

May 9, 2014



Mr. George Szok
Director
Bridgton Economic Development Corporation
PO Box 130
Bridgton, ME 04009

Dear Mr. Szok:

Pursuant to our engagement, we have completed Phase One of a market feasibility study for a proposed hotel to be located in Bridgton, Maine.

The conclusions set forth in this report are based on an analysis of the existing and potential future supply and demand for the competitive lodging market. Examination and analysis in our conclusions were based on the completion of our site visit, interviews, and subsequent market research in April and May 2014. This letter has been prepared for your internal use for project evaluation purposes.

We are available to assist with Phase Two and Phase Three of the study, which will provide additional information for evaluation. Phase Two would contain the preparation of estimated annual operating results for the first ten years of operation based on the projected occupancy and average daily rate presented in Phase One. Phase Three would be the formal report presentation that includes the following sections in greater detail: executive summary, area review, property over and facility recommendations, market analysis and estimates of subject performance, and estimated annual operating results.

As in all studies of this type, the estimated results are based on competent and efficient management and presume no significant change in the status of the competitive lodging industry from that set forth in this report. The terms of this engagement are such that we have no obligation to revise this report to reflect events or conditions, which occur subsequent to the date of completion of our research. However, we are available to discuss the necessity for revision in view of changes in the economy or market factors affecting the hotel industry. This report is presented subject to the attached statement of assumptions and limiting conditions.

The methodology used in conducting our study included an analysis of the ideal hotel site attributes. We also conducted interviews with city personnel, hoteliers, hotel brand representatives, and members of the business community in Bridgton to determine if appropriate levels of demand generators currently exist or will exist for the proposed property. In addition, we gathered information relative to any hotels that may be in the

planning or development stage at this point in time which may be competitive to the proposed subject.

We coupled this information with conversations with operators of potentially competitive lodging and banquet facilities and persons familiar with development patterns in Bridgton. This immersion has better allowed us to understand the relevant dynamics and provide a more complete picture of the market area in order to ascertain whether the overall economic environment appears to be suitable for additional lodging development. This above-mentioned research process has allowed us to ascertain future growth in demand for, and the supply of, lodging facilities in the subject market.

SUMMARY OF CONCLUSIONS

Based on our market analysis, we are of the opinion that there is sufficient demand to support further consideration of a proposed hotel in Bridgton, Maine. Our conclusions are based primarily on the lack of existing quality hotel rooms in Bridgton, historical performance of the regional lodging market in nearby North Conway, and positive feedback from various demand generators in the market area.

We recommend the proposed hotel offer 65 guestrooms (a range between 65 and 75 guestrooms appears to be appropriate), approximately between 2,400 and 3,000 square feet of meeting/banquet space, complimentary continental breakfast, fitness center, business center, indoor pool, and complimentary wireless Internet access throughout the property.

Further, we recommend the proposed hotel be affiliated with a national hotel brand, such as Best Western Plus (Best Western) or Ascend Hotel Collection (Choice). We also suggest an affiliation with Hampton Inn (Hilton) or Fairfield Inn (Marriott), though the meeting/event space operations would have to be standalone due to these brands' limitation on the amount of such space a property could have.

We believe that it is reasonable to assume that the proposed subject could achieve an annual occupancy rate of approximately 59 percent upon stabilization at an average daily rate of approximately \$133, stated in 2014 dollars. We note that it is likely that the proposed subject would take at least three years following opening to achieve stabilization.

Although our projections are based on existing and induced demand, there would be variances in occupancy and ADR in the actual hotel brand chosen by the developer. We want to point out that the national brands we recommend have a five percent occupancy variance and \$20 ADR variance based on their national brand data. As such, the chosen hotel brand would adjust accordingly from our projections. For example, the Best Western Plus brand has a lower development cost, and hence does not require (or typically achieve) as high an ADR than some of the other limited-service brands we recommend.

Area Review

Incorporated in 1794, Bridgton is a town in Cumberland County, Maine. It is located approximately 26 miles east of North Conway, New Hampshire and approximately 39 miles northwest of Portland, Maine. The town has an area of approximately 64.2 square miles, 56.8 square miles of which is land and the rest is water. According to the Census Bureau, the population of Bridgton was 5,210 as of the 2010 Census. The 2012 (most recent data available) population of Bridgton was estimated at 5,283, an increase of approximately 1.4 percent from the 2010 figure.

The town of Bridgton contains several villages and areas, including Bridgton, North Bridgton, South Bridgton, Sandy Creek, and West Bridgton. It has traditionally been a popular resort area, with many youth summer camps located along the lakes that surround the town. Bridgton is also home to Shawnee Peak Ski Area, a small, family-oriented ski resort.

Bridgton is served by U.S. Route 302, a busy, mostly two-lane highway that connects the town with Portland, Maine to the southeast and North Conway, New Hampshire to the west. According to the Greater Bridgton Region Chamber of Commerce, the daily traffic count at the intersection of U.S. Route 302 and Maine State Route 117 in Bridgton is more than 10,000 cars, and the majority of these cars continue to travel along U.S. Route 302.

Hotel Site Attributes

In general, ideal sites for hotel development should include the following characteristics:

- Easy access to main highways and thoroughfares in the area
- Good visibility from roadside, by building and/or signage
- Proximity to area demand generators, including corporate, leisure and group (detailed in the next section)
- Proximity to service amenities, such as restaurants, retail, and entertainment venues
- Pleasant views or lakefront location a plus, although not required

We understand that the proposed subject hotel will be located in Bridgton, based on the recommended attributes above. We also note that hotel sites closer to the town center would be more attractive than hotel sites that are further from the town center due to the formers' proximity to service amenities and ease to attract corporate transient clientele.

Relationship to Demand Generators

Corporate

The Bridgton area has a variety of small corporate demand generators, including Bridgton Hospital, Howell Laboratories, and Everlasting Roofing. Howell Laboratories Inc., a defense contractor, is the largest private employer in the town with approximately 50 employees. Everlasting Roofing is another company that employs approximately 20 people in Bridgton. Together, these businesses and organizations generate a small but stable amount of

corporate transient demand that travels to the area for sales meetings, training sessions and other corporate needs.

In addition, Bridgton is home to the Bridgton Academy, an all-male, private boarding school with an enrollment of 188 students. The school offers a unique, one-year, postgraduate program that prepares high school graduates for the competitive rigors of college and beyond. The school also generates lodging demand during graduation, sports events, and homecoming weekends.

Leisure

Bridgton is located in a popular resort area in Maine's Lakes Region. The majority of Highland Lake is located within the town. Bridgton also borders Long Lake and Moose Pond. Historically, the area has been a children's summer camp destination. The natural scenery and abundance of outdoor activities have also drawn plenty of summer visitors from other New England states.

There are a number of leisure demand generators in the area, including Shawnee Peak Ski Area, and events such as the Fryeburg Fair in Fryeburg (approximately 15 miles to the west of Bridgton) and Four on the Fourth Road Race. The Shawnee Peak Ski Area is located on the northern end of Pleasant Mountain and contains two base areas with 245 skiable acres. The ski area features 19 trails and four chair lifts, and is available for night skiing.

The Fryeburg Fair is the state's largest agricultural fair. The eight-day fair is usually held in early October and attracts more than 300,000 people annually. The Four on the Fourth Road Race is an annual four-mile foot race held on July 4th. It has attracted more than 2,100 runners in the past. The race itself is held in the morning, although related events start in the previous afternoon. These attractions and events also help generate overnight accommodation for area hotels and motels.

Group

In general, the group segment is comprised of both corporate and leisure group demand. Corporate group demand in the area is generated by small corporate meetings and regional chamber meetings. Leisure group business is comprised of weddings, graduation and reunion parties, and other social events typically held on weekends. Additional groups, such as tour bus groups, also travel through the region.

The competitive properties within the proposed subject's vicinity are mostly motels that provide minimal meeting/event space. The Highland Lake Resort has a meeting room that seats approximately 70 people. The Campfire Grille, a restaurant located adjacent to the Pleasant Mountain Inn, has a private dining room that seats approximately 50 people. In general, the Bridgton area lacks meeting and function space. As such, we recommend the proposed subject to include meeting space to accommodate the meeting and event demand of local companies, organizations, and individuals.

Facility Recommendations

To determine the appropriate mix of guestrooms, amount of meeting space, scope of food and beverage program, and other facility recommendations, we identified the top existing lodging properties located within a five-mile radius of Bridgton. Please note that since there are currently no hotels in the market, we only selected these three properties based on their proximity, market positioning, and current offerings. Food and beverage facilities, along with the total number of guestrooms and amount of meeting space, are presented in the following table.

Proposed Bridgton Hotel				
Facility Profile of Competitive Properties				
Property	Type of Property	Number of Units	Square Feet of Meeting Space	Restaurant
Noble House Inn	B&B	8	None	NO
Pleasant Mountain Inn	Motel	20	600	YES
Highland Lake Resort (seasonal)	Motel	22	840	NO
Group Total		50	1,440	
Group Average		17	480	

Source: PKF Consulting USA

As presented in the table, the Noble House Inn is a year-round bed and breakfast located near Highland Lake. The Pleasant Mountain Inn is a year-round motel that has the adjacent Campfire Grille restaurant. The Highland Lake Resort is a seasonal motel located alongside Highland Lake.

Advertised rates for the Noble House Inn range between \$145 and \$215 during the low season and between \$215 and \$275 during the high season. Advertised rates for the Pleasant Mountain Inn range between \$73 and \$168 during the low season and between \$85 and \$198 during the high season. Advertised rates for the seasonal Highland Lake Resort range between \$146 and \$178 during the summer season.

Recommendations concerning facility programming for the proposed subject are based on our analysis of these properties and our assessment of existing and potential hotel and meeting space demand within the market. The following provides a general scope of facilities that should be considered for the subject property.

Overall Quality Level

In deciding which type of hotel to recommend, we considered the options of a full-service hotel, a select-service hotel, or a limited-service hotel.

Generally speaking, hotels can be categorized into three distinct types based on the amenities they offer: full-service, select-service, and limited-service. Full-service hotels provide a full range of services, such as room service, valet parking and newspaper delivery, in addition to a more elaborate facility programming, which includes at least one three-meal restaurant and lounge, meeting space, and may include additional revenue generating facilities such as a spa, golf course, parking garage, or waterpark. Examples of

full-service hotels include brands such as Marriott, Hilton, Westin, Hyatt Regency, InterContinental, and Wyndham.

Select-service hotels are positioned between full-service and limited-service hotels. These hotels select the services they offer based on location and guest demand, such as offering a café that serves breakfast only (which is typically not complimentary), and some meeting/event space. However, the facilities and amenities at a select-service hotel are on a less elaborate scale than their full-service hotel counterparts, and are developed at a lower cost. Select-service hotels include brands such as Aloft (Starwood), Cambria Suites (Choice), Courtyard (Marriott), Four Points by Sheraton (Starwood), Hilton Garden Inn (Hilton), Hotel Indigo (IHG), and Hyatt Place (Hyatt).

As the name implies, limited-service hotels provide a very limited scope of services and amenities. These hotels usually provide complimentary breakfast to compensate for the lack of a restaurant. They also provide little, if any, meeting space. Examples of limited-service hotels include brands such as Fairfield Inn (Marriott), Hampton Inn (Hilton), Holiday Inn Express (IHG), Comfort Inn (Choice), and Drury Inn (Drury Hotels).

We feel that it is appropriate to position the proposed subject as a branded, limited-service property due to the lack of such property type within the competitive market and the demand found in the course of our research. However, based on our analysis, we believe the proposed subject hotel should provide meeting/event space to accommodate the local meeting and event demand. This results in a hybrid type of property between limited-service and select-service. Also, it should have an upper-midscale to upscale quality that appeals to guests who seek lodging in the Bridgton area.

Based on our conversations with various brand representatives, we recommend the proposed subject be affiliated with national hotel brands, such as Best Western Plus (Best Western). We also believe Ascend Hotel Collection (Choice) could be a potential brand as it is a soft branding designed for upscale, historic boutique hotels.

In addition, we also suggest the proposed subject could be affiliated with Hampton Inn (Hilton) or Fairfield Inn (Marriott), with stand-alone meeting space operations. We note that with these limited-service brands, the meeting space would have to be a separate venue/operation from the proposed hotel. This is because the brand standards of Hampton Inn and Fairfield Inn limit the amount of meeting space a new-construction property could have. We only recommend larger meeting space for the proposed subject due to the existing meeting and event demand in the area, as we learned from our interviews.

Number of Guestrooms

Based on our analysis of area demand generators, the mix of demand in the competitive set, and the range of amenities, positioning, and structure of the competitive facilities, we recommend that the subject property contain 65 guestrooms. It is also the smallest size a typical limited-service hotel brand would recommend constructing currently based on

operational economies of scale. Considering the quality level of the proposed hotel and the historical performance of the regional lodging market, we believe that a 65-room hotel would be appropriate. With 65 rooms, the proposed subject would be positioned to capture corporate, group and leisure demand.

We also note that a range of guestrooms between 65 and 75 is reasonable for the proposed subject. With a brand such as Hampton Inn, it is likely that the room count would have to increase to a minimum of 72 instead of 65 to maximize economies of scale. However, there would be an impact on the subject's occupancy levels if 75 rooms were constructed. Therefore, we used 65 rooms in our projections of occupancy to limit the impact.

It is also important to note that the Bridgton lodging market attracts various smaller demand generators that "fill the bucket drop by drop". There is no single demand from which we can easily quantify the impact on the Bridgton market. We believe the 65 room count is reasonable for a small, emerging market like Bridgton, and this size is large enough to provide some economies of scale for a more profitable operation. Although the hotel size does depend on the business models of national hotel brands, we also feel the Bridgton market does not warrant itself to a new hotel of more than 75 rooms, as indicated in our room range recommendation above. A higher room count would have a negative impact on the occupancy of the proposed hotel due to difficulty filling a greater number of hotel rooms in the off season.

Mix of Guestrooms

The proposed subject is anticipated to capture a fair amount of demand from the commercial, leisure and group segments. Based on the projected mix, we recommend the proposed hotel have 60 percent king bedded rooms, 38 percent double-queen rooms and two percent suites. From interviews with demand generators, we learned that the market area has a steady level of corporate travelers who travel to the area to conduct business. As such, the higher percentage of king guestrooms reflects the needs of this type of demand and positions the proposed hotel to be competitive in the area that captures corporate transient demand. The recommended mix of guestrooms for the proposed subject property is outlined in the chart on the following page.

Mix of Guestrooms		
Room Type	Rooms	Ratio
Single King Room	39	60%
Double-Double Room	25	38
Suites	1	2
Total	65	100%

Guestroom Amenities

Guestrooms at the proposed subject are recommended to be single king rooms, double-queen rooms, and a suite consisting of a separate living area and bedroom. The bedrooms should contain one king bed or two queen sized beds, nightstands, a work desk and chair, dresser, and flat screen television with on-demand movie options. The suite should also

contain a living area with a kitchenette, sofa bed, coffee table, work desk and chair, dresser, and flat screen television[s]. Amenities in the rooms should include complimentary wireless Internet access, a telephone with two lines and voicemail, microwave, coffee maker, hair dryer, iron and ironing board, and in-room safe.

Meeting Space

To determine the amount of meeting space for the proposed subject, we interviewed area demand generators and operators of existing meeting and function space. We learned that the Bridgton area lacks meeting and event space in general. There are only two meeting venues, including the Highland Lake Resort, which has a meeting room that seats approximately 70 people, and the Campfire Grille, a restaurant located adjacent to the Pleasant Mountain Inn that has a private dining room with a seating capacity of approximately 50 people.

We also learned from our interviews that many meetings and events, such as weddings and reunion parties, have attendance in the 150 to 200 people range. Because there are no spaces in town to accommodate such large parties, event organizers have to think creatively and use outdoor tents in conjunction with indoor meeting space to successfully hold their events, or simply go to a less preferred market.

Based on our market research and interviews with demand generators in the local market, we recommend that the proposed hotel have between 2,400 and 3,000 square feet of meeting space to capture group demand. This amount of space is capable of accommodating a 200-person banquet event, based on common industry standards of between 12 and 15 square feet per person. With approximately between 37 and 46 square feet per guestroom, the proposed subject would provide the largest meeting space in Bridgton. The meeting space calculation is presented in the following table.

Proposed Bridgton Hotel		
Units	Sq. Ft. of Meeting Space Per Unit	Total Amount of Meeting Space
65	37 – 46	2,400 – 3,000

Based on the market orientation in the competitive set, we recommend that the proposed hotel's meeting space consists of one large room of 2,400 (or 3,000) square feet and be divisible into three rooms of 1,200 (or 1,500) square feet, 600 (or 750) square feet, and 600 (or 750) square feet to accommodate smaller meetings and gatherings. We also recommend pre-function space/foyer for the large room. All available meeting space should be equipped with complimentary wireless Internet access, independently controlled lighting, and a good quality sound and audiovisual system. Based on common industry standards, we recommend a catering kitchen of approximately 650 square feet to support the meeting/banquet space operation.

We also note that with limited-service brands such as Hampton Inn or Fairfield Inn, the meeting space would have to be a separate venue/operation from the proposed hotel. This

is because the brand standards of Hampton Inn and Fairfield Inn limit the amount of meeting space a new-construction property could have. We only recommend larger meeting space for the proposed subject due to the existing meeting and event demand in the area, as we learned from our interviews.

Other Amenities and Services

We also recommend the following amenities and services:

- Complimentary continental breakfast;
- A small sundry shop attended by the front desk for beverages, snacks, and grab-and-go food items;
- A business center within the lobby with a computer, printer, and fax machine;
- An exercise room with cardio equipment and free weights;
- An indoor pool and whirlpool; and,
- Surface parking.

Regional Lodging Market

Currently, the Bridgton area does not have any hotels that we consider to be directly competitive to the proposed subject. From our interviews, we learned that people who travel to Bridgton for work or leisure prefer to stay in the branded hotel properties in North Conway.

As such, we have analyzed the overall North Conway lodging market and have selected six limited-service and independent properties located in the North Conway area that we anticipate will provide benchmark performance information for the proposed subject hotel. The table on the following page sets forth the regional competitive supply for the proposed hotel.

Proposed Bridgton Hotel Competitive Supply	
Hotel Name	Room Count
Hampton Inn & Suites North Conway	97
Comfort Inn & Suites North Conway	59
White Mountain Hotel	80
Residence Inn North Conway	108
Holiday Inn Express & Suites North Conway	78
Stonehurst Manor	26
Competitive Market Total	448
Source: PKF Consulting USA	

While we have identified six hotels as comprising the regional competitive market, it should be noted that other hotels and resorts that were excluded may offer indirect competition to the proposed subject in certain parts of the year. The following table describes the competitive properties and their amenities. We also have included a map of the regional competitive set in the Addenda of this report.

Competitive Set Profile								
	Rooms No.	Year Built	Meeting Space (sq. ft.)		F&B Outlet	Fitness Center	Pool	Business Center
			Total	Sq. ft. per room				
Primary Competition								
Hampton Inn & Suites North Conway	97	2006	0	0	No	Yes	Indoor Waterpark	Yes
Comfort Inn & Suites North Conway	59	2000	0	0	No	Yes	Indoor	No
White Mountain Hotel	80	1990	6,500	81	Yes	Yes	Outdoor	No
Residence Inn North Conway	108	2009	500	5	No	Yes	Indoor	No
Holiday Inn Express & Suites North Conway	78	1999	0	0	No	No	Indoor	Yes
Stonehurst Manor	26	1945	0	0	Yes	No	Outdoor	No
Competitive Set Average	75	1992	3,500	47	N/A	N/A	N/A	N/A

Source: PKF Consulting USA; individual property management and website

Additions to Supply

Based on our research of the local and regional lodging market, we are aware of one hotel development in Windham, Maine (approximately 25 miles southeast of Bridgton) that would potentially offer competition to the proposed subject hotel.

The proposed Windham hotel will be a 58-room, three-story Microtel Inn & Suites. It began construction in April 2014 and is anticipated to open by January 2015. The site contains seven acres and is located across U.S. Route 302 from Seacoast Adventure, a small amusement park. The project developer is Eric Heyland of Heyland Development, owner of the Microtel Inn & Suites York. Heyland is planning to expand the hotel to include 74 rooms and an indoor swimming pool within two years.

The new Windham hotel will be a Microtel, which is part of the Wyndham Hotel Group and within the economy chain scale. The national hotel brands we recommend in the report fall within the upper midscale to upscale range, which is at least two levels higher than the economy chain scale. As such, we do not believe the new Windham hotel will offer direct competition to the proposed subject as the two offer different price points and attract different clientele.

Historical Performance of the Competitive Supply

The following table shows the historical performance of the regional competitive set of six hotels in North Conway from 2009 to 2013 and year-to-date data through March 2014.

Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2009	137,240	N/A	72,600	N/A	52.9%	\$137.34	N/A	\$72.65	N/A
2010	163,520	19.1%	90,263	24.3%	55.2%	139.38	1.5%	76.94	5.9%
2011	163,520	0.0%	91,735	1.6%	56.1%	143.88	3.2%	80.72	4.9%
2012	163,520	0.0%	97,131	5.9%	59.4%	145.79	1.3%	86.60	7.3%
2013	163,520	0.0%	100,892	3.9%	61.7%	152.83	4.8%	94.30	8.9%
CAAG	4.5%		8.6%			2.7%		6.7%	
3-13 ytd	40,880	N/A	20,154	N/A	49.3%	\$132.27	N/A	\$65.21	N/A
3-14 ytd	40,880	0.0%	21,503	6.7%	52.6%	139.92	5.8%	73.60	12.9%

Source: PKF Consulting USA

Supply has increased by an average of 4.5 percent in the last five years due to the opening of the Residence Inn North Conway (also the largest hotel in the competitive set) in September 2009. Occupied rooms have averaged an even larger increase at 8.6 percent in the competitive market over the five-year period. Occupancy started at a low of 52.9 percent in 2009 as a result of the economic recession that began in 2008. Occupancy has steadily increased over the past five years to achieve a five-year high at 61.7 percent in 2013. Overall, although new supply came into the market, there was enough demand to push occupancy even further, signaling a healthy lodging market that benefited from economic growth in the area.

Average daily rate (ADR) in this competitive market has increased annually by 2.7 percent. In 2009, ADR started at a low of \$137.34 due to the nationwide recession. Similar to occupancy growth, ADR has steadily increased over the past five years to reach a five-year high at \$152.83. As a result, RevPAR in this market has increased annually by 6.7 percent, driven by both growth in occupied rooms and ADR.

Year-to-date March 2014 data indicates that occupied rooms grew by 6.7 percent, while ADR increased by 5.8 percent. The combined growth amounted to a 12.9 percent increase in RevPAR in year-to-date March 2014, compared to the same period last year.

Overall, the regional competitive market in North Conway appears to be experiencing very strong growth in terms of both demand and rates. The 108-room Residence Inn that opened during the lowest point of the market did not hinder market performance. In fact, it created induced demand for the overall competitive set and pushed rates even further.

We understand from our interviews with demand generators that the Bridgton area lacks quality hotel rooms. Therefore, a large percentage of people choose to stay in North Conway based on the variety of branded hotel products it offers. As such, the proposed subject hotel is anticipated to capture the existing demand that currently travels to North Conway, and yet would prefer to be in Bridgton.

Estimated Performance of the Proposed Hotel

In this section, we present our estimates of the occupancy and ADR of the proposed subject. Our projections assume that the proposed subject will be fully open for operation by July 1, 2016.

The lack of competitive/comparable hotels in and around Bridgton requires the preparation of a “build-up analysis”, which is a typical method utilized to project occupancy in an up-and-coming lodging market, instead of a penetration analysis that would be used in a lodging market that is already established. Further, the seasonality of the Bridgton market requires a more precise look at when room night demand can be expected to occur and at what room rates.

For these reasons, we prepared detailed estimates of occupancy and ADR (in 2014 dollars) for the proposed subject hotel by day-of-the-week period for each month for the stabilized, third calendar year of operation (assumed to be 2018). We then aggregated estimates for the day-of-the-week period for each month into four seasons for easy presentation purposes. The following table presents the seasonal summaries of the estimates of the proposed subject’s occupancy and ADR.

Proposed Bridgton Hotel - Stabilized Year Performance						
		# of Days	Avail. Rms. at 65	Occupancy		ADR
				%	Rms.	
Winter:	Mon.-Thurs.	52	3,380	45%	1,515	\$112
	Fri. & Sat.	25	1,625	52%	842	\$117
	Sun.	13	845	42%	354	\$105
	Total	90	5,850	46%	2,711	\$113
Spring:	Mon.-Thurs.	53	3,445	43%	1,495	\$105
	Fri. & Sat.	26	1,690	48%	819	\$111
	Sun.	13	845	38%	322	\$96
	Total	92	5,980	44%	2,636	\$106
Summer:	Mon.-Thurs.	52	3,380	82%	2,776	\$156
	Fri. & Sat.	27	1,755	86%	1,511	\$159
	Sun.	13	845	77%	650	\$151
	Total	92	5,980	83%	4,937	\$156
Fall:	Mon.-Thurs.	52	3,380	64%	2,152	\$137
	Fri. & Sat.	26	1,690	68%	1,147	\$140
	Sun.	13	845	59%	497	\$126
	Total	91	5,915	64%	3,796	\$137
Annual	Total	365	23,725	59%	14,079	\$133
Source: PKF Consulting USA						

The following are indicated in the preceding estimates:

- We project that the proposed subject will achieve an annual stabilized occupancy of 59 percent at an ADR of \$133, stated in 2014 dollars. The annual occupancy is a blend of four seasonal occupancies of 46 percent in the winter, 44 percent in the

spring, 83 percent in the summer, and 64 percent in the fall. The ADR is a blend of four average seasonal rates of \$113 in the winter, \$106 in the spring, \$156 in the summer, and \$137 in the fall, each stated in 2014 dollars.

- We believe leisure demand, such as couples and families who travel to the Bridgton area to vacation or visit family and friends in the area, are projected to dominate the demand in all seasons, especially in the summer, and on weekends throughout the year. Leisure demand is also the driving force behind the higher rates that the proposed subject is expected to capture during the summer and on weekends.
- We also believe group demand, which includes social groups as well as corporate meetings and events, is most predominant in the spring and fall months. This is especially evident in a seasonal market where the proposed subject will need to attract higher-rated leisure demand in the summer, leaving the less desirable spring and late fall/winter months for lower-rated groups.
- Overall the projected levels of occupancy and ADR are reasonable when benchmarked against the North Conway competitive market, especially when the location, newness, and other positive competitive attributes of the proposed subject are taken into consideration.
- Although our projections are based on existing and induced demand, there would be variances in occupancy and ADR in the actual hotel brand chosen by the developer. We want to point out that the national brands we recommend have a five percent occupancy variance and \$20 ADR variance based on their national brand data. As such, the chosen hotel brand would adjust accordingly from our projections. For example, the Best Western Plus brand has a lower development cost, and hence does not require (or typically achieve) as high an ADR than some of the other limited-service brands we recommend.

Based on the above stabilized year performance, we have projected the occupancy levels and ADR for each of the first ten years of operation of the proposed subject property, as presented in the following table.

Estimated Rooms Revenue			
Year	Average Daily Rate	Annual Occupancy	Rooms Revenue
2016	\$141.00	46.0%	\$1,026,000
2017	145.00	54.0%	1,857,000
2018	150.00	59.0%	2,100,000
2019	154.00	59.0%	2,156,000
2020	159.00	59.0%	2,226,000
2021	164.00	59.0%	2,296,000
2022	168.00	59.0%	2,352,000
2023	174.00	59.0%	2,436,000
2024	179.00	59.0%	2,506,000
2025	184.00	59.0%	2,576,000

We project that the proposed subject will achieve an occupancy of 46 percent during the first year of operation. The property is expected to further ramp up to an occupancy of 54 percent in 2017, and stabilize at 59 percent occupancy in 2018, the third year of operation. Additionally, the projected ADR for the stabilized year is \$133, stated in calendar year 2014 dollars. It is anticipated to increase at the rate of inflation at three percent during each of the first ten years.

Although it is possible that the proposed subject will experience growth in occupancy and ADRs above those estimated in this report, it is also possible that sudden economic downturns, unexpected additions to the room supply, or other external factors will force the property below the selected point of stability. Consequently, the estimated occupancy and ADR levels are representative of the most likely potential operations of the proposed subject over the projected ten-year period based on our analysis of the market as of the date of this report.

Conclusion

Based on our market analysis, we are of the opinion that there is sufficient demand to support a proposed hotel in Bridgton, Maine. Our conclusions are based primarily on the lack of existing quality hotel rooms in Bridgton, historical performance of the regional lodging market in North Conway, and positive feedback from various demand generators in the market area.

We have not prepared revenue and expense projections for the proposed hotel as recommended, which would be necessary to determine the feasibility of such as a development. This would be a follow-up phase, if you wish for us to undertake that analysis.

The addenda contain a map of the six regionally competitive properties located in North Conway and statement of assumptions and limiting conditions.

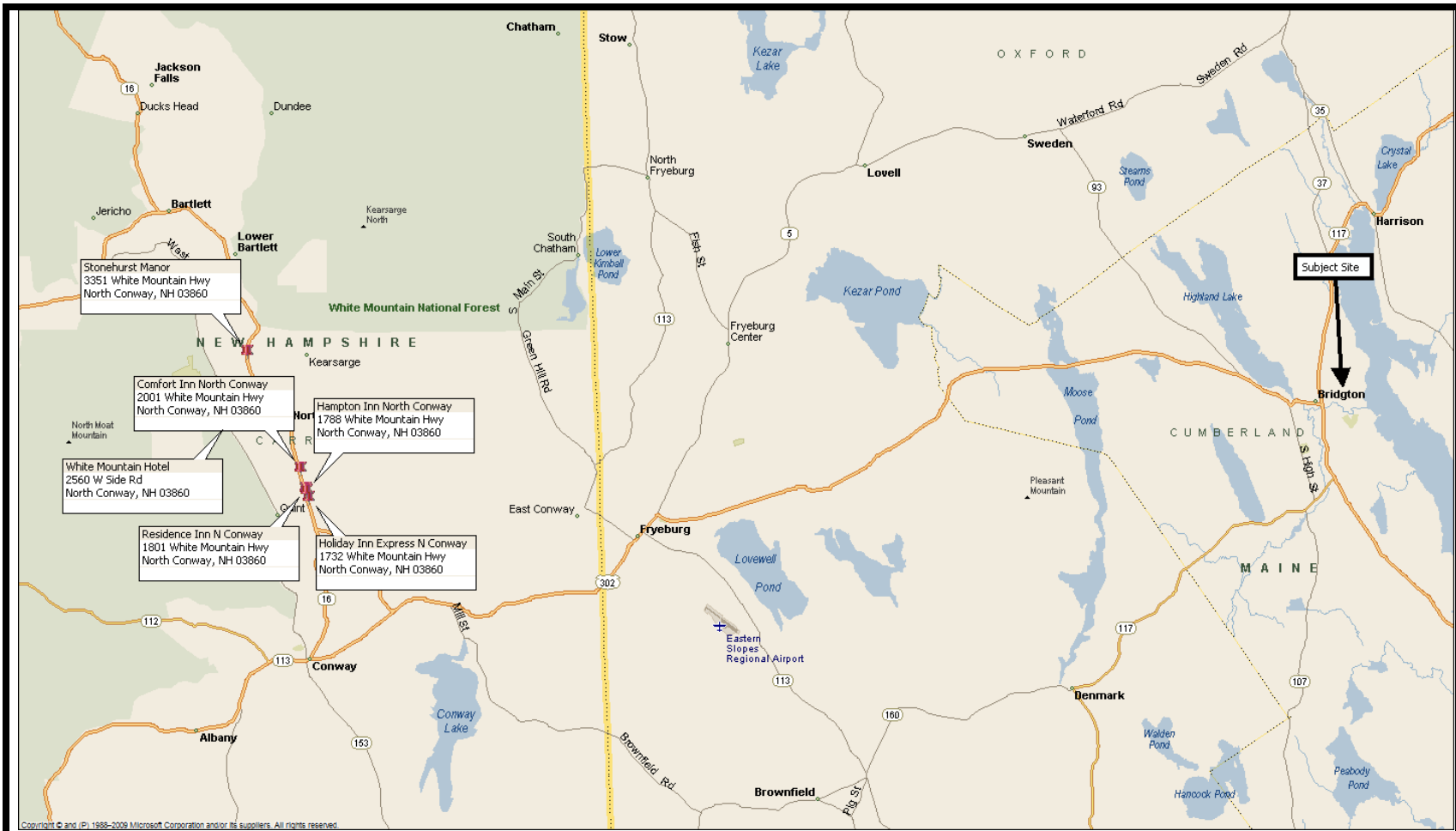
We thank you for the opportunity to work on this project and look forward to discussing our conclusions with you. Should you have any questions, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'AKMFM' with a long horizontal flourish extending to the right.

Andrea Foster
Vice President

Addenda



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Competitive Supply Map

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

This report is made with the following assumptions and limiting conditions:

Economic and Social Trends - The consultant assumes no responsibility for economic, physical or demographic factors which may affect or alter the opinions in this report if said economic, physical or demographic factors were not present as of the date of the letter of transmittal accompanying this report. The consultant is not obligated to predict future political, economic or social trends.

Information Furnished by Others - In preparing this report, the consultant was required to rely on information furnished by other individuals or found in previously existing records and/or documents. Unless otherwise indicated, such information is presumed to be reliable. However, no warranty, either express or implied, is given by the consultant for the accuracy of such information and the consultant assumes no responsibility for information relied upon later found to have been inaccurate. The consultant reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.

Hidden Conditions - The consultant assumes no responsibility for hidden or unapparent conditions of the property, subsoil, ground water or structures that render the subject property more or less valuable. No responsibility is assumed for arranging for engineering, geologic or environmental studies that may be required to discover such hidden or unapparent conditions.

Hazardous Materials - The consultant has not been provided any information regarding the presence of any material or substance on or in any portion of the subject property or improvements thereon, which material or substance possesses or may possess toxic, hazardous and/or other harmful and/or dangerous characteristics. Unless otherwise stated in the report, the consultant did not become aware of the presence of any such material or substance during the consultant's inspection of the subject property. However, the consultant is not qualified to investigate or test for the presence of such materials or substances. The presence of such materials or substances may adversely affect the value of the subject property. The value estimated in this report is predicated on the assumption that no such material or substance is present on or in the subject property or in such proximity thereto that it would cause a loss in value. The consultant assumes no responsibility for the presence of any such substance or material on or in the subject property, nor for any expertise or engineering knowledge required to discover the presence of such substance or material. Unless otherwise stated, this report assumes the subject property is in compliance with all federal, state and local environmental laws, regulations and rules.

Zoning and Land Use - Unless otherwise stated, the projections were formulated assuming the hotel to be in full compliance with all applicable zoning and land use regulations and restrictions.

Licenses and Permits - Unless otherwise stated, the property is assumed to have all required licenses, permits, certificates, consents or other legislative and/or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

Engineering Survey - No engineering survey has been made by the consultant. Except as specifically stated, data relative to size and area of the subject property was taken from sources considered reliable and no encroachment of the subject property is considered to exist.

Subsurface Rights - No opinion is expressed as to the value of subsurface oil, gas or mineral rights or whether the property is subject to surface entry for the exploration or removal of such materials, except as is expressly stated.

Maps, Plats and Exhibits - Maps, plats and exhibits included in this report are for illustration only to serve as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced or used apart from the report.

Legal Matters - No opinion is intended to be expressed for matters which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate consultants.

Right of Publication - Possession of this report, or a copy of it, does not carry with it the right of publication. Without the written consent of the consultant, this report may not be used for any purpose by any person other than the party to whom it is addressed. In any event, this report may be used only with proper written qualification and only in its entirety for its stated purpose.

Testimony in Court - Testimony or attendance in court or at any other hearing is not required by reason of rendering this appraisal, unless such arrangements are made a reasonable time in advance of said hearing. Further, unless otherwise indicated, separate arrangements shall be made concerning compensation for the consultant's time to prepare for and attend any such hearing.

Archeological Significance - No investigation has been made by the consultant and no information has been provided to the consultant regarding potential archeological significance of the subject property or any portion thereof. This report assumes no portion of the subject property has archeological significance.

Compliance with the American Disabilities Act - The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We assumed that the property will be in direct compliance with the various detailed requirements of the ADA.

Definitions and Assumptions - The definitions and assumptions upon which our analyses, opinions and conclusions are based are set forth in appropriate sections of this report and are to be part of these general assumptions as if included here in their entirety.

Dissemination of Material - Neither all nor any part of the contents of this report shall be disseminated to the general public through advertising or sales media, public relations media, news media or other public means of communication without the prior written consent and approval of the consultant(s).

Distribution and Liability to Third Parties - The party for whom this report was prepared may distribute copies of this appraisal report only in its entirety to such third parties as may be selected by the party for whom this report was prepared; however, portions of this report shall not be given to third parties without our written consent. Liability to third parties will not be accepted.

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Limits to Liability - PKF Consulting cannot be held liable in any cause of action resulting in litigation for any dollar amount which exceeds the total fees collected from this individual engagement.

Legal Expenses - Any legal expenses incurred in defending or representing ourselves concerning this assignment will be the responsibility of the client.