

Financial Statements

Holiday Inn Express
A Division of First Hospitality Group, LLC

July, 2007

CD JOHNSON ACCOUNTING SOLUTIONS

209 SOUTH EIGHTH AVENUE EAST, SUITE 100
NEWTON, IOWA 50208

PHONE: (641) 791-2771
WWW.CDJOHNSON.COM

CHRIS D. JOHNSON

FAX: (641) 791-2242
EMAIL: CDJOHNSON@CDJOHNSON.COM

To the Partners
First Hospitality Group, LLC
Newton, Iowa 50208

I have compiled the accompanying balance sheet of Holiday Inn Express, a division of First Hospitality Group, LLC as of July 31, 2007, and the related statements of income and members' equity for the period then ended, and the accompanying supplementary information contained in the statement of income for the twelve months then ended, which are presented only for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of the members. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The members have elected to omit substantially all of the disclosures and the statement of cash flows required by generally accepted accounting principles. If the omitted disclosures and statement of cash flows were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.



Chris D Johnson, CPA
CD Johnson Accounting Solutions

September 19, 2007

First Hospitality Group, LLC
Holiday Inn Express
Balance Sheet
As of July 31, 2007

Assets

Current Assets

1040 · Checking	<u>\$ (24,284.72)</u>
Accounts Receivable	
1101 · Accounts Receivable	27,497.31
1122 · Accounts Receivable-Newton Investments	15,917.20
1140 · Credit Cards Receivable	-
1291 · Payment Clearing	<u>(1,364.64)</u>
Total Accounts Receivable	<u>42,049.87</u>

Total Current Assets 17,765.15

Fixed Assets

1520 · Vehicles	4,237.00
1529 · Accumulated Depreciation-Vehicles	(424.00)
1530 · Equipment	25,498.69
1539 · Accumulated Depreciation-Equipment	<u>(1,153.00)</u>

Total Fixed Assets 28,158.69

Other Assets

1710 · Security Deposits	<u>1,980.00</u>
--------------------------	-----------------

Total Other Assets 1,980.00

Total Assets \$ 47,903.84

First Hospitality Group, LLC
Holiday Inn Express
Balance Sheet
As of July 31, 2007

Liabilities & Members' Equity

Current Liabilities

2010 · Accounts Payable	\$ 29,953.96
2030 · Sales Tax Payable	31,795.00
2100 · Payroll Liabilities	6,540.46
2531 · Guest Advanced Deposits	<u>876.34</u>

Total Current Liabilities

69,165.76

Members' Equity

3100 · Members' Equity	11,623.57
Net Income	<u>(32,885.49)</u>

Total Members' Equity

(21,261.92)

Total Liabilities & Members' Equity

\$ 47,903.84

First Hospitality Group, LLC
Holiday Inn Express
Statement of Income
For the Period Ending July 31, 2007

	<u>July</u>	<u>Year-to-Date</u>
Income		
4110 · Occupied Rooms	\$ 106,093.80	\$ 651,263.08
4400 · Banquet Income	194.55	2,192.73
4701 · Vending Sales	221.10	1,375.55
4725 · Laundry	32.47	1,301.47
4760 · Miscellaneous Hotel Revenue	780.84	2,632.99
4800 · Telephone Revenue	29.12	612.64
Total Income	<u>107,351.88</u>	<u>659,378.46</u>
Expense		
Room Expenses		
6101 · Front Desk Wages	5,349.00	34,966.22
6102 · Housekeeping Wages	6,123.51	36,490.61
6104 · Bell Hop	-	200.00
6110 · Cleaning/Janitorial Supplies	556.12	3,425.19
6115 · Janitorial Expense	-	126.13
6120 · Linen	-	(294.81)
6130 · Housekeeping Miscellaneous	-	18.19
6150 · In-Room Amenities	1,301.35	3,138.88
6155 · In-Room Supplies	292.84	2,860.05
6160 · Laundry Supplies	421.30	1,212.91
6165 · Paper Supplies	-	1,181.81
6170 · Uniforms	306.03	345.03
6180 · Guest Relations	-	451.20
6190 · Miscellaneous	91.76	281.19
Total Room Expenses	<u>14,441.91</u>	<u>84,402.60</u>
Continental Breakfast/Mtg Rm		
6201 · Breakfast Wages	923.76	3,020.11
6210 · Breakfast Food	2,730.24	14,684.80
6220 · Breakfast Beverages	319.20	4,092.07
6230 · Breakfast Supplies	345.56	1,953.65
6250 · Banquet Food	-	88.03
6290 · Banquet Linen	-	309.66
Total Continental Breakfast/Mtg Rm	<u>4,318.76</u>	<u>24,148.32</u>
Vending		
6301 · Vending Purchases	11.00	187.10
Total Vending	<u>11.00</u>	<u>187.10</u>
Laundry Expenses		
6410 · Guest Laundry	-	173.41
6430 · Guest Dry Cleaning	-	1,024.58
Total Laundry Expenses	<u>-</u>	<u>1,197.99</u>

First Hospitality Group, LLC
Holiday Inn Express
Statement of Income
For the Period Ending July 31, 2007

	<u>July</u>	<u>Year-to-Date</u>
Telephone Expenses		
6510 · Telephone	901.07	8,087.26
Total Telephone Expenses	<u>901.07</u>	<u>8,087.26</u>
Marketing Expenses		
6610 · Advertising	686.70	2,054.10
6620 · Promotions	-	92.12
6630 · Signage	-	990.00
6640 · Printing and Reproduction	107.00	126.33
6650 · Travel Agent Commission	1,246.60	10,393.98
Total Marketing Expenses	<u>2,040.30</u>	<u>13,656.53</u>
Franchise Fees		
7100 · Royalty	20,922.45	70,042.65
7200 · Marketing Fee	-	-
7300 · Central Reservation	1,184.52	6,491.64
7310 · Profit Manager Support	-	-
7400 · Frequent Guest Program	1,059.19	5,806.44
7500 · IOC Dues	-	-
7900 · Other Franchise Costs	-	-
Total Franchise Fees	<u>23,166.16</u>	<u>82,340.73</u>
Maintenance		
8001 · Maintenance Wages	798.71	11,924.22
8100 · Building Repairs	232.68	1,121.26
8110 · Electrical & Mechanical Repairs	174.85	464.11
8120 · Fire & Safety	-	-
8130 · Inspections	-	75.00
8140 · Pest Control	42.80	299.60
8150 · Plumbing	-	377.08
8200 · Elevator Maintenance	-	4,436.30
8300 · Maintenance Contract	-	20.00
8400 · Laundry Equipment Maintenance	54.04	54.04
8500 · Computer Repairs	3,602.70	3,697.34
8600 · Equipment Repairs	-	2,273.77
8700 · Grounds and Landscaping	243.71	2,013.90
8800 · Pool Maintenance	431.81	8,394.26
8810 · Pool Supplies	-	1,020.70
8900 · Maintenance Supplies	-	1,464.33
8910 · Exercise Room Supplies	12.47	364.47
Total Maintenance	<u>5,593.77</u>	<u>38,000.38</u>

First Hospitality Group, LLC
Holiday Inn Express
Statement of Income
For the Period Ending July 31, 2007

	<u>July</u>	<u>Year-to-Date</u>
General & Admin Expenses		
9001 · Administrative Wages	2,153.84	27,576.87
9090 · Payroll Taxes	1,402.90	10,596.40
9100 · Training	-	1,755.00
9230 · Dues & Subscriptions	147.50	1,642.06
9250 · Postage	21.00	166.95
9260 · Shipping	19.41	209.53
9270 · Meals & Entertainment	56.58	2,084.27
9275 · Travel	556.14	7,800.30
9280 · Bank Service Charges	-	76.41
9285 · Merchant Processing Fees	3,666.53	16,662.95
9290 · Cash Short / (Long)	(403.19)	(582.27)
9299 · Miscellaneous G&A	-	136.71
9300 · Licenses and Permits	-	150.00
9350 · Automobile Expense	230.62	1,469.89
9400 · Utilities	6,001.16	41,121.51
9500 · Office Supplies	410.90	2,999.07
9550 · Professional Fees	-	6,205.00
9610 · Interest Expense	-	-
9700 · Insurance	3,043.42	11,048.29
9800 · Rent	70,000.00	284,000.00
9810 · Equipment Rental	2,022.60	10,930.08
9890 · Depreciation Expense	-	-
9899 · Management Fees	1,794.88	14,194.02
Total General & Admin Expenses	<u>91,124.29</u>	<u>440,243.04</u>
Total Expense	<u>141,597.26</u>	<u>692,263.95</u>
Net Income	<u>\$ (34,245.38)</u>	<u>\$ (32,885.49)</u>

First Hospitality Group, LLC - Holiday Inn Express
Statement of Income
August 2006 through July 2007

	<u>Aug '06 - Jul 07</u>
Ordinary Income/Expense	
Income	
4110 - Occupied Rooms	1,100,174.48
4400 - Banquet Income	2,407.73
4701 - Vending Sales	1,375.55
4725 - Laundry	1,301.47
4760 - Miscellaneous Hotel Revenue	5,206.83
4800 - Telephone Revenue	982.26
	1,111,448.32
Expense	
6000 - Payroll Expenses	0.00
6100 - Room Expenses	
6101 - Front Desk Wages	60,869.44
6102 - Housekeeping Wages	66,504.06
6103 - Laundry Wages	46.90
6104 - Bell Hop	200.00
6110 - Cleaning/Janitorial Supplies	4,978.22
6115 - Janitorial Expense	245.84
6120 - Linen	1,302.87
6130 - Housekeeping Miscellaneous	568.44
6150 - In-Room Amenities	5,845.91
6155 - In-Room Supplies	7,675.37
6160 - Laundry Supplies	3,346.08
6165 - Paper Supplies	2,515.17
6170 - Uniforms	738.84
6180 - Guest Relations	546.20
6190 - Miscellaneous	1,746.25
6191 - Call Acct	815.00
	157,944.59
6200 - Continental Breakfast/Mtg Rm	
6201 - Breakfast Wages	3,235.31
6210 - Breakfast Food	21,581.52
6220 - Breakfast Beverage	6,152.47
6230 - Breakfast Supplies	6,180.31
6250 - Banquet Food	204.37
6290 - Banquet Linen	448.77
	37,802.75
6300 - Vending	
6301 - Vending Purchases	187.10
	187.10
6400 - Laundry Expenses	
6410 - Guest Laundry	331.38
6430 - Guest Dry Cleaning	1,202.96
	1,534.34

See Accountants' Compilation Report

First Hospitality Group, LLC - Holiday Inn Express**Statement of Income**

August 2006 through July 2007

	<u>Aug '06 - Jul 07</u>
6500 - Telephone Expenses	
6510 - Telephone	17,769.88
Total 6500 - Telephone Expenses	<u>17,769.88</u>
6600 - Marketing Expenses	
6610 - Advertising	2,654.16
6620 - Promotions	342.12
6630 - Signage	
6631 - Inside Signage	5,889.05
6632 - Outside Signage	6,511.43
Total 6630 - Signage	<u>12,400.48</u>
6640 - Printing and Reproduction	355.13
6650 - Travel Agent Commission	19,188.01
6660 - Decorating	214.00
Total 6600 - Marketing Expenses	<u>35,153.90</u>
7000 - Franchise Fees	
7100 - Royalty	110,155.74
7200 - Marketing Fee	9.50
7300 - Central Reservation	8,260.68
7400 - Frequent Guest Program	10,730.50
Total 7000 - Franchise Fees	<u>129,156.42</u>
8000 - Maintenance	
8001 - Maintenance Wages	26,546.93
8100 - Building Repairs	2,731.26
8110 - Electrical & Mechanical Repairs	464.11
8120 - Fire & Safety	756.32
8130 - Inspections	981.00
8140 - Pest Control	578.92
8150 - Plumbing	505.19
8200 - Elevator Maintenance	3,697.72
8300 - Maintenance Contract	4,445.69
8400 - Laundry Equipment Maintenance	54.04
8500 - Computer Repairs	3,697.34
8600 - Equipment Repairs	3,792.77
8700 - Grounds and Landscaping	2,252.11
8800 - Pool Maintenance	13,422.55
8810 - Pool Chemicals/Supplies	1,165.09
8900 - Maintenance Supplies	5,619.43
8910 - Exercise Room Supplies	466.67
Total 8000 - Maintenance	<u>71,177.14</u>
9000 - General & Admin Expenses	
9001 - Administrative Wages	49,015.30
9090 - Payroll Taxes	
9091 - FICA Expense	16,320.71
9092 - FUTA Expense	1,017.49
9093 - SUTA Expense	1,780.71
Total 9090 - Payroll Taxes	<u>19,118.91</u>

See Accountants' Compilation Report

First Hospitality Group, LLC - Holiday Inn Express

Statement of Income

August 2006 through July 2007

	<u>Aug '06 - Jul 07</u>
9100 - Training	2,050.00
9230 - Dues/Memberships/Subscriptions	2,496.20
9250 - Postage	574.13
9260 - Shipping	331.46
9270 - Meals & Entertainment	2,397.10
9275 - Travel	10,250.75
9280 - Bank Service Charges	136.60
9285 - Merchant Processing Fees	28,189.02
9290 - Cash Short / (Long)	-566.57
9299 - Miscellaneous G&A	771.30
9300 - Licenses and Permits	150.00
9350 - Automobile Expense	2,206.74
9400 - Utilities	
9410 - Water	2,063.04
9420 - Electric	36,711.87
9430 - Gas	16,492.42
9450 - Cable/Internet	12,174.17
9460 - Waste Removal	2,264.04
Total 9400 - Utilities	69,705.54
9500 - Office Supplies	7,140.70
9550 - Professional Fees	
9551 - Accounting	6,359.95
9552 - Legal Fees	3,390.00
Total 9550 - Professional Fees	9,749.95
9610 - Interest Expense	164.58
9700 - Insurance	
9710 - Property Insurance	23,811.74
9720 - Liability Insurance	6,246.36
9740 - Disability Insurance	648.65
9750 - Workers' Comp	648.66
Total 9700 - Insurance	31,355.41
9800 - Rent	424,000.00
9810 - Equipment Rental	10,930.08
9890 - Depreciation Expense	1,389.05
9899 - Management Fees	28,865.76
Total 9000 - General & Admin Expenses	700,422.01
Total Expense	1,151,148.13
Net Ordinary Income	-39,699.81
Net Income	<u>-39,699.81</u>

See Accountants' Compilation Report