Midwest Business Solutions d/b/a Pactola Commercial and Agricultural Lending

HOSPITALITY LOAN CHECKLIST

In view of the fact that hospitality property loans have more characteristics of business loans rather than real estate loans, closer scrutinize is appropriate for these loans. Generally we can only accept hotel loans with acceptable flags, strong sponsorship in terms of financial capacity and experience, in locations where barriers to entry have some significance, where franchise agreements do not expire within the term of the loan, and loans with a high DSCR and property with a stable operating history. However, as always, we need to hear the entire story before coming to a judgment and not have artificial benchmarks impact our flexibility.

Basic Information Needed From Property:

- ☐ General description of the property (# of rooms, room breakdown (e.g. king, double, suites), what services and amenities will be available, other sources of income (restaurant, bar, banquets), size of facility, when originally constructed, and when last major remodel occurred.
- ☐ Information about the franchise. How long is the agreement in place? What are the franchise fees? What are the renewal options in the agreement?
- ☐ Information about the condition of the property. Is the hotel under some sort of Property Improvement Plan (PIP) with the franchise? If so, what are the items that need to be corrected and when is it required by? What items have already been fixed? What are the projected costs of the items?
- ☐ Three most recent Franchise Compliance Reports, including both the Quality Inspection Report (QAR) and the PIP.
- ☐ Three most recent year end Smiths Travel Research (STR) reports. Most recent STR report for an interim period if not at year end.
- ☐ Information on any group contracts for rooms at the hotel? Include numbers of rooms and terms of contract, information about termination, etc.
- ☐ Website address and digital photos of the hotel. These can be on the Website if the site has a good representation of the property.
- ☐ Three years ending financial statements and tax returns.
- ☐ Interim financial statement.
- ☐ Information about any one time capital improvement items that may have been expensed in the financials. Also, are there any expenses that do not relate to the hotel operation?
- ☐ Listing of other hotel competition in the market. What are the main competitors to the subject property? Description of the competition.

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- ☐ Information on how the hotel is owned. What entity and who are the owners of that entity?
- ☐ Any other information that is available like old appraisals, surveys, etc.
- ☐ Detailed information about the request, requested terms, etc.
- ☐ Resume of owners and key managers. This can be as simple as a listing of experience in industry, experience at this hotel, ownership/management of other hotels.

Basic Information From the Guarantors:

- ☐ Current personal financial statement.
- ☐ Last three years ending tax returns complete with all Schedule K-1s.
- ☐ Verification of liquidity. We need to verify some of the liquidity from CU or brokerage statements.
- ☐ Financial statements, STR reports on other hospitality properties owned.

Construction Loans For Hotels:

- ☐ Resume` on the proposed contractor complete with experience on similar projects and license.
- ☐ Financials on the contractor may be requested.
- ☐ Copy of the construction contract broken up by division of construction as set forth by the American Institute of Architects. Time frame of each phase of construction.
- ☐ Status of franchise agreement or copy of the agreement.
- ☐ Copy of Workmens Comp and General Liability Insurance policies.
- ☐ Complete set of plans and specs.
- ☐ Soils and Phase I Evaluation or TSA.
- ☐ Copy of title work and settlement statement from the land purchase.

Note that the above list is not comprehensive and more information may be required once this information is analyzed and reviewed. This does provide a good starting point to review the proposed credit. Further documentation will be required if a government guaranteed or direct government loan is sought.