\$106,227	909	\$97.45
2016	13	\$71,031	778	\$85.12
Grand Total	716	\$112,847	952	\$121.92

Source: Escambia County Property Appraiser and Fishkind and Associates, Inc.

Based on the property appraiser data, the average year built of the condominium projects within the market of the subject site is 1985. From 2000 through 2015, average sales volume is just over 40 units annually. The average sales price has increased 50.1 percent from \$70,292 in 2000 to \$106,227 in 2015; the average annual sales price per square foot has increased from \$67.63 in 2000 to \$97.45 in 2014, which is a 44 percent increase.

**Figure 14. Pensacola Condominium Annual Sales Data
(2000 – 2016YTD)**



Fishkind conducted a similar analysis of the group of condominium projects along Pensacola Beach, concentrated beyond the Pensacola Bay Bridge. Table 16 summarizes the sales activity of these condominium projects from 2000 through 2015.

Table 16. Pensacola Beach Condominium Sales History

Sale Year	Sales	AVG Sale Price	AVG SQFT_HTD	AVG Sales/SQFT
2000	36	\$203,589	1,224	\$160.84
2001	28	\$218,355	1,248	\$170.98
2002	41	\$249,546	1,279	\$188.78
2003	120	\$349,610	1,454	\$235.65
2004	109	\$491,929	1,483	\$324.75
2005	37	\$458,938	1,297	\$341.73
2006	173	\$535,248	1,507	\$343.87
2007	57	\$486,258	1,403	\$338.45
2008	68	\$505,137	1,463	\$323.16
2009	94	\$361,731	1,473	\$240.19
2010	76	\$346,858	1,444	\$228.70
2011	117	\$344,097	1,421	\$232.40
2012	116	\$377,836	1,453	\$242.15
2013	160	\$346,923	1,365	\$240.65
2014	160	\$340,777	1,339	\$241.17
2015	186	\$491,324	1,356	\$345.27
2016	18	\$485,500	1,464	\$311.66
Grand Total	1,596	\$404,450	1,410	\$274.16

Source: Escambia County Property Appraiser and Fishkind and Associates, Inc.

Based on the property appraiser data, the average year built of the condominium projects within the market of the subject site is 1993. From 2000 through 2015, average sales volume is 99 units annually. The average sales price has increased 141 percent from \$203,859 in 2000 to \$491,324 in 2015; the average annual sales price per square foot has increased from \$160.84 in 2000 to \$345.27 in 2015, which is a 115 percent increase.

There is a stark difference between the condominium product offered within the City of Pensacola and the product along Pensacola Beach with the beach product being priced more than \$300,000 than the competitive set in the City of Pensacola and more than \$150 per square foot than the competitive set. The data suggests that the beach condominium market limits demand for condominiums within the urban core. Given the limited drive-time distance from the beach to Pensacola there is limited ability to match the beach amenity.

4.2 Condominium Conclusions and Recommendations

Fishkind prepares long-term economic forecast models at the county level for Florida Counties. Forecasts are prepared for population and households by age and income for owners and renters. This long-term forecast incorporates Fishkind's three year short-term economic forecasts which currently are produced through year 2017 (see Section 2.0).

Typically the demand forecast is generated; however, given the pricing constraints for condominiums within the urban core, Fishkind does not believe a condominium project represents the highest and best use of the site. In addition, no new condominium projects have entered the Escambia County market since 2007. This site would be highly speculative given the competition offered by the beach and Fishkind does not believe the site can command the price point or offer the necessary amenity package on its existing footprint to command a higher price point. Given the market forces, condominium development does not represent the highest and best use for the subject property.

5.0 Retail Analysis

5.1 Subject Site Study Area and Retail Character

The area surrounding the site is highly commercial. The site is walkable and strategically located within the urban center. The site is located adjacent to the Pensacola Historic District and within a 10 to 15 minute walking distance of Pensacola Bay Center, which is the multi-use civic center. The Amtrak rail station is a 10 minute walk and it is under a three minute walk to the waterfront Veterans Memorial Park.

It is not on the main passerby vehicular traffic portion of 9th street. Vehicular traffic at the site falls off rapidly from 15,000 vehicles, on the through portion of 9th Street north of the site, to 5,000 vehicles on 9th street in front of the site. Generally speaking, traffic has declined 15% since 2010; however, since 2012 traffic counts have been improving.

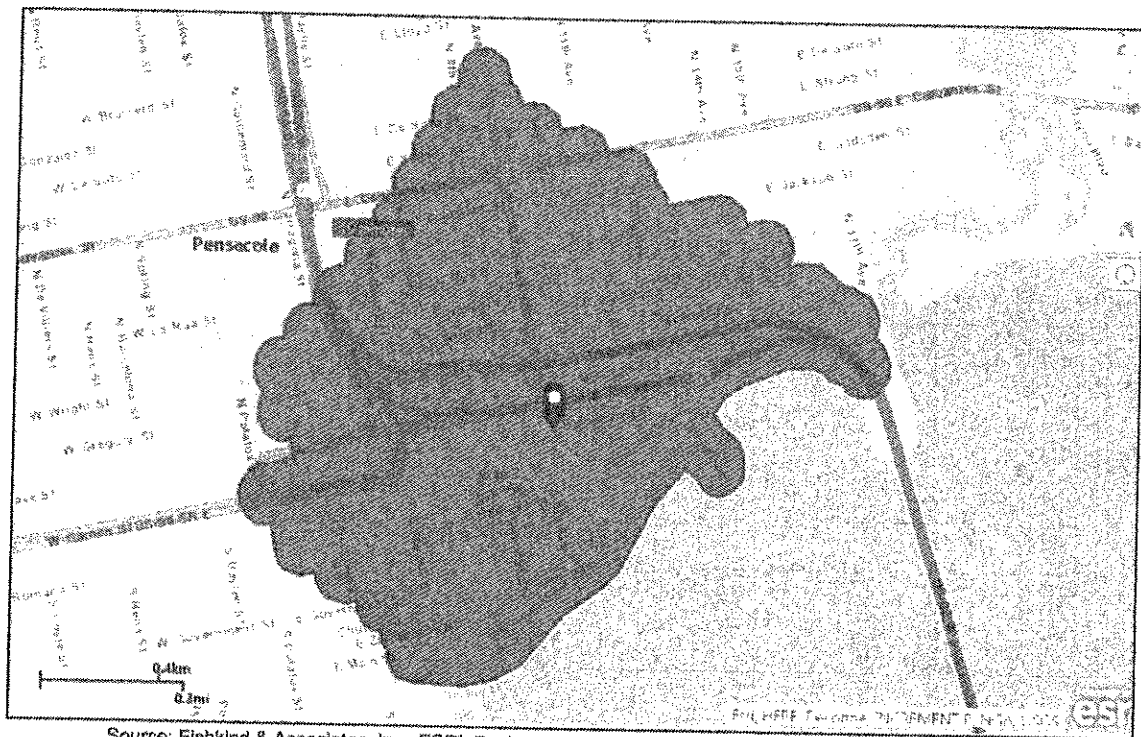
It is estimated there are more than 4,000 service and government workers employed within a 15 minute walk of the subject site. Also within this walkable area are 885 homes. Because the site is urban and not on the key portion of the through street, for retail purposes it is not a "drive to" destination. Further, at less than 5 acres in size, the site does not have sufficient scale or mass to become a retail attractor. From this perspective, the retail potential of the site is suited to accommodate internally generated demand and capture some of the pedestrian worker, resident, and park visitor traffic.



The Pensacola Bay Center hosts ice hockey games, events, concerts and conventions throughout the course of the year. With 10,000 seats and an estimated 150 events per year, total visitor attendance and throughput at the Bay Center is estimated to exceed one million persons.

To the east of the Pensacola Bay Center, within a block or two of Gregory Street, there are numerous quality sit-down restaurants. These include Carrabbas, Outback Steakhouse, McGuire's Irish Pub, The Melting Pot and others. These restaurants are displayed on the Pensacola Bay Center website indicating nearby places to eat. The Gregory Street corridor serves as the commercial restaurant district accommodating Pensacola Bay Center patrons. The subject site is within this walkable restaurant submarket to the Pensacola Bay Center and can support a quality sit-down restaurant at this location. An analysis of existing retail supply within the 15 minute walkable area (Map 7) indicates there is in excess of 800,000 square feet of existing retail space in more than 150 retail properties.

Map 7. Retail Market Area within 15-Minute Walk of Site



Source: FishKind & Associates, Inc.; ESRI, Business Analyst Online

Most of this retail space is located on parcels under 1 acre in size, with building area under 10,000 square feet. There are a handful of small retail buildings and centers from 15,000 to 50,000 square feet within the walking market. These smaller centers include a Walgreens, Barnes Supermarket and Family Dollar (please see Appendix 2). Much of the remaining space is comprised of restaurants and small retail service businesses such as auto parts, fitness center, tailors, medical, services and banks. While the character of nearby walkable retail is mediocre, the subject site size is too small to accommodate larger modern uses. In addition, the neighborhood street grid is such that larger uses which generate high traffic volumes would not be appropriate in the subject location.

As a result of these retail conditions, there is only minimal unmet need for additional retail space at the subject site, beyond restaurants. Small ancillary uses to support hotel needs and very limited neighborhood convenience needs may also be supported. Such ancillary uses could accommodate up to 1,500 square feet of convenience/grocery/newsstand uses.

5.2 Neighborhood Findings

The combination of on-site hotel generated retail demand, plus capture from surrounding workers, households and Pensacola Bay Center patrons, indicates there is sufficient demand to support 7,500 square feet of quality sit-down retail restaurants. This could be one large restaurant of 6,500 square feet or two smaller more intimate restaurants of 3,500 square feet each.

Table 17. Retail Demand from On-site and Nearby Land Uses

Source of Site Specific Retail Demand	Units/Rooms/Empl/Visitors	Retail Demand (sq ft)
Pensacola Bay Center Event Visitor Capture*	1,100,000	1,604
Hotel	115	2,400
Households within 15 minute walk	885	2,213
Service Workers within 15 minute walk	4,155	1,296
TOTAL Retail Demand (sq ft)		7,513

*Estimated annual visitors

Source: Fishkind & Associates, Inc.

6.0 Financial Model and Analysis

The primary drivers of revenue for the hotel are the occupancy rate, the average daily rate, and the number of hotel rooms. The primary expenses for the hotel are the operating departmental and overhead costs, as well as the debt service for the hotel construction.

Given the market analysis, Fishkind assumes that the project will include sit down restaurant within the hotel operation. Section 6 explains the assumptions used in estimating profitability. The financial pro forma summary is attached as Appendix 3.

6.1 Hotel Room Revenue

The model assumes a 100 room Upper Midscale to Upper Scale hotel with its first full year of operation in 2020. The estimated occupancy rates are 68.6%, 68.9%, and 69.9%, respectively, in 2019, 2020 and 2021. The scale-up in occupancy is expected to occur as market awareness of the new hotel is more widely circulated. The occupancy rate is consistent with rates observed over the past decade within this class of hotels. The ADR is forecast to be \$125 in 2020, which would be consistent with the market growth rates observed in this class of hotels. Table 18 summarizes the historic and forecast occupancy and ADR rates for the market.

Table 18. Hotel Market History and Projections

Year	Change in Supply	Change in Demand	Change in Occupancy	2010-2015 Net Change in Demand	Historic & Forecast Occupancy	\$ADR
2010					69.63%	\$102.61
2011	22	-25	-2.45%	-47	67.18%	\$105.38
2012	0	49	2.97%	49	70.15%	\$107.28
2013	140	5	-5.19%	-135	64.95%	\$108.29
2014	99	216	8.05%	117	73.00%	\$109.75
2015	67	37	-0.61%	-30	72.40%	\$116.17
2016	0	57	2.97%	57	75.37%	\$119.31
2017	282	77	-9.10%	-205	66.27%	\$121.45
2018	187	17	-6.55%	-170	59.71%	\$122.60
2019	0	129	8.9%	129	68.59%	\$124.25
2020	100	97	-0.18%	-3	68.42%	\$131.52

Source: Smith Travel Research and Fishkind and Associates, Inc.

6.2 Other Hotel Revenues

Food and Beverage revenues are estimated at \$23,059 per room¹. Annual food and beverage revenues are shown as part of the project revenue in Appendix 3. No other revenues sources are projected within this model.

6.3 Departmental Profit

Profits are calculated as a percentage of revenues for the room, and food/beverage at 76% and 33%, respectively. These percentages are based on data provided by STR and Fishkind's prior experience with full-service hotel projects in Florida.

6.4 Overhead/Unallocated Costs

Unallocated costs are costs essential to the operations of the hotel project. However, these costs are not directly attributable to any one revenue source. These costs include G&A, management, marketing, utilities, repairs and maintenance and capital reserves. These expenses total to approximately 23% of total hotel revenues. Appendix 3 shows the unallocated costs.

6.5 Other Deductions

Other deductions are expenses not related to the operations of the hotel. However, these expenses are required for the hotel to operate. These include franchise fees, insurance, property taxes, and leases.

6.6 Equity Investment

Table 19 and Appendix 3 summarize the estimated equity investment for the new project. The land acquisition is the first component of equity investment estimated at \$3,210,000. In addition, there is an estimated \$2.6 million, or 20%, of the total construction funds of \$13.0 million.

6.7 Debt

It is anticipated that the project will finance approximately \$10.4 million in order to build the project. Funds will be obtained from a bank and include \$13.0 million in construction funds less an additional equity requirement of \$2.6 million.

¹ Smith Travel Research

