

Updated Financial Summary

Our updated financial summary reflects a more market-based financial plan for micro-lodges and Garver Feed Mill. Previous projections were intended to demonstrate viability in conservative circumstances, providing for a significant financial “margin-of-safety”. This update is the result of an in-depth review of current market data and a detailed cost analysis in consultation with two experienced hospitality operators (Aparium Hotel Group and Arbor House), our general contractor (Bachmann Construction) and their subcontractors, and our landscape architect (SmithGroupJJR).

The information below more clearly explains the rationale behind our projected financial viability for the project. We’ve specifically addressed the following areas:

- Improved hospitality market data from several reliable sources, including updated Madison REVPAR data, a key performance metric in the hospitality industry and a useful indicator of market viability.
- Adequate budgeting assumptions related to infrastructure costs associated with micro-lodges.
- Updated ongoing real estate tax assumptions based upon staff estimates.
- Risk mitigation associated with the incremental scaling of a phased in micro-lodge approach.

Micro-lodges

There is a clear lack of hospitality choices for individuals that are visiting Madison and attractions on the near east side¹. The nearest hotel option for visitors to Olbrich Gardens, the Garver Feed Mill and other near east side destinations is 2.0 miles and the next nearest is 2.4 miles. The nearest boutique lodging option for visitors to Olbrich Gardens and Garver Feed Mill is 2.7 miles.

The limited visibility of the location and its adjacency to parks (Olbrich, Sherry OB, North Plat), bike-trails, botanical gardens, and locally owned neighborhood retail outlets actually enhance the tenant and guest experience. This unique location and the aforementioned features make the site an appropriate and attractive lodging destination. We expect micro-lodging to attract a wide range of customers including business travelers, leisure travelers, recreational enthusiasts and staycationers, as well as to host visitors for events such as family reunions, retreats, bike tours, Olbrich events, and regional events that appeal to culinary and agri-tourists²³.

Using comparable Madison industry data and adjusting our pro forma accordingly, we’ve concluded that the project’s financials continue to provide a viable return. In addition, we’ve accounted for a variety of phase-in scenarios and concluded that there is no significant effect on net operating income (NOI) nor on our ability to repay or service debt by this approach. As an example, our updated financials demonstrate a viable project with 40 micro-lodges.

The growing availability and types of micro-lodges have resulted in a wider variety of market prices. Our targeted purchase price is \$38,500, factoring in the “showcase” and other discounts provided by the micro-lodge designer/builder. The current budget reflects a \$72,000 per micro-lodge hard cost investment. Our general contractor provided estimated a cost of \$7,600 per micro-lodge to provide the

¹ Olbrich Gardens annual visitation is 250,000/yr and it is estimated that 150,000/yr are non-resident visitors. Annual visitors are expected to grow to 325,000 by 2025. (Source: http://www.olbrich.org/about/documents/FinalReport_LOWRES_PART1.pdf, <http://www.isthmus.com/daily/article.php?article=43638>)

² Olbrich Gardens host approximately 1,200 private uses annually, ranging from wedding ceremonies, wedding receptions, parties, corporate meetings and events. (Source: <http://www.olbrich.org/about/documents/OlbrichFactSheet.pdf>)

³ Over 39 million leisure travelers are “deliberate” culinary travelers with an additional 35 million who are “opportunistic” (Source: 2013 American Culinary Travel report)

necessary utility infrastructure. The result is a contingency of \$25,900 per micro-lodge as a reasonable cushion.

As compared to a single-use development that requires a major upfront investment, the scalability and flexibility of adding micro-homes to suit demand provides for stable growth and reduces financial risk. In fact, the function of adding micro-lodges over time provides substantial advantages and several benefits including:

- Provides deeper insights that allows us to calibrate additional micro-lodging to best meet the market demand
- Prevents overbuilding which further reduces risk
- Improves our understanding of features that impact visitor's choices to aid in the selection of additional micro-lodging
- Proportionally impacts operations budgets and debt obligations, which can be scaled for additional efficiency
- Enhances our ability to work more effectively with micro-lodge builder and designer partners
- Micro-lodges can be removed and resold to provide partial cost recovery in a downside scenario

Should the micro-lodges not achieve their projected financial outcome, as in any real estate development, the investors would receive less return and assume the associated financial risk. Garver Feed Mill would still operate independently as proposed and would not assume any additional risk.

Garver

Based upon our market research and discussions with the producers themselves, we have found that commercial food producers are able to afford the rental rates incorporated into our pro forma. Since our proposal was released publicly in January, we've had five additional food production companies contact us with an expressed need for more space than the building can provide for. See attached letters of interest.

These and other local food producers altogether agree that the location and proposed building operation enhance the property's value to users like them and justify these projected rates. Components of this added value include:

1. Increased visibility and brand awareness from micro-lodge guests, Garver event attendees and Olbrich Garden visitors.
2. Ability to generate additional on-site retail sales through a shared retail outlet with building tenants.⁴
3. First floor space is more valuable than upper level space that requires elevator access. First floor space offers logistical efficiencies including direct loading and access. High ceilings and significantly better natural light will also increase the value of the space.
4. Operational efficiencies created through opportunities for shared equipment, personnel and industry contacts.

⁴ Highlights from the 2012 Wisconsin Agri-Tourism Study:

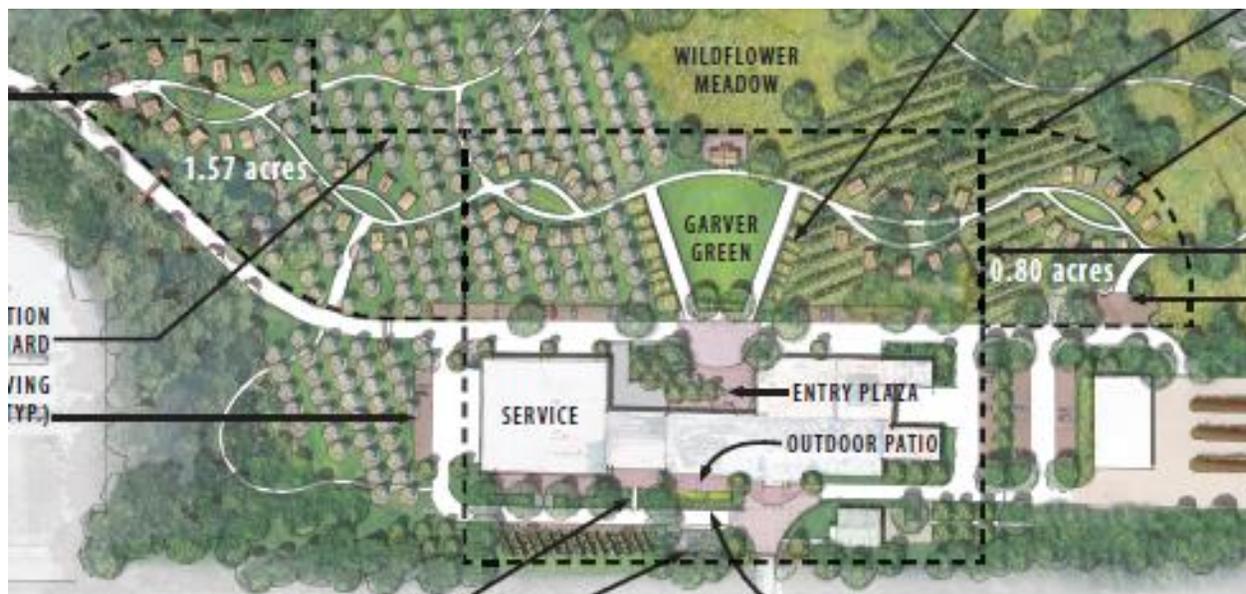
- For 88% of respondents, supporting local farmers/businesses was a somewhat or very important reason for participating in an agritourism activity.
- Median spending during respondents' last trip involving agritourism was \$137.50.
- Of those respondents who reported spending any money during their last agritourism visit, 93.8% spent on food or drink items produced by an agritourism business.

5. Site location and proximity to the bike path and bus lines provides easy access for its workforce and visitors.
6. Foods produced at Garver included and featured in menus for catered events within the Garver event space.
7. Alignment of purposes with urban agriculture as an educational component.

North Plat

The site plan is a concept that is intended to reflect the interest of tenants and the neighborhood. The orchard and vineyard would be installed and maintained by our tenants. The bridge is a feature of the neighborhood plan which we wanted to highlight. The low-impact paths (i.e. gravel) are a low capital expense that may be eligible for DNR grant funding.

The team has calculated an area of replacement parkland at 2.37 additional acres, subject to DNR review.



Kessenichs

Our team has been working to acquire the Kessenichs property for more than 6 months. If acquired, our goal is to retain Kessenichs in about half of its existing space as a complementary feature to the overall concept. The remaining half would serve as a space for the employment-based food-related users already identified.

Additional Revenue

Our program will retain 88-114 existing jobs and are forecasted to create a additional 26-50 new jobs by year three. Considering employment multipliers, tourism spending and the addition of a projected \$350,000+ in annual tax collections, this project provides significant economic benefits to the City of Madison.



February 24, 2015

Dear Members of the Garver Feed Mill Selection Committee and City of Madison,

RP's Pasta Company started in 1995 out of a passion for fresh pasta. Over the years RP's has benefited greatly from the Madison community and its continuing support of local foods. I moved RP's into its current location in 2006 thinking it was the Holy Grail. Well, after 9 more years of sales growth we need to build again to accommodate our new space requirements. Since 2006 our sales have grown fivefold with sales projections of \$5.5 million for 2015.

Bryant Moroder contacted RP's to investigate our needs for new space and how we might fit into the Garver Feed Mill project. We then had an opportunity to meet the Baum Development team regarding their Garver Feed Mill concept. If Baum Development is selected to go forward with their Garver Feed Mill project, we are very interested in being a part of this destination-location. Our inclusion in the Garver campus would satisfy our desire to remain an eastside Madison location. We believe that light manufacturing like RP's needs to remain accessible to the neighborhoods where our employees reside. Solid communities are the future for our business and our city.

I have every confidence in Baum Development and I think if they were selected to go forward with their project this would be a valuable addition to the city. They have vision and creativity that is coupled with pragmatism and experience, just what we all look for in a business partner.

Sincerely
Peter Robertson
Founder & CEO



RESTORATION
CIDER
CO.

Restoration Cider Works
6001 Fernside Drive
Madison, WI, 53718

February 25, 2015

To the Members of the Garver Feed Mill Selection committee and the City of Madison,

Restoration Cider Works is a Madison-based startup intent on restoring the American tradition of hard cider, which was once the nation's most widely-consumed beverage. We craft dry new world ciders from Wisconsin apples. In the future we will expand our product line to include Spanish, French, and English-style ciders. Our first commercial batch is fermenting at this very moment

Restoration is our company's name and our guiding value, which is why we are excited to support the Baum Development team's proposal for the Garver Feed Mill. The project would restore the building's historic utility as a food production site, while meeting the demands of contemporary consumers.

From a practical standpoint, the Garver Feed Mill location would let us engage with our consumers on a much deeper level than we can now. Customers could see firsthand the entire production process from apple (in the planned demonstration orchard) through pressing, fermenting, and finally, enjoying cider in our onsite taproom. We would be able to educate consumers about the history of cider, its production, and its environmental impact. That level of engagement and transparency between the consumer and producer would be wonderful.

We are also excited about the site's proximity to Starkweather creek and the engagement of Friends of Starkweather Creek in the project. A secondary part of our mission is to support trout stream restoration, since I am an avid fly-fisherman. The company pledges to donate a percentage of its profits to restoring trout streams in Wisconsin's Driftless region. Starkweather Creek would be a platform to support environmental education about healthy riparian habitats, and show our consumers firsthand the causes we support.

Baum Development's proposal for the Garver Feed Mill would add a wonderful element to the fabric of the Madison community. We would love to be a part of making it a success.

Sincerely,

Paul Asper
Owner
Restoration Cider Works

Micro-Lodge Operating Pro Forma - Upon Development

Assumptions

Global Assumptions:

RevPar/Post-Stabilization Inflation Factor: 2.00%

Revenue Assumptions:

	<u>Year One</u>	<u>Year Two</u>	<u>Year Three</u>	<u>Year Four</u>	<u>Year Five</u>
Number of Rooms:	30	35	40	40	40
Rooms Available:	10,950	12,775	14,600	14,600	14,600
RevPar:	\$73.25	\$74.72	\$76.21	\$77.73	\$79.29
Average Room Size:	275	275	275	275	275
Total Size:	8,250	9,625	11,000	11,000	11,000

Expense Constants

Department Expenses Ratio (% of Room Revenue):	22.00%
Administrative and General (Per Available Room):	\$1,800
Marketing (Per Available Room):	\$600
Property Operation and Maintenance (Per Available Room):	\$1,000
Utility Costs (Per Square Foot):	\$4.00
Management Fees (% of Room Revenue):	5.00%
Reserves For Replacements (Per Square Foot):	4.00%
Property Taxes (Per Square Foot):	7.75%
Insurance (% of Room Revenue):	1.00%

REVPAR Assumptions		
<u>Month</u>	<u>REVPAR*</u>	<u>REVPAR**</u>
Jan	\$41.68	\$61.68
Feb	\$56.28	\$76.28
Mar	\$60.64	\$80.64
Apr	\$64.07	\$84.07
May	\$64.71	\$84.71
June	\$78.42	\$98.42
July	\$77.83	\$97.83
Aug	\$80.35	\$100.35
Sept	\$95.58	\$115.58
Oct	\$89.29	\$109.29
Nov	\$59.43	\$79.43
Dec	\$38.14	\$58.14
Average REVPAR:	\$67.20	\$87.20
Assumed Discounted REVPAR for Micro-Lodges:	\$73.25	

* 2014 City-Wide Average REVPAR (Smith Travel Research)

**2012 Madison study reports downtown rooms achieve \$20 or greater REVPAR(Downtown Madison Hotel Feasibility Study)

***John Imes, owner of Arbor House, Madison's premier environmental inn, reports average REVPAR at his property of \$84.00.

****18.9 acre, sustainable, country estate inn located just outside Madison, Wisconsin reports average REVPAR at \$96.00.

*****2013 Madison study reports secondary competitors to downtown hotels achieved average REVPAR at \$85

Garver Building Operating Pro Forma - Upon Development

	<u>Rentable SF</u>	<u>Rate PSF</u>	<u>Total</u>
Garver Building			
Production Space:	38,700	\$11.00	\$425,700
Office Space:	18,797	\$14.00	\$263,158
Event Space:	3,200	\$25.00	\$80,000
Café Space:	1,300	\$21.00	\$27,300
Total:	61,997	\$12.84	\$796,158
Gross Income:		\$12.84	\$796,158
Vacancy - 10%:		<u>\$1.28</u>	<u>\$79,616</u>
Effective Gross Revenue:		\$11.56	\$716,542
CAM:		\$2.00	\$123,994
Real Estate Taxes:		\$2.23	\$138,253
Management Fees:		4.00%	\$28,662
Insurance:		\$0.35	\$21,699
Structural Reserves:		<u>\$0.25</u>	<u>\$15,499</u>
Total Expenses:		\$5.29	\$328,107
Net Operating Income:		\$6.27	\$388,436

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
For the Years Ending	Dec-2017	Dec-2018	Dec-2019	Dec-2020	Dec-2021	Dec-2022	Dec-2023	Dec-2024	Dec-2025	Dec-2026
<u>GARVER FEED MILL</u>										
Potential Gross Revenue:										
Base Rental Revenue:	\$796,158	\$812,081	\$828,322	\$844,889	\$861,786	\$857,571	\$873,834	\$900,389	\$894,485	\$911,851
Absorption & Turnover Vacancy:						(\$44,465)		(\$42,502)	(\$26,136)	
Scheduled Base Rental Revenue:	\$796,158	\$812,081	\$828,322	\$844,889	\$861,786	\$813,106	\$873,834	\$857,887	\$868,349	\$911,851
Expense Reimbursement Revenue:										
Operating Expenses:		\$3,741	\$7,588	\$11,549	\$15,626	\$13,368	\$17,685	\$14,204	\$12,957	\$17,687
Real Estate Taxes:		\$4,169	\$8,460	\$12,878	\$17,423	\$14,906	\$19,717	\$15,837	\$14,448	\$19,721
Insurance:		\$656	\$1,328	\$2,022	\$2,733	\$2,340	\$3,093	\$2,486	\$2,268	\$3,096
Management:		\$866	\$1,759	\$2,682	\$3,631	\$2,984	\$3,949	\$3,138	\$2,752	\$3,763
Total Reimbursement Revenue:	\$0	\$9,432	\$19,135	\$29,131	\$39,413	\$33,598	\$44,444	\$35,665	\$32,425	\$44,267
Total Potential Gross Revenue:	\$796,158	\$821,513	\$847,457	\$874,020	\$901,199	\$846,704	\$918,278	\$893,552	\$900,774	\$956,118
General Vacancy:	(\$79,616)	(\$82,151)	(\$84,746)	(\$87,402)	(\$90,120)	(\$44,652)	(\$91,828)	(\$51,103)	(\$66,555)	(\$95,612)
Effective Gross Revenue:	\$716,542	\$739,362	\$762,711	\$786,618	\$811,079	\$802,052	\$826,450	\$842,449	\$834,219	\$860,506
Operating Expenses:										
Operating Expenses:	\$123,994	\$127,714	\$131,545	\$135,492	\$139,556	\$143,743	\$148,055	\$152,497	\$157,072	\$161,784
Real Estate Taxes:	\$138,253	\$142,401	\$146,673	\$151,073	\$155,605	\$160,273	\$165,082	\$170,034	\$175,135	\$180,389
Insurance:	\$21,699	\$22,350	\$23,020	\$23,711	\$24,422	\$25,155	\$25,910	\$26,687	\$27,488	\$28,312
Management:	\$28,662	\$29,574	\$30,508	\$31,465	\$32,443	\$32,082	\$33,058	\$33,698	\$33,369	\$34,420
Structural Reserve:	\$15,499	\$15,964	\$16,443	\$16,936	\$17,445	\$17,968	\$18,507	\$19,062	\$19,634	\$20,223
Total Operating Expenses:	\$328,107	\$338,003	\$348,189	\$358,677	\$369,471	\$379,221	\$390,612	\$401,978	\$412,698	\$425,128

Net Operating Income:	\$388,435	\$401,359	\$414,522	\$427,941	\$441,608	\$422,831	\$435,838	\$440,471	\$421,521	\$435,378
Leasing & Capital Costs:										
Tenant Improvements:						\$33,349		\$31,876	\$19,602	
Leasing Commissions:						\$35,701		\$34,125	\$20,984	
Total Leasing & Capital Costs:	\$0	\$0	\$0	\$0	\$0	\$69,050	\$0	\$66,001	\$40,586	\$0
SUBTOTAL: Cash Flow Before Debt Service	\$388,435	\$401,359	\$414,522	\$427,941	\$441,608	\$353,781	\$435,838	\$374,470	\$380,935	\$435,378
& Taxes - GARVER FEED MILL	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
MICROLODGE										
Micro-Lodge #:	30	35	40	40	40	40	40	40	40	40
Room Revenue:	\$802,088	\$954,484	\$1,112,656	\$1,134,909	\$1,157,607	\$1,180,759	\$1,204,374	\$1,228,462	\$1,253,031	\$1,278,092
Departmental Expenses:	\$176,459	\$209,987	\$244,784	\$249,680	\$254,674	\$259,767	\$264,962	\$270,262	\$275,667	\$281,180
Departmental Profit:	\$625,628	\$744,498	\$867,872	\$885,229	\$902,934	\$920,992	\$939,412	\$958,200	\$977,364	\$996,912
Undistributed Operating Expenses:										
Administrative and General:	\$54,000	\$63,000	\$72,000	\$72,000	\$72,000	\$73,440	\$74,909	\$76,407	\$77,935	\$79,494
Marketing:	\$18,000	\$21,000	\$24,000	\$24,000	\$24,000	\$24,480	\$24,970	\$25,469	\$25,978	\$26,498
Property Operation and Maintenance:	\$30,000	\$35,000	\$40,000	\$40,000	\$40,000	\$40,800	\$41,616	\$42,448	\$43,297	\$44,163
Utility Costs:	\$33,000	\$38,500	\$44,000	\$44,000	\$44,000	\$44,880	\$45,778	\$46,693	\$47,627	\$48,580
Subtotal: Total Undistributed Operating Expenses:	\$135,000	\$157,500	\$180,000	\$180,000	\$180,000	\$183,600	\$187,272	\$191,017	\$194,838	\$198,735
Fixed Expenses:										
Management Fees:	\$40,104	\$47,724	\$55,633	\$56,745	\$57,880	\$59,038	\$60,219	\$61,423	\$62,652	\$63,905
Reserves for Replacements:	\$32,084	\$38,179	\$44,506	\$45,396	\$46,304	\$47,230	\$48,175	\$49,138	\$50,121	\$51,124
Property Taxes:	\$62,162	\$73,973	\$86,231	\$87,955	\$89,715	\$91,509	\$93,339	\$95,206	\$97,110	\$99,052
Insurance:	\$8,021	\$9,545	\$11,127	\$11,349	\$11,576	\$11,808	\$12,044	\$12,285	\$12,530	\$12,781

Subtotal: Total Fixed Expenses:	\$142,371	\$169,421	\$197,496	\$201,446	\$205,475	\$209,585	\$213,776	\$218,052	\$222,413	\$226,861
Total Expenses:	\$277,371	\$326,921	\$377,496	\$381,446	\$385,475	\$393,185	\$401,048	\$409,069	\$417,251	\$425,596
Net Operating Income:	\$348,258	\$417,577	\$490,375	\$503,783	\$517,458	\$527,807	\$538,364	\$549,131	\$560,113	\$571,316
SUBTOTAL: Cash Flow Before Debt Service	\$348,258	\$417,577	\$490,375	\$503,783	\$517,458	\$527,807	\$538,364	\$549,131	\$560,113	\$571,316
& Taxes - MICROLODGE										
TOTAL: Cash Flow Before Debt Service & Taxes:	\$736,693	\$818,936	\$904,897	\$931,724	\$959,066	\$881,588	\$974,202	\$923,601	\$941,048	\$1,006,694
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
Tax on Room Revenue (8%):	\$64,167	\$76,359	\$89,012	\$90,793	\$92,609	\$94,461	\$96,350	\$98,277	\$100,242	\$102,247
Sales Tax Revenue (5.5%):	\$44,115	\$52,497	\$61,196	\$62,420	\$63,668	\$64,942	\$66,241	\$67,565	\$68,917	\$70,295
Total Tax Revenue:	\$108,282	\$128,855	\$150,209	\$153,213	\$156,277	\$159,402	\$162,591	\$165,842	\$169,159	\$172,542