



PRESCOTT, WISCONSIN



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# Executive Summary

## The Project

The planned AmericInn hotel in Prescott, Wisconsin will consist of a 50-room three-story hotel with a variety of well-appointed guest rooms and suites including luxury and extended stay units. All guest rooms will have a microwave, refrigerator, large flat-screen television and the latest in internet technology. The hotel will also feature an expansive indoor pool, whirlpool, fitness center, business center and first-floor board room. All guests will enjoy the AmericInn signature complimentary hot breakfast, high-speed wireless internet access throughout the building and complimentary coffee and tea in the lobby 24 hours a day.

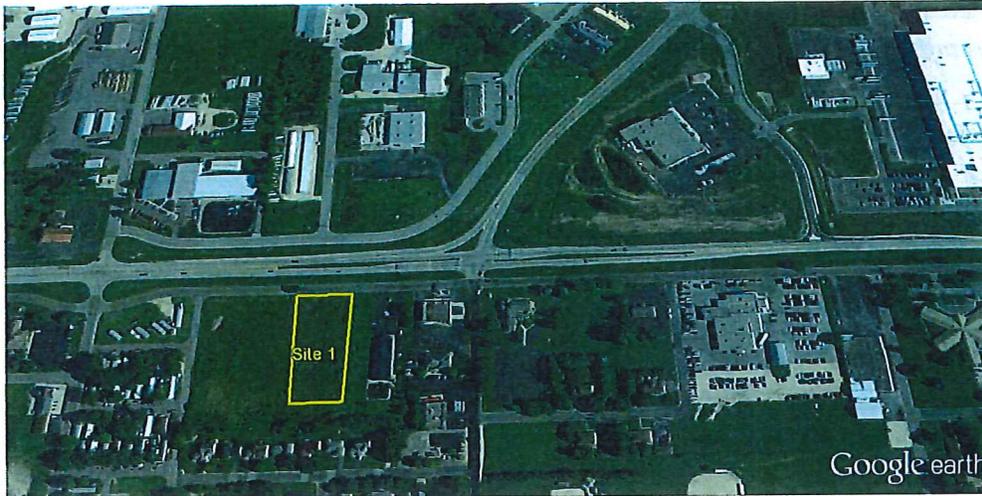


## Location

Currently, there are two target locations for the proposed hotel. The Hotel Market Study concluded that both sites are near equal in strength regarding visibility, accessibility and proximity to support services such as dining, gasoline and retail. Site One, as described on the following page, appears to be near pad ready and has an approximate cost of \$500,000. It is believed that this price is negotiable.

Site Two is the location of the 23-room River Heights Motel and a functioning bar and grill. The cost of the site is lesser than Site One yet will require demolition of the existing motel and possible additional site work.

The site selection will be determined with a maximum target cost of \$500,000. The following pages are excerpts from the Hotel Market Study.



*“Site 1 is located in the northeast quadrant of Prescott, a little over a mile from the downtown. The approximate 2.1-acre site has frontage along Orrin Road, which is the frontage road on the south side of U.S. Highway 10. The site is level and clear of any structures. It is bordered on the east by a daycare facility, to the south by single family residential, and to the west by vacant land. The land to the west is owned by the same entity that owns the subject site. A boat storage facility is planned immediately adjacent to the hotel site, and a Dollar General Store is proposed west of the storage facility.*

*The site is highly visible for traffic traveling in either direction on Highway 10. It is easily accessed from Highway 10 via the frontage road, which has intersections with Highway 10 about one block east of the site (at Campbell Road) and two blocks west of the site (at College Street).*

*The site is located within the business/industrial corridor that is growing along Highway 10. The city’s two industrial parks, City Hall, United Natural Foods, Kasco Marine, and The Berquist Company are all located within a mile to the east. There are no restaurants in the immediate area; Philander’s, about six blocks to the west along Highway 10, is the closest supper club.”*



*"Site 2 is also located on the south side of U.S. Highway 10 approximately 0.8 miles north from downtown Prescott. The site is presently occupied by the River Heights Motel. The site is level and sits on a bluff that overlooks the highway and the St. Croix River. It is bordered on the north by a Holiday Station fuel/convenience store, to the east by a small commercial building and both single and multi-family residential, and to the south by Philander's Grill and Bar.*

*The site is highly visible for traffic traveling in either direction on Highway 10. It is presently accessed directly from Highway 10 via a shared entrance with the Holiday Station. We understand that this entrance will be closed so that a new hotel would be accessed from Pearl Street, which runs behind the convenience store and the hotel.*

*The site is located within primarily a residential neighborhood, but it has easy access to the business/industrial corridor along Highway 10. ...proximity to the popular Philander's Grill & Bar would be much appreciated by hotel guests, as would the view of the scenic river. Other food and beverage options are available in the down town." – Hospitality Consulting Group, March, 2016.*

## Feasibility

A Hotel Market Study performed by Hospitality Consulting Group, commissioned by the City of Prescott in 2016, indicated favorable demand for local hotel accommodations from companies located in and around the city and region. Prescott has a several large manufacturing and food processing facilities as well as a variety of small to mid-size forms. In addition, there are two major energy plants within close proximity to Prescott that create a surge in lodging demand during annual maintenance procedures.

## Timeline

Assuming financing (equity) is secured, this project could conceivably begin late Fall of 2016. Site One appears to be near pad ready offering the easiest and quickest construction process estimated at 6-7 months. This would allow for a Spring 2017 opening which is considered an ideal period to capture the summer surge in leisure-oriented visitations to the area.

Site Two would require demolition and possible additional site preparation prior to construction. However, with the same financing assumptions as Site One, the opening period could be relatively similar.

## Development Team

The creation of the AmericInn hotel in Prescott will be coordinated by Midwest Hotel Development, a cooperative network consisting of:

Michael P Lindner, owner of Hotel R&D a hospitality research and development company.

Cory Scheidler, Director of Architecture, Cedar Corporation

Seth Hudson, Senior Manager Economic & Community Development, Cedar Corporation

Mike Longsdorf, owner of MCL, LLC general contractor

Sam Russo, owner Midwest Hospitality hotel management company

Each individual covers an area of expertise that is vital to "turn-key" accuracy and efficiency of hotel development and operations. Equally important, the combination of this group is designed to eliminate waste and overages often found in the development budgets of hotel construction.

Members of the Development Team have the right to purchase Units of this project within the same structure as all other investors.

References are available upon request.

## The Structure

These highlights are meant merely to be a brief summary of the information provided in the Confidential Investment Letter, are not intended to be complete or definitive, and are qualified by and should be read in conjunction with the more detailed information in the Confidential Investment Letter.

**Total Estimated Project Cost** \$5,400,000

**Issuing Entity:** LLC to be created

*A Limited Liability Corporation will be formed at the final investor meeting with all members present and participating in the review and structure of the hotel entity.*

**Size of Offering:** With no land contribution and no Tax Incremental Financing included as Equity, a minimum of \$1,620,000 cash for 30% equity will be raised.

**Membership Interests:** 32 Units at \$50,000 per unit for 30% Equity

**Financing:** Seeking a \$3,780,000 loan, with 20 year amortization, with a fixed rate of less than or equal to 5.5% is being sought. Non-recourse financing will be a requirement.

**Suitability:** The Units will be sold only to persons who are "accredited investors" as defined under Regulation D of the Securities Act of 1933.

**Risk Factors:** Please refer to "Risk Factors" found in the Confidential Investment Letter.

**Investment Objectives:** Preserve the Company's capital, provide for cash distributions from operating income and potential refinancing, and provide capital gains through appreciation of the hotel.

**Principle Business Purpose:** To develop, construct, manage and own an upscale, limited service 50 room, AmericInn Hotel located in Prescott, Wisconsin.

**Investors Ownership:** Investors may purchase up to 32 Units in this Offering and each single Unit will be entitled to 1/32 (3.1%) of all Company distributions on a pro rata basis, assuming all 32 Units are sold in this offering.

**Distribution of Profits** The Members of the LLC will determine the method of distribution of cash profits.

**Member Shares** LLC members will have first right of refusal to purchase/sell shares of existing Units.

**Accountant for the Company** Midwest Hospitality Hotel Management oversees and provides Monthly and Annual Financial Statements along with required Year-End Statements through an independent CPA firm.

An investment may only be made after receiving and reviewing the Confidential Investment Letter. Upon request, interested persons may receive a copy of the Confidential Investment Letter and Subscription Agreement by contacting Michael Lindner at (414) 379-2105 or by emailing your request to micland12@yahoo.com.



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## **FINANCIAL PROJECTIONS AMERICINN PRESCOTT, WISCONSIN**

**The following financial analysis is based on assumptions and data collected for a 50-room AmericInn as described in the Hotel Market Study commissioned by the City of Prescott. The information included in this analysis is based on assumptions and estimations and may not represent the actual performance of the subject hotel.**

**Hotel R&D, LLC is available to modify and/or update this analysis.**

### **Contents**

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This packet contains an investment scenario for a project totally \$5,400,000. Equity funds of 30% are sought.

Cash Equity Required:

**Scenario (30% total equity)                      \$ 1,620,000**

- 1 **Investment Summary – 30% Equity**
- 2 **Five Year Pro forma - Summary**
- 3 **Construction Budget**

Construction and total development budget is based on recent and similar AmericInn projects. The Profit & Loss Statement is based on actual operating expenses provided by AmericInn and reviewed by Midwest Hospitality, LLC hotel management company. The revenues and expenses may vary from the Hotel Feasibility Study due to benchmark versus actual operating data.

Investment Scenarios

**TOTAL PROJECT COST** \$ 5,400,000

**30% EQUITY**

	\$	%
Debt	\$ 3,780,000	70%
Equity		
Tax Incremental Financing	\$ -	0%
Land - partial contribution	\$ -	0%
Cash	\$ 1,620,000	30%
Total Equity	\$ 1,620,000	30%



	Year 1	Year 2	Year 3	Year 4	Year 5
Net Available for Debt Service	\$291,776	\$432,607	\$477,815	\$521,543	\$554,329
Interest	\$ 207,900	\$ 207,900	\$ 201,938	\$ 195,647	\$ 189,011
Principle	\$ -	\$ 108,408	\$ 114,370	\$ 120,661	\$ 127,297
Total Debt Service (Year 1 Int. Only)	\$ 207,900	\$ 316,308	\$ 316,308	\$ 316,308	\$ 316,308
Interest Rate - 20 years	5.50%	5.50%	5.50%	5.50%	5.50%
Interest Coverage Ratio (NOI/Interest Payment)	1.4	2.1	2.4	2.7	2.9
Debt Service Coverage Ratio (int only Year 1) (NOI/Total Debt Service)	1.4	1.4	1.5	1.6	1.8
<b>Return on Land and Cash Equity Investment</b>	<b>5%</b>	<b>7%</b>	<b>10%</b>	<b>13%</b>	<b>15%</b>

Estimated S/L Depreciation \$ 204,852 \$ 204,852 \$ 204,852 \$ 204,852 \$ 204,852

**HOTEL VALUE**

Cap rate/NOI	\$ 3,890,350	7.5%	\$ 5,768,096	7.5%	\$ 6,370,866	7.5%	\$ 6,953,905	7.5%	\$ 7,391,055	7.5%
Average	\$ 2,917,762	10.0%	\$ 4,326,072	10.0%	\$ 4,778,149	10.0%	\$ 5,215,429	10.0%	\$ 5,543,291	10.0%
	\$ 3,404,056	8.8%	\$ 5,047,084	8.8%	\$ 5,574,507	8.8%	\$ 6,084,667	8.8%	\$ 6,467,173	8.8%

This investment analysis has been generated based on information provided by the Hotel Market Study performed for Prescott, Wisconsin and adjusted for the current year. It has not been audited or reviewed. The pro forma operating results are estimates of possible revenue and expenses and should not be construed as actual forecasted or projected operating results that will be realized by this specific property. We do not represent that any property an expect to achieve these operating results.

**Construction Costs**

50

 rooms

3 stories w/indoor pool

	<u>Per Room</u>		<u>Total \$</u>
Land Value	\$10,000	\$	500,000
<b>Construction</b>	<b>68,000</b>	\$	<b>3,400,000</b>
Site Work	4,000	\$	200,000
Landscaping	-	\$	-
FF&E/OS&E	14,000	\$	700,000
architectural & engineering	360	\$	18,000
Appraisal	70	\$	3,500
Surveys	60	\$	3,000
Construction Interest	2,020	\$	101,000
Legal and Accounting fees	50	\$	2,500
Franchise fees (application and fee)	720	\$	36,000
Insurance	220	\$	11,000
Signage	700	\$	35,000
Permits and Fees	100	\$	5,000
Working Capital	2,500	\$	125,000
Contingency Funds	2,700	\$	135,000
Pre-opening marketing, staff & training	900	\$	45,000
Development Fees	1,600	\$	80,000
<b>Total Development Costs</b>	<b>\$108,000</b>	\$	<b>\$ 5,400,000</b>

inc in Site Work

**THIS IS FOR INTERNAL PURPOSES ONLY AND IS NOT INTENDED TO REPRESENT AN ACTUAL CONSTRUCTION BUDGET.**

**Investment**

	<u>\$</u>	<u>%</u>
<b>Debt</b>	<b>\$ 3,780,000</b>	<b>70%</b>
Equity		
Tax Incremental Financing	\$ -	0%
Land (portion as landowner equity)	\$ -	0%
Cash	\$ 1,620,000	30%
<b>Total Equity</b>	<b>\$ 1,620,000</b>	<b>30%</b>
<b>Net Available for Debt Service</b>	<b>\$291,776</b>	Based on Year 2 (first full year)
<b>Interest</b> 5% interest	<b>\$207,900</b>	
<b>Principle</b>	<b>108,408</b>	
<b>Total Debt Service</b>	<b>\$316,308</b>	
<b>Interest Rate - 20 years</b>	<b>5.5%</b>	
<b>Interest Coverage Ratio</b> (NOI/Interest Payment)	<b>1.4</b>	x
<b>Debt Service Coverage Ratio</b> (NOI/Total Debt Service)	<b>0.9</b>	x
<b>Cash-on-Cash Yield To Equity</b> (NOI-Interest)/Equity Investment	<b>-1.5%</b>	

**SAMPLE CONSTRUCTION BUDGET**

FIVE YEAR PROFORMA SUMMARY

# of Rooms in Hotel

50

	2017		2018		2019		2020		2021	
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
ADR	\$ 83.50	\$102.00	\$111.39	\$114.74	\$118.18	\$121.72				
% Increase		21.0%	9%	3%	3%	3%				
Occupancy	49%	52.0%	59.0%	62.0%	65.0%	66.0%				
<b>BREAK-EVEN</b>										
Revenues										
Room	\$746,699	\$967,980	\$1,199,392	\$1,298,283	\$1,401,910	\$1,466,117	98.5%	98.8%	99.0%	99.2%
Meeting Room & Miscellaneous	\$11,250	\$11,531	\$11,531	\$11,531	\$11,531	\$11,531	1.5%	1.2%	0.9%	0.8%
Total Revenue	\$757,949	\$979,511	\$1,210,923	\$1,309,814	\$1,413,442	\$1,477,649	100.0%	100.0%	100.0%	100.0%
Departmental Expenses										
Room - includes brkfst & receipt	\$199,880	\$250,196	\$279,122	\$295,174	\$311,876	\$323,052	26.8%	25.8%	23.3%	22.2%
Telephone	\$2,325	\$2,467	\$2,870	\$3,091	\$3,321	\$3,457	0.3%	0.3%	0.2%	0.2%
Meeting Room Supplies & Miscellaneous	\$3,219	\$3,416	\$3,876	\$4,073	\$4,271	\$4,336	28.6%	29.6%	33.6%	37.0%
TOTAL DEPARTMENTAL EXPENSES	\$205,424	\$256,080	\$285,867	\$302,338	\$319,468	\$330,845	27.1%	26.1%	23.6%	22.4%
Gross Operating Income	\$552,524	\$723,432	\$925,056	\$1,007,476	\$1,093,974	\$1,146,804	72.9%	73.9%	76.4%	77.4%
Undistributed Operating Expenses (Deductions)										
General & Administrative	\$85,670	\$91,528	\$98,253	\$102,261	\$106,417	\$109,711	11.3%	9.3%	8.1%	7.5%
Franchise Fees	\$61,603	\$79,858	\$98,950	\$107,108	\$115,658	\$120,955	8.1%	8.2%	8.2%	8.2%
Sales & Marketing	\$42,130	\$42,675	\$45,313	\$46,866	\$48,437	\$49,476	5.6%	4.4%	3.7%	3.3%
Utilities	\$33,476	\$36,750	\$35,999	\$37,189	\$36,392	\$37,507	7.1%	5.8%	5.3%	5.4%
Repairs & Maintenance	\$25,748	\$26,286	\$26,943	\$27,617	\$28,307	\$29,015	3.4%	2.7%	2.2%	2.0%
Total Deductions From Income	\$268,626	\$297,098	\$335,459	\$354,941	\$375,211	\$388,663	35.4%	30.3%	27.7%	26.5%
INCOME BEFORE FIXED CHARGES	\$283,898	\$426,334	\$589,597	\$652,535	\$718,763	\$758,141	37.5%	43.5%	48.7%	50.9%
Real Estate Taxes	\$34,650	\$69,000	\$70,600	\$72,012	\$73,452	\$74,921	4.6%	7.0%	5.8%	5.2%
Management Fee	\$22,738	\$35,262	\$41,171	\$41,914	\$42,230	\$42,285	3.0%	3.6%	3.4%	3.2%
Insurance	\$20,000	\$20,500	\$21,000	\$21,500	\$22,000	\$22,500	0.8%	0.8%	0.8%	0.8%
Reserve for Replacement	\$0	\$9,795	\$24,218	\$39,294	\$56,538	\$59,106	0.0%	1.0%	2.0%	4.0%
FF&E Lease	\$0	\$0	\$0	\$0	\$0	\$0	0.0%	0.0%	0.0%	0.0%
CASH FLOW AVAILABLE FOR DEBT SERVICE	\$206,510	\$291,776	\$452,607	\$477,815	\$521,543	\$554,329	27.2%	28.8%	35.7%	36.9%

THE FIRST YEAR PROJECTION OF OCCUPANCY AND ADR ASSUME 1 FULL YEAR OF OPERATIONS. THE ABOVE PROFORMA STATEMENT OF CASH FLOW FROM OPERATIONS AND DEBT SERVICE COVERAGE REPRESENTS A COMPILATION OF DATA AND INFORMATION GATHERED FROM HISTORICAL DATA AND INDUSTRY STATISTICS FOR SIMILAR TYPES OF PROPERTIES. THE PREPARER DOES NOT GUARANTEE THE DATA, AND ASSUMES NO LIABILITY FOR ANY ERRORS IN FACT, OMISSIONS, ANALYSIS OR JUDGEMENT. THE DATA IS BASED ON THE BEST JUDGEMENTS OF THE PREPARER AND CLIENT. WE MAKE NO GUARANTEES OR ASSURANCES THAT THE PROJECTIONS WILL BE REALIZED AS STATED.

## “Team Prescott”



**Michael P. Lindner**

Hotel R&D, LLC offers a unique, straight forward process in hotel development through the eyes of a hotel owner, operator and developer. Over 35 years of experience in front office, sales and general management of Marriott, Hilton and Choice Hotels along with owner/operator of family motels and a waterpark resort in Wisconsin Dells has provided the ingredients to a hotel development formula designed to lessen the “soft costs” of building a new property. Hotel R&D, LLC orchestrates the partnership of the hotel business and its investors from concept to grand opening and beyond.



**Cory Scheidler/Seth Hudson**

Cedar Corporation was founded in 1975. The company provides engineering, building design, planning, environmental, land surveying, landscape architecture, and interior design services. We are dedicated to the principles on which the firm was founded: professionalism, high quality service, and excellent communication with our clients. Whether working with industry, small business owners, local units of government, public utilities, educational and religious institutions, health care facilities, or private property owners, we offer a team of experts to meet the demands of any project.



**Mike Longsdorf**

MCL Companies has been building customer loyalty since 1991. Although our main office is in Eau Claire, Wisconsin, we have completed projects throughout Wisconsin, Minnesota, Iowa, northern Illinois and Nebraska. With more than 30 years of construction experience and hundreds of projects to our credit, we have the reputation of professionalism and dependability that ensures your commercial construction project is well managed, completed on time and on budget. Our **personal service and proven results** make us the best choice for your project. We have the contacts and knowledge to be a complete resource for you throughout your project. That means the entire process runs more smoothly for you, which is most evident in the repeat business and many referrals we receive.



**Sam Russo**

**Midwest Hospitality, LLC** is a hands on, personalized service business engaged in the management of a variety of hotels. We are not only hotel managers and consultants, but we are also hotel owners as well. We believe in our properties and strive to achieve the highest quality of service to our hotel guests and the highest profitability and appreciation, sought by our investor/owners. Our investors are kept well informed of progress through ongoing communication, from daily to monthly reporting. We have pride in our properties and seek to achieve maximum customer satisfaction and loyalty. All hotels under our management have surpassed benchmarks established by the related national franchise chain (e.g. Hilton, Choice). Midwest Hospitality has the experience, resources, capabilities, and hands-on approach needed to direct each hotel in the most cost effective and successful manner.