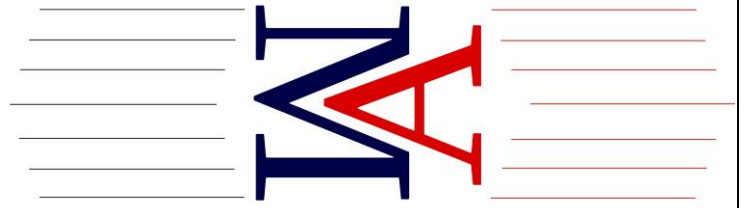


Martin CJ Mongiello, MBA
LEC, MCFE, CHM, CPFM
A Master Certified Food Executive



Mongiello Associates

**CONFIDENTIAL Market Study
Proposed Veterans Stylized Hotel Investment
The Nashville Inn & Hotel
Nashville, Tennessee**

*"If you want to succeed in a life of 20 to 30 years active duty service in the US military, war and then in business expansions, you need to understand that **duty comes before rights** and that **responsibility precedes opportunity.**"*

Property Location: Proposed

To Be Determined

- Several large scale buildings reviewed
 - Exterior plantation style properties reviewed
- Nashville, TN 37203

Prepared by:

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Submitted to:

Mr. Travis McVey, Heroes Vodka
515 Indian Park Drive, Murfreesboro, TN. 37128
615.483.5155 v
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Excerpt data, research and feasibility study information by:

Smith Travel Research
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Demographics Now
HVS Consulting and Valuation Services a Division of North Star Research Corporation
Mongiello Associates Strategic Marketing
The Inn of the Patriots
The Food and Fun Culinary Institute
The Presidential Culinary Museum
The Presidential Service Center
Laurel Placement Agency
The Intercontinental Academy of Household, Hotel and Resort Management (IAHHRM)
Randall Gross / Development Economics
Third Coast Design Studio and Hodgson Douglas
Construction Journal
National Veteran-Owned Business Association (NAVOBA)
Nashville Metropolitan Development and Housing Authority (MDHA)
Nashville Convention Center Authority (CCA)
The Nashville Downtown Partnership
Nashville Convention and Visitors Bureau
Nashville Area Chamber of Commerce

July 9, 2009

Mr. Travis McVey

Heroes Vodka

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Lipman Brands, Hero Spirit, LLC., 411 Great Circle Road, Nashville, TN 37228

travis@heroesvodka.com

www.heroesvodka.com

**Re: CONFIDENTIAL Proposed Hotel
Nashville, Tennessee
MASM Reference: 2013821885**

Dear Mr. McVey:

At your request, we are pleased to submit this market study and Executive Summary pertaining to the above-captioned property. This is not one of our comprehensive business or marketing plans typically published worldwide. With your help to inspect the real estate and analysis of the hotel market conditions in the Nashville, Tennessee area - we have studied the proposed project, and the results of our fieldwork and analysis are presented in this report. We have also reviewed proposed improvements for this site over other hotel offerings in market. Our report and excerpts were prepared in following as close as possible the Uniform Standards of Professional Appraisal Practice (USPAP), as provided by the Appraisal Foundation.

As you well know, Mongiello Associates, our entire team and our Chairman, Michael C., Mongiello, Jr. operate on much of the combined powers and mentalities of: business is war. Intelligence reports are the power of streaming data to the operatives on the ground inside the kill zone. We offer you multiple data nodes of intel to review. Most non-military minded colleagues do not resonate well with these philosophies so it is best to screen strongly; anyone of a non-veteran supportive frame of mind.

We hereby certify that we have disclosed our own interest in the property and all hiring of future associates on this project to Society of Human Resource Management standards (SHRM), and our own employment and compensation are not contingent upon our findings since we completed this work pro-bono. This study is subject to the comments made throughout this report and to all assumptions and limiting conditions set forth herein. It is not an investment offering of securities.

Sincerely,

Mongiello Associates Strategic Marketing
Martin CJ Mongiello, MBA

Laurel Placement Agency
Stormy LeAnn Mongiello, PHR

Non-Disclosure Agreement

The reader and recipient acknowledges the Digital Signature Act under Federal law with tracking and IP address tracking of this study that Mongiello Holdings, LLC and The Inn of the Patriots, LLC with assorted dba's of Mongiello Associates Strategic Marketing, The Presidential Culinary Museum™, Presidential Service Center and The American Revolutionary War Living History Center (provider) herein furnishes certain "Confidential Information" relating to the business affairs and operations of evaluation of a proposed hotel, gift shops, restaurant and bar in the greater Nashville, TN region. It is acknowledged by recipient that the information provided is confidential; therefore, recipient agrees not to disclose it and not to disclose that any discussions or contracts with the provider that have occurred or are intended, other than as provided for in the following paragraph.

It is acknowledged by recipient that information to be furnished is in all respects confidential in nature, other than information which is in the public domain through other means and that any disclosure or use of same by recipient, except as provided herein, may cause serious harm or damage to Mongiello Holdings, LLC and The Inn of the Patriots, LLC with assorted dba's of Mongiello Associates Strategic Marketing, The Presidential Culinary Museum™, Presidential Service Center and The American Revolutionary War Living History Center, and its owners and officers. Therefore, recipient agrees that it will not use the information furnished for any purpose other than as stated above, and agrees that it will not either directly or indirectly by agent, employee, or representative, disclose this information, either in whole or in part, to any third party; provided, however that (a) information furnished may be disclosed only to those directors, officers and employees of recipient and to advisors of their representatives who need such information for the purpose of evaluating any possible transaction (it being understood that those directors, officers, employees, advisors and representatives shall be informed of the confidential nature of such information and shall be directed to treat such information confidentially), and (b) any disclosure of information may be made to which provider consents in writing. At the close of negotiations, recipient will return all records, reports, documents, and memoranda furnished and will not make or retain any copy thereof. This is a business and market analysis plan. It does not imply an offering of Securities. We have processed several cases with our five family attorneys that were delayed up to 15 years awaiting judgment and we never have attorney fees. We are also aware that many in business consider a judgment to be a joke and collection to be impossible. We collect on all debts via criminal charges, civil complaints, liens and garnishment. We herein state to employment of formal public campaigns during suit of social media, billboards and commercials aired in any forum of television or webisodes congruent with injunction. Recipients agree to review The Mongiello Principle used in investment worldwide. We will hunt and prosecute any rip-off artist who hides behind billions of dollars and an army of cunning attorneys that think they are intelligent.

"Safe Harbor" statement under the Private Securities Litigation Reform Act of 1995: Except for historical information, all of the statements, expectations and assumptions contained in the foregoing are forward-looking statements that involve a number of risks and uncertainties. It is possible that the assumptions made by management are not necessarily the most likely and may not materialize. In addition, other important factors that could cause actual results to differ materially include the following: business conditions and the amount of growth in the Company's industry and general economy; competitive factors; ability to attract and retain personnel; the price of the Company's stock; and the risk factors set forth from time to time in the Company's SEC reports, including but not limited to its annual report on Form 10-KSB; its quarterly reports on Forms 10-QSB; and any reports on Form 8-K. The Company takes no obligation to update or correct forward-looking statements.

Primary focus: By Martin CJ Mongiello

This is a National Veteran-Owned Business Association (NAVOBA) stylized, “vetrepreneurs,” focused design and build (www.navoba.com) to create a small business incubation center for success in helping other vets, a hotel and resort operation that predominantly hires veterans (including disabled and crippled in wheelchair), two museums, a restaurant, coffee and pastry outlet (could be a NAVOBA endorsed Dunkin’ Doughnuts), culinary institute, walk-in humidor, spa, salon and gift shop.

- CNN, July 8, 2013 - **22 veterans commit suicide per day in America. Soldier's suicide note goes viral; family demands better for veterans**
<http://www.cnn.com/2013/07/06/us/soldier-suicide-note/index.html>
- Crains, July 8, 2013 - **Lost in translation: Vets often need help translating experience to civilian world**
<http://www.crainsdetroit.com/article/20130707/NEWS/307079998/lost-in-translation-vets-often-need-help-translating-experience-to#>

The thinking expressed by the current group is; being all veterans themselves and vast majority being certified disabled with the VA; to expand the already successful The Inn of the Patriots. Rather than engage in a new, untested idea, the entities seek to grow it larger to handle ever increasing demand and lack of capability to sign larger contracts being offered.

To date, despite attaining several #1 world rankings in lodging sales – the platform has hit a limit due to not having enough rooms and space.

Expansion is the only resource to capturing greater profits and being able to help more veterans open businesses essential to the hotel. Downtown Nashville has served as a lodging hub since the earliest days of the city. The Nashville Inn was established 1796, only 16 years after the first settlers arrived and the same year that Tennessee became a state. The strategically located hotel proceeded to host a succession of presidents and dignitaries including Presidents Monroe, Jackson, Johnson, Polk, Fillmore, and Van Buren; as well as the Marquis de Lafayette, politician Sam Houston, architect William Strickland, and artist Thomas Hart Benton. The hotel burned down in the fire of 1856.

The Nashville Inn was actually built prior to 1796, and there was no comparable hotel nearer than New Orleans, Lexington, or St. Louis. The Inn served as an important meeting place for local residents and important travelers. James Monroe, **the first U.S. President to visit Nashville**, was the honor guest at the Nashville Inn for a dinner on June 6, 1819. Sometimes, Judge John Overton stayed at the Nashville Inn when he visited Nashville from his home called Travelers' Rest, an 8-mile journey that took about an hour.

Andrew Jackson was a frequent guest at the Inn because the 13-mile trip from the Hermitage to downtown Nashville took about an hour and a half by carriage. In 1813, Jackson was staying at the Nashville Inn when he confronted Thomas Hart Benton and Jesse Benton. Jackson was seriously wounded by pistol shot in the showdown. Every

physician in Nashville worked over Jackson, and it was three weeks before he could leave his bed at the Nashville Inn.

The Marquis de Lafayette visited Nashville on May 4, 1825, and Andrew Jackson presided over a banquet in his honor at the Nashville Inn. Timothy Demonbreun, 95 years old, conversed with the Marquis in their native French. Demonbreun was living in the Nashville area before the city was "founded."

Sam Houston was staying at the Nashville Inn when he was challenged by Col. John Smith, a noted duelist.

Tennessee Presidents Andrew Johnson and James K. Polk were guests at the Inn, as well as Ex-Presidents Millard Fillmore and Martin Van Buren. William Strickland, who designed the Tennessee State capitol, arrived by stagecoach from Louisville to his destination, the Nashville Inn, in 1845.

Stage coaches left the Nashville Inn three times a week for Dalton, Georgia, (about 175 miles then) and made the trip in 44 hours, at a charge of \$12.00 per ticket. The Nashville Inn charged \$12.50 per month for board and lodging, and a single meal was 37½¢. The Nashville Metropolitan Police Department headquarters is now located on that site across the street from the Davidson County Courthouse.

Methodology of application: By Martin CJ Mongiello

Each business operation inside of the hotel is an independently owned, codicil regulated and controlled element. From the restaurant to the spa – veterans are brought onboard and quantified by previous MOS, business or rating experience. Then assisted with SBA Patriot-Express, 7a or 504 financing and equity infusion they have a 100-page business and marketing plan completed with their help.

Under the legal regimens of a Management Contract they would lease space to the 100% building owner on a Performance Based Lease (PBL) with a monthly percentage due.

All other typical provisions of a long-term, 30 year contract would apply 1. Malfeasance, 2. Summary judgment by a court of law, 3. Felony conviction, 4. Theft, etc...

Single-source and professional accountancy, waste handling, laundry, pest-control and HR functions will eliminate mistakes made, higher than 1% workers compensation ratings in TN and wasted monies/effort.

Election of CPA: By Martin CJ Mongiello

In this scenario stakeholders will have all records and receipts handled by the CPA of the building owner's choice. The CPA will payout monthly via the PBL to the building owner first and then to stakeholders.

The current stakeholders and investors: By Martin CJ Mongiello

The current stakeholders realize they are subject to grow to larger and welcome veterans in. Presently, they are:

Samuel Morgante, a former White House Chef and 20-year retired, disabled military veteran is from the US Navy. He will be living at his job. He worked under several Presidents during his Navy days and especially for President George W. Bush's term at The White House Military Office.

He held a Top Secret clearance and is presently registered with the White House serial numbered Presidential Service Badge system. Sam holds his badge in great honor and especially when he wears it to veterans events while in full uniform. Sam (www.formerwhitehousechefs.com) will be running and own the Restaurant and Bar with all room service and will be supported by other White House and Camp David Chefs. He is an advanced, high-tempo operator of food service. He will combine ideas of military veteran's uniforms, artifacts and replicas on display in the restaurant related to country music stars. Country music star vets like George Strait, Elvis Presley and Kris Kristofferson are set to be showcased first.

His primary backup will be Chef Martin CJ Mongiello, another former White House Chef under President William J. Clinton.

Noelle Verdini, is the owner of Presidential Chef Productions, LLC. Noelle is a well-hone Catering, Banquet and Special Events Manager. Her expertise ranges from small, intimate gatherings to grand-scale events in both the private and corporate sector. Representing high standards established by the White House, Noelle with the culinary staff and event team infuse quality, professionalism and creativity into every detail of their work.

Noelle is the former Catering and Banquet Manager of the Ambassador East Hotel, famous Pump Room, on Chicago's Gold Coast as well as the Special Events Manager for Penn State, Williamsport. Noelle will own the Catering Company and produce all catered events with Chef Sam. Together they will provide our guests with personalized service and dedication to the highest catering and culinary standards. Representing the high standards established by The White House, Noelle (www.formerwhitehousechefs.com) and the culinary staff with event professionals infuse creativity and style into every detail of their work.

Noelle will be living at her job. Her primary backup will be Samuel or can be hired and taught.

Stormy LeAnn Mongiello, PHR, is the owner of recruiting solution Laurel Placement Agency (www.laurelplacement.com) to the hospitality industry. Stormy is an instructor at The Food and Fun Culinary Institute (www.theinnofthepatriots.com) and a Licensed Executive Chef. She is well known at The Presidential Culinary Museum (www.presidentialculinarymuseum.org) and a General Manager of The Inn of the Patriots. She recently completed building the most expensive construction project in North Carolina history with Shaw Constructors and Chicago Bridge & Iron Company handling 1800+ employees daily for four years. The additional multi-hundred build contractors needed - ad hoc, provided the two billion dollar delivery of buildings and plant for Duke Energy.

Stormy monitored the recently proposed 750 room, 300 million dollar build of the proposed Marriott Marquis in Nashville that never took off. As an accountant, hotelier, restaurateur and HR Manager, Stormy specializes in payroll, state and federal taxation, wage garnishment requests from local/state/federal, purchasing and accounts payable/receivable.

Although fun-loving by nature, she is a no-nonsense, serious minded expert focused on profits, attaining higher gains and has little time for excuses amongst the human race. Her extensive experience in construction, electrical and steel companies for retrofit and raw billion dollar building is exemplary. As a caterer, hotelier and Executive Chef she can be found on many NBC and CBS TV appearances as well as world tours representing Fortune 25 companies like P&G. She will live at her job with her husband, Martin CJ Mongiello and facilitate HR and Accountancy for all companies at the hotel. As she graduates from Western International University in 2013 she will then attend to her MBA degree possibly at Vanderbilt.

Her primary backup will be her husband as he also is an accountant, hotelier, Licensed Executive Chef and GM.

Martin CJ Mongiello, MBA

MCFE, LEC, CHM, CPFM a former White House Chef, a Manager of the world's most exclusive resort – the Camp David Resort and Conference Center and 21-year retired, disabled military veteran is from the US Navy. He will be living at his job. He worked under several Presidents during his Navy days and especially for President William J. Clinton's term at The White House Military Office. He held a Top Secret clearance and is presently registered with the White House serial numbered Presidential Service Badge system. He also holds his badge in great honor and especially when he wears it to veterans events while in full uniform.

Marti owns a 2012 Zagat 27 of 30 rated inn that was named best B&B to Visit for History in 2009/2010 of 11,000 inns judged worldwide (www.theinnofthepatriots.com) by BedandBreakfast.com a year after opening, Best of the South in 2010/2011, the Highest Awarded Green Hotel rating in NC for 2013, the Military Officers Association (MOAA) Most Patriotic B&B in America and will be running and owning the hotel, Food and Fun Culinary Institute and 10,000 square foot gift shop and will be supported by other White House and Camp David Chefs.

Graduating from the Starkey Institute and Hotel Management School Marti has run the 1500 room Bayshore's Resort, worked for Cendant and Wyndham to fix properties and is the author of the 280-page manual on Lodging Management. He has authored two cookbooks and a Hotel Legal Guide while appearing as a speaker and hospitality advisor. Marti designed, created and owns The Presidential Culinary Museum (www.presidentialculinarymuseum.org) and serves as Executive Director to the Chairman of The Presidential Service Association (PSA).

With numerous Writers Guild East, US trademarks, copyrights, five attorneys and two judges in his family it is no wonder he held a 4.0 GPA in law studies. He switched his MBA to Restaurant Management out of love for hospitality and graduated Summa Cum

Laude from The Art Institute where he next created The Presidential Service Center (www.presidentialservicecenter.org) and will open that Center in the new hotel to begin scholarships with the PSA alumni of close to 20,000 military members. Marti also has a television and stage show with Stormy named, "Inside the Presidents' Cabinet," (www.insidethepresidentscabinet.com) that has been featured on ABC, NBC, CBS, NHK Tokyo, Vitaya and BrusselsTV to name a few. He is the Director at his culinary institute and a Senior Instructor at the Intercontinental Academy for Household, Hotel and Resort Management (IAHHRM) (www.iahhrm.com).

Marti's business and marketing plans are sold worldwide in the #1 ranked program by the SBA, SBDC, Inc. Magazine and the Wall Street Journal for twelve straight years and are sold at Best Buy, online, Office Depot, Office Max and Staples. His assistance to vets on liquidity, proforma, P&L, balance sheets and stratagems are invaluable. He invents and facilitates new food product launches, web design, graphics, branding, advertising, promotion, publicity, marketing and sales. He does so through Mongiello Associates Strategic Marketing (www.mongielloassociates.com) – a company that he also owns known for its numerous #1 sales records held worldwide in the lodging industry. Marti also holds ROMO, ROMI, ROI, SEO and SMM strategies, algorithm and formula programs that have been used by the largest, lodging leaders like Homeaway.com. His financial investors, CPA and attorneys credit him with creating the toughest regimen in world investing, "The Mongiello Principle." He is a very long, determined and gritty hard worker at times needing two legal shifts to work around him. Mongiello holds one patent pending and one trademark program each that would also detonate sales at the location and for any hotel group. One of these is awaiting the right hotel group to work with.

His primary backup will be Chef Samuel Morgante or Stormy LeAnn Mongiello.

Allan B. Miller, CHM has taught the majority of the Chefs, Major Domo, Au Pair, Household Managers and Estate Managers working on Air Force One, at the White House, to families and Forbes 400 homes today. As the former Headmaster and Director of Education at the acclaimed Starkey Institute – Allan revolutionized the service industry.

He presently serves a well-known billionaire that created some of the simplest products ever seen on earth - controlled by various patents. His teachings therefore equate to simplicity is sometimes best undertaken - than expensive solutions that cost the master and owner massive, outrageous fees. Yet legal controls via the US Patent and Trademark Office with high-throttle attorneys will ensure sanctity and protection of ingenious ideas and life changing inventions. "There is no shortage of unscrupulous, would-be experts only focused on ripping the rich off any way they can."

His book, MIND YOUR MANORS, is due out and will certainly entertain with book signings and continued speeches that he gives on stage.

As Director of Education at the Intercontinental Academy for Household, Hotel and Resort Management (IAHHRM) (www.iahhrm.com), Allan instructs on the latest private

luxuries for the ever hungry millennial generation (GenY) willing to spend lavishly on hotel stays – unlike the Baby Boomer and X generation cohorts preceding them.

His backup will be hired directly out of the White House Military Office and is being kept undercover for the moment while waiting to retire with pension, from the military.

Travis McVey owns Heroes Vodka which was founded in 2009. He is a U.S. Marine Corps Veteran who proudly served as Presidential Honor Guard from 1989-1992. An innovative and determined entrepreneur, Travis endured the life-changing tragedy of a good friend dying in combat in the War Against Terror in Afghanistan. The experience paved the way for Travis to realize the American dream of owning a business...a business that would enable him to continue to serve his country.

Travis' vision was to develop a brand to partner with well-known Veteran organizations. His mission was to help Veterans get the care they deserve. With Heroes Vodka, Travis' dream has become a reality. Every purchase of Heroes Vodka helps make a difference in the lives of the brave men and women who have sacrificed for our country and our freedom.

As a fellow member of the PSA, Travis seeks to extrapolate his Heroes Vodka with his employer, Lipman Brothers across their entire liquor line into the proposed bar and restaurant that he and Sam shall own. Placing Travis into an ownership position will also facilitate expansion of his already successful brand, his book, "Heroes of the Stage," new releases of military branded drinks like his already famed, "Green Beret," concoction, a Presidential Cocktail book, a First Ladies famous cocktail book and a 21 Cocktail Salute to our Heroes Cocktail Book.

Travis will continue to create, improvise, salute and devise new products for release to the world market. He is extremely creative and hard working.

His backup will be his son and Samuel Morgante for all events.

Conditional snapshot of Nashville: By William Williams Analysis of Core's Retail, Office, Hotel, Residential Projections

Downtown Nashville will be able to accommodate about 3,500 single-family and multi-unit residences over the next five years, according to a study the Metropolitan Development and Housing Agency released on January 2, 2013.

The study, conducted by Randall Gross / Development Economics, projects office, retail, hotel and residential demand for areas located within the inner-interstate loop (bounded by I-65, I-24 and I-40), with a particular focus on the potential for SoBro and the Rolling Mill Hill area.

"Much of [the development] potential can be captured in SoBro, which constitutes the largest under-developed neighborhood within the study area," the study reads.
"However, The Gulch has more sites prepared and has momentum especially for

housing development, to capture significant demand within the short term. SoBro is more likely to capture hotels, dining and entertainment uses in the short term after Music City Center opens in 2013.” Randall Gross / Development Economics teamed with Third Coast Design Studio and Hodgson & Douglas, both of which are Nashville based, to conduct the study. The price tag was \$47,100. In addition to the residential projection, which envisions up to 650 free-standing single-family homes, key findings of the study include the following:

- The office space demand is projected to be between 294,000 to 445,000 square feet of space between 2013 and 2017. The study suggests information and media technologies, professional and technical services, and management services will be the strongest demand drivers.
- Occupancy rates among downtown Nashville hotels are strong and the demand for hotel rooms will grow as the Music City Center convention facility comes on line. However, demand will be primarily for full-service hotels and the rapid growth in limited service hotels in downtown and Midtown may prompt an oversupply in that segment of the market. **(Mongiello strong warning advisement)**
- Strong opportunities exist for downtown to capture growing demand in certain market segments, including **dining, retail and entertainment**; “artisan” industrial uses; and audience-support facilities such as cinemas and musical/theatre venues. **(Mongiello advisement including no one in market has sought to create nor mention a culinary institute on site at a hotel)**
- Downtown Nashville has significant **unmet potential** for destination retail, but still lacks walkable shopping and mixed-use districts with parking that can attract consumers from the greater Nashville region. **(Mongiello advisement)**

“This market study is the first comprehensive look we’ve taken at the downtown market in a number of years and I think it can help inform our decision making,” MDHA Executive Director Phil Ryan said in a release. “Our goal is to build on the unique qualities of Nashville and to create a vibrant downtown that will draw people to live, work and play.”

Reference:

http://nashvillepost.com/news/2013/1/2/study_downtown_nashville_will_need_3500_residences_over_next_five_years

Review the 201 page FULL STUDY now complete with diagrams and development economics: <http://www.nashville-mdha.org/downloads/downtown.pdf>

Condition snapshot of Nashville: By Daniel P. McCoy

New demand-generating developments and attractive investment parameters are putting the Nashville hotel market on track for an impressive recovery.

Conditions for hotel operations and hotel investments in the United States have shown clear improvements over the past twelve months. Rooms revenue growth has turned positive, the lending market has begun to thaw, and the number of hotel transactions has started to rise. These trends reflect a broad national perspective; however, the recovery outlook vacillates from region to region and city to city.

Most of the past year's major hotel transactions have concerned assets in major gateway cities, where foreign investors and publicly traded REITs have already driven up prices. Given this focus on the marquis lodging markets of the east and west coasts, the prospects for hotel acquisition and development in Nashville represent an overlooked opportunity for entrepreneurial investors. The city emerged from the recent recession relatively unscathed, and several ongoing and planned developments are positioning the market for strong growth. It follows that Nashville's lodging landscape deserves a closer look.

Economic Strength: By Daniel P. McCoy

Along with its music industry's wide renown, Nashville's economic base is anchored by the government and healthcare sectors, which helped provide stability during the recent recession. Additionally, the area benefits from strong economic development initiatives that have promoted growth in the technology and alternative energy sectors. Greater Nashville has benefitted from an extended period of economic expansion, which persisted even against the pressures of the recent national downturn. Between July of 2008 and June of 2010, over 16,800 new jobs were created through business relocations and expansions.¹ Major projects in the area include Jackson National Life's new regional headquarters and Nissan's new lithium-ion battery plant, as well as significant expansion projects from Simplex Healthcare, PromiseCare Pharmacy, and HealthSpring. The Nissan project alone represents a \$2.5-billion investment and is expected to employ over 1,700 workers when fully operational. Demand generated by these developments, as well as the area's stable federal and state government sectors, helped minimized the impact of the recession on Nashville area hotels.

New Hotels and Demand-Generating Projects: By Daniel P. McCoy

Since 2007, nine new hotels representing 1,244 rooms have opened in Nashville. As of June of 2011, three new hotel projects representing 1,028 rooms are moving forward, with additional projects on the drawing board. The largest is the 800-room Omni Nashville, which is currently under construction along with a new 1.2-million-square-foot convention center, to which the hotel will be attached. The publicly financed, \$585-million Music City Center is expected to open in early 2013, with the privately financed, \$250-million Omni slated for completion in mid-year 2013. The impact on Greater Nashville's hotel market should be pronounced, as the area will be able to accommodate large-scale, citywide events such as the 50,000-delegate NRA convention, which is already on the books for 2015. As of March of 2011, the Nashville Convention and Visitors Bureau had secured 42 groups for the new convention facility; these bookings should generate over 400,000 room nights for local hotels. The city's existing convention center is slated for conversion into the Nashville Medical Mart/Trade Center. While not yet finalized, this \$250-million project is expected to convert the

existing center into a 1.5-million-square-foot exhibition, education, and training facility for the healthcare industry.

With these developments in Downtown Nashville poised to attract thousands of conventioners, and the aforementioned business and job growth driving economic expansion, demand levels for the regional hotel market should experience a significant boost over the next several years. As a result of these demand trends, the aggregate per-room value for area hotels is expected to rebound and may even surpass its pre-recession peak by 2013.

Hotel Cap Rates, Values, and Performance in Nashville: By Daniel P. McCoy

The following table compares revenue data from full- and select-service hotels in the Nashville area with figures representing the U.S. lodging market as a whole. These data, which were compiled from HVS' proprietary hotel statistics database, illustrate the relative resilience of Nashville hotels.

NASHVILLE REVPAR PERFORMANCE

	2008 - 2009 RevPAR Change	2009 - 2010 RevPAR Change	2008 - 2010 RevPAR Change
Downtown Nashville*	-13%	5%	-8%
Nashville Airport**	-17%	8	-11
Nashville Metro Area***	-15%	7	-9
United States	-17%	6	-12
* 5 hotels/1,939 rooms; **8 hotels/1,770 rooms; *** 10 hotels/4,094 rooms			

The following table illustrates data on three key investment and valuation metrics for first-tier hotel properties, as published by Real Estate Research Corporation's RERC Real Estate Report for the spring of 2011.

1ST QUARTER 2011 INVESTMENT CRITERIA

	Pre-Tax Yield	Going In Capitalization Rate	Terminal Capitalization Rate
Nashville	10.7%	8.5%	9.3%
South Region	11.2	8.9	9.6
United States	11.1	9.1	9.8

The following table displays information on aggregate per-room value estimates and projections from the 2010 HVS Hotel Valuation Index, a measure of relative hotel values for markets across the United States.²

NASHVILLE PER-ROOM HOTEL VALUATION

Year	Nashville Per Room Value	Year-to Year Percent	Percent Change from 2006
2006	\$107,939	-	-
2007	100,535	-7%	-7%
2008	83,360	-17	-23

2009	69,157	-17	-36
2010	75,941	10	-30
2011*	88,966	17	-18
2012*	99,673	12	-8
2013*	111,459	12	3
2014*	120,240	8	11
2015*	128,716	7	19

* Forecast Year

Source: HVS

The superior performance of Nashville-area hotels over the course of the recent downturn positions Nashville as an attractive market for hotel investment. Furthermore, these relatively strong investment parameters are having a positive impact on Nashville's hotel values, which are expected to rebound and strengthen to peak pre-recession levels by 2013.

Museum in Hotel - Nashville city hole filled by Mongiello's Museum Development Economics: By Randall Gross

Specialty museums also help fill the family entertainment gap by appealing to a variety of niche markets. The three planned museums will help accomplish this to an extent, but there appears to be very little coordination and strategic planning with respect to the museum offering in the city that can capture new markets. Music-themed museums and attractions are paramount to marketing the city for tourism, but there is also the need to explore other markets as well as the needs of the local community and region.

Reference: Page 197, released, January 3, 2013, Market Analysis Downtown/SoBro Prepared for the Metropolitan Development and Housing Authority (MDHA) December 1, 2012, By Randall Gross / Development Economics, With Third Coast Design Studio and Hodgson Douglas,
<http://www.nashville-mdha.org/downloads/downtown.pdf>

Hotels in Nashville: By Randall Gross

There is sufficient demand to support about 4,300 additional hotel rooms throughout the Downtown area. The Music City Center, coupled with growing business and tourism activity, will generate substantial demand that must be met within the next five to seven years. There are about 13 hotels under construction, planned or proposed in the Downtown area alone. Should all of these hotels be constructed, there will be an over-supply of rooms within the next five years, despite growing demand. Further, the large number of limited-service properties proposed (Mongiello strong warning advisement) will not help Music City Center in recruiting the larger conventions, *which need blocks of rooms in smaller numbers of properties.*

Reference: Page 8, released, January 3, 2013, Market Analysis Downtown/SoBro Prepared for the Metropolitan Development and Housing Authority (MDHA) December 1, 2012, By Randall Gross / Development Economics, With Third Coast Design Studio and Hodgson Douglas,
<http://www.nashville-mdha.org/downloads/downtown.pdf>

Attraction & Venue Attendance: By Randall Gross

Bridgestone Arena, Schermerhorn Symphony Center, TPAC, Children's Theatre, Nashville Public Library (and its puppet shows), Farmer's Market, Municipal Auditorium, the Arcade, and LP Field bring thousands of patrons downtown, but the majority of this attendance originates in the Nashville area. However, there are other attractions in the Downtown area, including the Tennessee State Museum, Frist Center for the Visual Arts, State Capitol, General Jackson showboat, Music City Queen, Fort Nashborough, Downtown Presbyterian Church, and Bicentennial Capital Mall, along with businesses like Hatch Show Print and Tootsie's Orchid Lounge that are tourist attractions in themselves. Several additional attractions are planned, including the Johnny Cash Museum (in SoBro) and the National African American Music Museum (on Jefferson Street). The various attractions help drive the tourism market, which in turn generates demand for retail goods, services, hotels, and additional entertainment. A strong attractions package is critical for creating destination draw. With a stronger attraction package and branding strategy, there is more potential for attracting a broader geographic and consumer base for the Downtown product.

At present, these existing Downtown attractions (Ryman, Frist, et al) generate gross attendance of nearly four million per year. Of this total, about 1.13 million are overnight visitors, based on attendance data by origin. Obviously, there is some overlap between attractions as some visitors attend more than one attraction or venue during their stay (such as the General Jackson and the Ryman Auditorium). Based on growth trends and the addition of new venues including the Music City Center, overnight attendance at these venues is expected to increase to 1.41 million by 2017 and 1.43 million by 2022.

Convention Delegates: By Randall Gross

There are also about 375,000 Downtown convention center delegates at present, although this number is expected to increase significantly with the opening of the new Music City Center. Convention attendance can be expected to increase to about 516,000 by 2017 and 547,000 by 2022. Because of the Music City Center's location in the heart of SoBro, there will be a significant impact on demand for restaurant, retail and entertainment expenditures within SoBro. Convention delegates tend to walk or take taxis and public transit to restaurants within a short distance from the convention center and associated hotels.

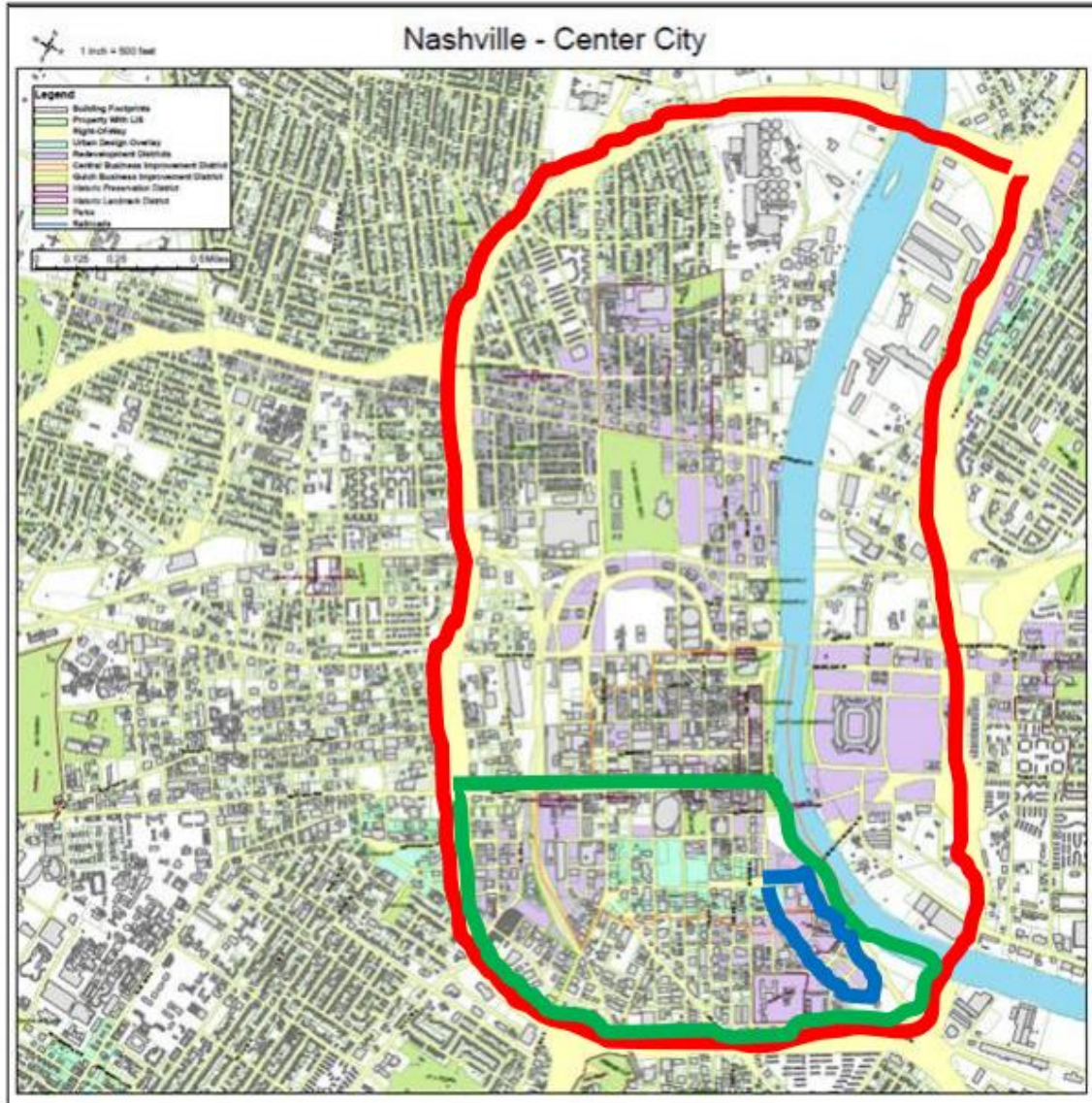
Hotel Room Nights: By Randall Gross

Based on the current and expected hotel room occupancy in the Downtown area, there are about 1.90 million room nights sold Downtown at present. By 2017, this number is expected to increase to 2.46 million room nights and by 2022, at least 2.56 million room nights. Based on the average stay and the average party size, this number of room nights translates into a total overnight Downtown visitor base of 540,000 people per year at present, increasing to about 690,000 by 2017 and 730,000 by 2022. While overnight tourists throughout the region visit the Downtown area, those guests staying in Downtown-area hotels are most likely to spend the majority of their retail, restaurant and entertainment allowance in the Downtown area.

Tourist Expenditure Potentials: By Randall Gross

Based on an analysis of average expenditures per visitor, the tourists generated through conventions and tourism activities yield retail expenditure potentials of \$394.1

million in 2012, increasing to \$511.7 million by 2017. This growth represents an increase of \$117.5 million or 29.8% over the next five years. Further, a significant portion of these sales will be captured within the Downtown area (especially since convention-goers will tend to spend most of their time near the Music City Center), representing substantial growth for Downtown-area businesses.



Base Map Provided by the Metro Nashville Planning Department

For the purposes of this study, the “primary” study area includes that area of the Inner Loop located south of Broadway, including The Gulch, SoBro, Rolling Mill Hill and various other districts. This primary study area is designated in **green**. Rolling Mill Hill is generally designated in **blue** on the map.

Conclusion: By Daniel P. McCoy

The stability of diverse private and public entities helped Nashville’s economy avoid a tailspin during the recent recession, and new development projects should bolster hotel

demand and help drive asset-value increases going forward. In light of recent and projected trends, the Nashville market deserves attention, particularly from investors seeking to diversify their portfolios away from the major gateway markets.

¹ Nashville Area Chamber of Commerce. 2009-2010 Annual Report

² The Hotel Valuation Index (HVI) tracks hotel values in 51 major markets and the United States as a whole. Created in 1987 by HVS, the HVI is derived from an income capitalization approach, utilizing market area data provided by Smith Travel Research (STR) and historical operational information from HVS' extensive global experience in hotel feasibility studies and valuations. Based on HVS' experience of real-life hotel financing structures, appropriate valuation parameters are applied for each market, including loan-to-value ratios, real interest rates, and equity return expectations.

Reference: <http://www.hvs.com/article/5291/market-intelligence-report-nashville-tennessee/>

Conclusion: By Martin CJ Mongiello

The ownership of our own inn, culinary institute, gift shops, spa services and museum is undeniably number based when claiming success. In the midst of an economic holocaust for the past five years we have flourished. Our concept expansion calls for no salaries for any lease holder or stake holder – from the property owner. Additionally, we do not rely on the conditions of the market to fill our rooms (concerts, The MCC, music shows, one-off historic displays in town on a limited engagement only, conventions, meeting planners, ABA or tours, etc...). Our concept fills its own rooms in an economic Pearl Harbor or not – essentially regardless of what is going on around it.

We certainly will be moving away from the aforementioned warnings of “In general, larger, more full-service accommodation facilities will be needed to satisfy the demands of meeting planners for centralized accommodation booking. Without the availability of larger, full-service hotels with sufficient blocks of rooms, MCC will face significant challenges in attracting large conventions. As such, the current slate of planned and proposed hotels is too heavily-weighted to smaller, limited service properties that, if built, can lead to a gross over-supply, will dramatically lower occupancy rates, and will reduce the average revenues and financial performance of existing hotels. A smaller number of new hotels, each with a larger block of rooms, is needed to help balance the market and accommodate larger conventions. (Randall Gross, pp. 157 to 173)

Nashville developers and interested out of state partners, overall, are developing too many of the wrong properties. All groups should be forewarned as this is a common issue coming up time and again. If it were not for our unique niche of the Presidential Service Center and Presidential Culinary Museum inside of the hotel, we would urge extreme caution, or bypass the region, to any group considering the city of Nashville.

Additional note: By Martin CJ Mongiello

- Hotel giant had been brought into Music City Center mix after pricey Metro study. Only the 4th Marriott Marquis to open in America ever – deal collapses.

- <http://www.tennessean.com/assets/pdf/DN150339119.PDF> - Full HVS 115 page report with detailed ADR histograms, flood plain concerns and concerns
- http://nashvillepost.com/news/2010/8/31/marriott_naturally_disappointed_but_no_ncommittal_about_mcc_role