TR Mandigo & Company

"Over 35 Years of Hospitality Consulting"

Market Study

Market Study for
A 62-room four-star lifestyle hotel at the European Crystal Banquets Building in fArlington Heights, Illinois

Prepared by:

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Submitted to:

Mr. James Cazares
Mr. Anthony Cazares
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Submitted on:

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Wednesday, January 02, 2019

Mr. James Cazares
Mr. Anthony Cazares
European Crystal Banquets
Arlington Heights, IL 60004

Dear Mr. Cazares:

We have completed our market research to assess the potential market feasibility for the construction of a 62-room hotel in the business corridor along Algonquin Road in the southern end of Arlington Heights, Illinois. Current plans call for a facility adjacent to the existing banquet center, with first floor common areas and lobby and a 62 room, 6 story hotel tower.

We have updated the financials for the revised property program, reducing the room count from 126 rooms to 62 rooms and adjusting the revenues and expenses accordingly. Note that we have not updated the demographics or other field work for this project. Expenses have been adjusted to account for the smaller project and the fixed nature of undistributed expenses.

The report below presents an inventory of transient lodging accommodations in Arlington Heights and properties in the immediate proximity of the community that serve local room accommodation requirements. We have classified these by quality/brand assessment and have researched proposed additions to the market in the immediate area that would impact on local hotel operations. We have obtained through STR, market performance statistics on the local market detailing the past six years of monthly data for those properties we consider most competitive with the proposed hotel property, and analyzed this against historical data from the region and other subsets of hotels located nearby to create a more complete picture of the market.

Our research and analysis has resulted in estimates of demand and room rate (ADR) growth both historically and projected and estimate the growth in demand and prospective occupancy levels that would be representative of the expected competitive market performance over the next several years, the performance of the proposed hotel property for its initial period of operation and the ability of the market to absorb the additional rooms.

We have included our professional estimates of parking requirements for the hotel property based on the proximity to the airport and mix of business served to assist in review of the parking requirements for the property. This analysis includes commentary on the overlap of banquet and transient room parking, the reliance on public transportation and shared rides that would mitigate the parking requirements. We also address peak demand and compatibility of available space in this heavily industrial area where adjacent businesses require parking for a typical weekday daytime workforce with little demand for overnight and weekend accommodations, precisely the time period where the demand for hotel and banquet parking has its peak. We also indicate other factors that would serve to mitigate parking requirements such as valet parking which increases the density of use of existing space vs. self-park, and group transportation that might be provided during some specific events. Included in our commentary would be the impact of airport van service, either by the hotel or contracted, that would additionally reduce parking requirements.

The study concludes with estimates of level of demand for the project, including determination of attainable occupancy and average daily rate, as well as the absorption period for the hotel and statements of estimated annual operating statistics in terms of occupancy and average daily rate set forth in a stabilized year projection in current value (2018) dollars. The results of this analysis are presented in this report showing the salient market information and our conclusions on market feasibility as well as the effect of any incentives on potential development.

This study also includes Statements of Estimated Operating Results outlining the first six years of operations for the hotel. This provides a forecast of revenues and expenses for the property based on our market findings, including departmental, undistributed, and fixed expenses considering local market conditions and the results of operations of comparable properties. Both revenues and expenses are stated in conformance with the Uniform System of Accounts for Hotels, the industry's standard reporting format. These Statements of Estimated Annual Operating Results form the basis for the determination of the value of the property applying both a Direct Capitalization and a Discounted Cash Flow (DCF) approach to value.

Thank you for the opportunity to be of service.

Sincerely,

Theodore R. Mandigo, CPA, ISHC

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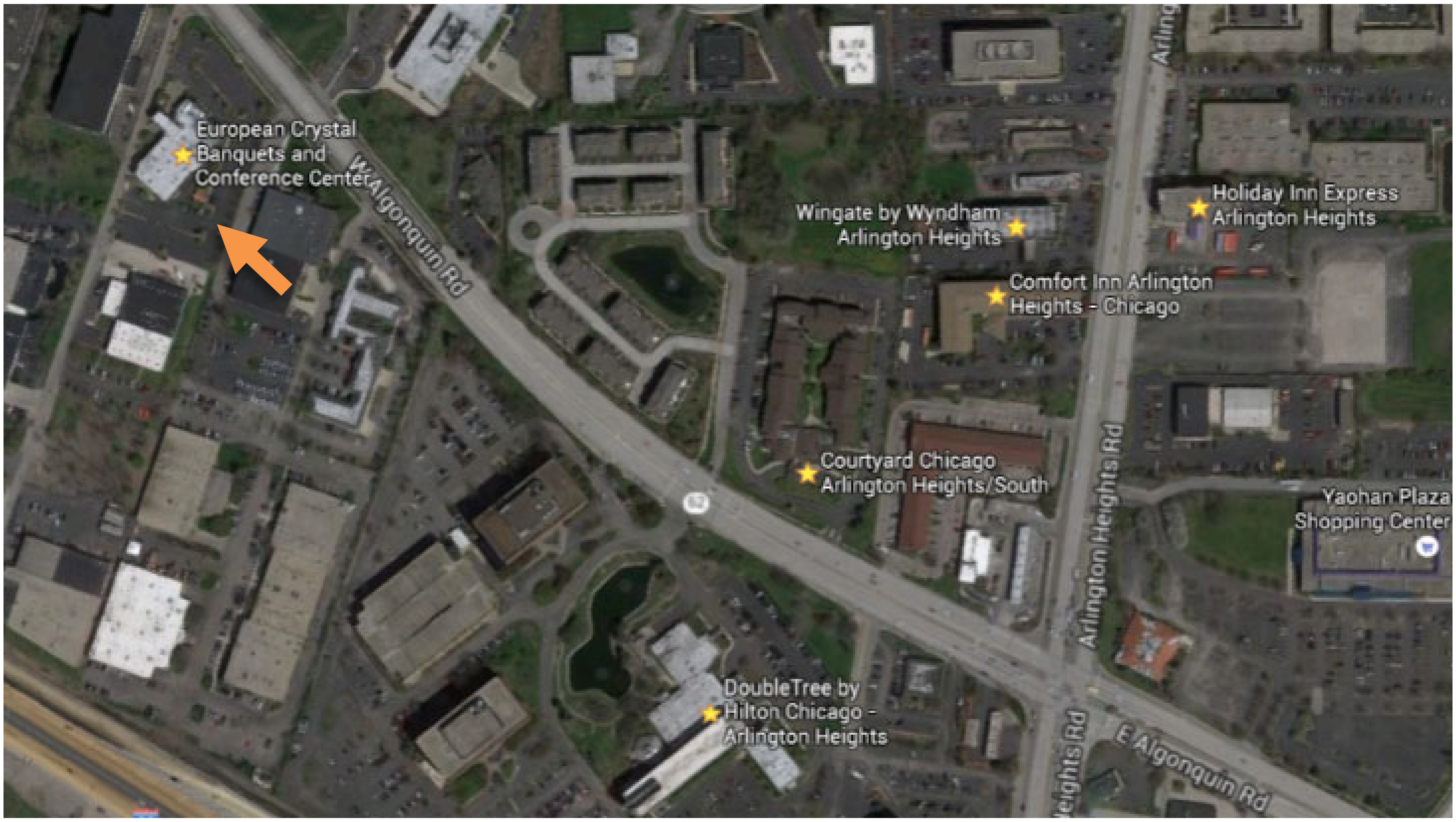
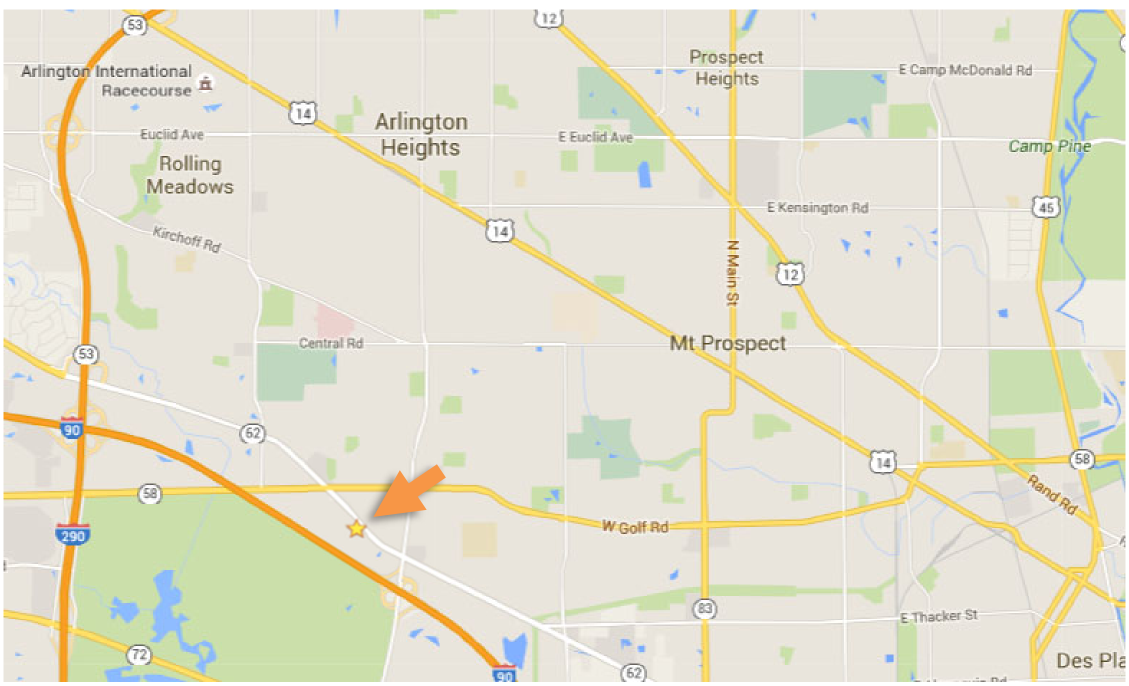
Table 1: Map of Site Location





Images from Google 2016

Summary of Conclusions

In the interest of full disclosure, TR Mandigo & Co. has produced several feasibility studies in and around Arlington Heights within the last 6 years. The conclusions of those studies have varied from strongly positive to negative based on a number of factors, specifically location, access, and local market served. In brief, we found that mid-ranged hotels in the area saw the slowest recovery, followed by large regional convention properties, while extended stay properties had the highest occupancy. Daily rates were highest among regional convention hotels, followed by the upscale local market. Rates were weakest among regional mid-range properties.

The first of these studies was conducted in 2014, for a proposed site northwest of the one contemplated in this study. We examined several possibilities for that project, and split data into two sets. Utilizing historic data, midscale closest by were typically older, with construction dates of 1990 or earlier, and performed at 56% in 2014, around 15 to 20 points lower in occupancy and around $15 in daily rate compared to a second, wider ranging set of properties within the upscale or greater categories.

The older data sets included the following hotels:

Table 2: Historic STR Data

STR #	Name	City	Class	Open Date	Rooms
27061	La Quinta Inns & Suites	Arlington Heights, IL	Midscale Class	12/1/1989	121
27523	Courtyard Chicago Arlington Heights North	Arlington Heights, IL	Upscale Class	4/1/1990	152
45259	Wingate By Wyndham Arlington Heights	Arlington Heights, IL	Midscale Class	4/1/2003	80
19030	Holiday Inn Express Arlington Heights	Arlington Heights, IL	Upper Midscale Class	3/1/1987	125
20261	Courtyard Arlington Heights South	Arlington Heights, IL	Upscale Class	12/1/1985	147
56691	Holiday Inn Express	Rolling Meadows, IL	Upper Midscale Class	12/1/2007	135
61566	Holiday Inn	Mount Prospect, IL	Upper Midscale Class	4/1/2011	136
61373	Hampton Inn Suites	Mount Prospect, IL	Upper Midscale Class	4/1/2012	120
			Total Properties:	8	1016

STR #	Name	City	Class	Open Date	Rooms
27523	Courtyard Chicago Arlington Heights North	Arlington Heights, IL	Upscale Class	4/1/1990	152
9594	Doubletree Chicago Arlington Heights	Arlington Heights, IL	Upscale Class	4/1/1985	241
61373	Hampton Inn Suites	Mount Prospect, IL	Upper Midscale Class	4/1/2012	120
35907	Hyatt Place	Schaumburg, IL	Upscale Class	12/1/1997	127
57626	Hilton Garden Inn	Schaumburg, IL	Upscale Class	10/1/2008	166
42471	Springhill Suites	Schaumburg, IL	Upscale Class	10/1/2001	132
			Total Properties:	6	938

In 2016, we analyzed data for a precursor to the current project utilizing the closest properties to the proposed site at and around the intersection of Algonquin Road and Arlington Heights Road, immediately north of the I-90 exit to determine the strength of the primary market served. These hotels are shown on the following page:

Table 3: Closest STR properties of comparable class

STR #	Name	City	Class	Open Date	Rooms
22648	Holiday Inn Express Arlington Heights	Arlington Heights, IL	Upscale Class	Feb 1987	111
45259	Wingate By Wyndham Arlington Heights	Arlington Heights, IL	Upscale Class	Apr 2003	80
20261	Courtyard Chicago Arlington Heights S	Arlington Heights, IL	Upper Midscale Class	Dec 1985	147
9594	Doubletree Chicago Arlington Heights	Arlington Heights, IL	Upscale Class	Apr 1985	241
19030	Comfort Inn Arlington Heights Chicago	Arlington Heights, IL	Upscale Class	Mar 1987	125
			Total Properties:	5	704

This set featured stronger historic averages than the first set, but slightly weaker than the second, which included Schaumburg hotels. Results placed the occupancy in 2014 at 72% with $86.83 average daily rate (ADR). 2015 numbers were 69.4% occupancy and $93.13 ADR. Thus, except for the midscale hotels, surrounding properties appeared to be doing well, though with relatively weak ADR, which is typical of suburban properties. The precursor study using this data found that historic performance in the market was sufficient to justify the feasibility of a new hotel in the marketplace. In order to update the study for the current market performance, an additional STR report was ordered in June 2018 utilizing the same set as above. The results for this set showed a strong 2016 with occupancies at 72.6%, while 2017 was down slightly at 70%. Data through April indicates that 2018 is a stronger year, up 6.7 points on the same period in 2017. Rates also have shown improvement, jumping nearly 8 percentage points in 2015, 2 points in 2016, and only ½% in 2017. YTD 2018 indicates an expected increase of above 2% for the remainder of the year. These two metrics taken together indicate strong RevPAR growth for the end of 2018 at or above 10% over 2017.

In general, hotels in the area operate based on a select number of factors, most easily broken down into local and regional: local demand includes transient and business demand generated from the immediate area, contracts with area businesses, and groups, such as social organizations. These tend to be drawn from an area of no larger than a 5-mile radius. Roughly speaking, they are distinguished by transient guests and organizations seeking value, and personal relationships. Regional demand, on the other hand, consists of larger groups, transient tourist demand, and tends to value corporate and brand loyalty, price and number of services, and importantly, ease of access to highways and the region at large.

The Northwest Chicago region, centered on Schaumburg, is the largest suburban office market in Illinois. Businesses in the area are most concentrated west of Route 53, as well as along Northwest Highway, though offices in the downtown area tend to be smaller, with limited hotel demand. By far the greatest concentration of businesses is located in Schaumburg, with over 12 million square feet of office space. The greater Schaumburg area, consisting of Schaumburg, Rolling Meadows, Arlington Heights, Palatine, Streamwood, Roselle, Elk Grove Village and Wood Dale, includes 50 hotels with 10 hotels in Arlington Heights, making the Northwest Chicago area the largest suburban hotel market in Illinois and the second largest overall in the state, just behind the downtown Chicago concentration of hotels. Of these, 29 are located in Schaumburg.

The Village of Arlington Heights is a major suburb located northwest of the city of Chicago, thirty miles from downtown via I-90/94. I-290/Illinois Route 53 is the major north-south highway linking both I-55 and the Eisenhower Expressway with I-90/94, the Northwest Tollway, which runs east-west along the southern boundary of the village. Several major regional arteries link the northwest suburban market to the surrounding region as well, making travel to and from the village to the city of Chicago, surrounding suburbs and the interstate highway network relatively easy. Visitors to area office parks and major retail destinations are most likely to choose a facility along major arteries serving the area and providing convenient access to the interstate highway network, O'Hare International Airport, area shopping and attractions, particularly with the number of lodging facilities available throughout the area and within those clusters of demand generators.

Historically Chicago suburbs could count on overflow hotel demand from the downtown market during large events and peak periods. However, because of significant increases in rooms downtown and other factors, most of these guests now choose to stay downtown. This has affected the overall suburban market as it has historically been a significant secondary or overflow market for the city of Chicago. This changed as a result of the 2008 recession, and rapid construction of the recovery period. An influx of new rooms in the CBD addressed the compression periods that had previously displaced rooms to the regional market, and resulted in a loss of overflow rooms outside of Chicago. The end result was an uneven recovery in the suburbs in which older and mid ranged properties saw occupancy recovery to the low to mid 60% range, while newer properties and ones with recent renovations reached over 70%.

This cycle is nothing new, as motels were almost entirely displaced by limited service chain hotels in the decades following interstate construction, though it does mark something of a turning point as hotels built during the 1980's and 1990's approach the end of their typical usable life. Ultimately, this has effectively separated the market between hotels that can be competitive into the foreseeable future, and those properties that have essentially been passed by, and may never see pre-recession numbers again unless they invest in significant renovations. Furthering this split is the fact that hotels are generally built with around a 25-year useable life, which includes scheduled renovations every 3-5 years and major renovations every 7-10. Because many suburban properties were built in waves, with the oldest occurring in the 1970's, while the biggest wave came in the 1990's. This means that many of the mid-range hotels in the suburbs are at or near the end of their planned useful life and may need substantial renovation to adapt to changes in the marketplace. Because guest needs change over time, it is possible for hotels to become obsolete even with renovation as well.

The clearest local example of this is the 426 room Sheraton which closed at the end of 2009 (though there are many other extenuating circumstances). When this hotel exited the market, its former guests left for other properties, primarily in Schaumburg.

Our conclusions regarding the proposed European Crystal Banquet facility hotel follows:

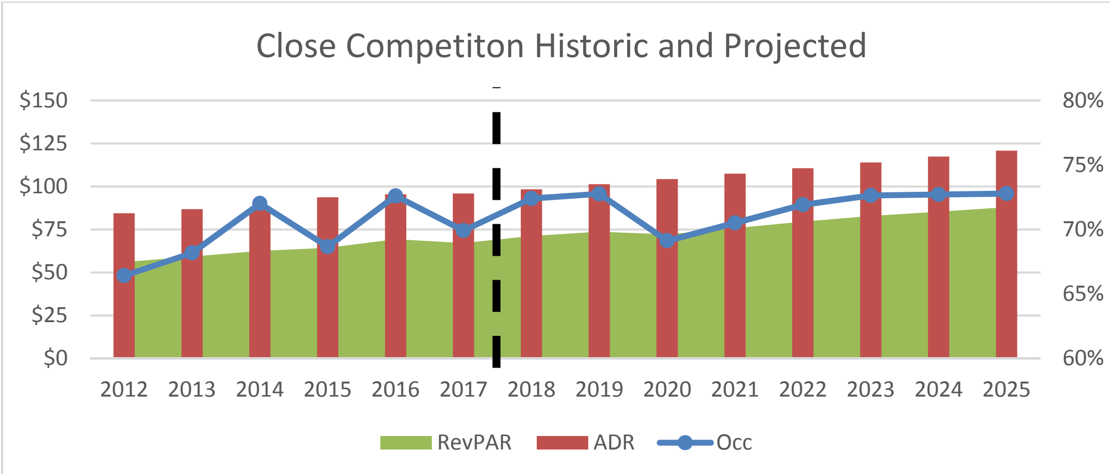
1. We find sufficient local support along the Algonquin corridor combined with the demand currently and prospectively generated by the European Crystal Banquet facility to support the development of the 60-room hotel as proposed.
   - The site is surrounded by low to medium rise office, industrial and hotel buildings, and should have visibility from the highway coming east, and partial visibility coming west prior to the exits. Additional signage would improve visibility.
2. The intersection nearby the I-90 exit contains the largest concentration of rooms in the Arlington Heights Market, owing to its ease of access and commercial density.
3. Although there are several economy level properties in the area, most of the surrounding facilities are considered upscale or upper-midscale and are performing well for the market (above average in both occupancy and rate), indicating a somewhat resilient local market.
4. The property should perform at a level of 72% occupancy with an Average Daily Rate (ADR) of $130 in current (2018) dollars.
5. The depth of the market and current demand growth trends indicate a short absorption period for the additional 60 room with a nominal initial impact on the occupancy performance of existing properties in the market (1 to 1/5%) with no direct impact on the continued annual growth in ADR of 3.25%, above the general level of inflation over the past 6 years as a reflection of regaining lost ADR during the bottom of the recession and both recovery and new growth in ADR in recent years.
   - This conclusion is drawn from the property’s unique position as an upper-upscale limited service property (often referred to as boutique or lifestyle), small overall number of rooms, and newness of rooms compared to other hotels in the immediate area.
   - Further, the hotel’s target mix of customers would be heavily focused on meetings and events, given its unique amenities.
   - As discussed earlier, the surrounding market is stronger than that of the north side of the city, while the banquet features of the proposed property will make the proposed hotel likely to compete with the larger pool of hotels in the region, including Schaumburg.
6. The only new addition to the market that we are aware of is the stalled property currently proposed at Arlington Downs. This project has been redesigned several times and currently sits in limbo.
7. The facility currently provides adequate parking for the banquet and meeting activity through on-site surface parking with occasional overflow parking in open lots adjacent to area commercial and industrial development in the immediate vicinity of the European Crystal Banquet property.
   - In addition to the complimentary use of parking, the facility itself will see efficiencies in its operation, with combined storage, office, back of house services and others, making it less expensive to run than a similar standalone hotel operation.
8. The development of the 62-room hotel property will generate only a limited additional parking requirement for several reasons:
   - The property will be providing van and shuttle service to and from the airport on a scheduled basis and will also provide group

transportation to area attractions on wither a scheduled basis or on request, depending on the level of demand for such services.

- The facility will be heavily marketed to group meeting business, a mid-week staple of the existing banquet and meeting facility. The primary hotel business will consist of those currently and prospectively attending functions during the mid-week at the facility and the current capacity will readily accommodate this mid-week business
- Individual commercial travelers will provide a secondary source of business for the property. Many of these will arrive at the property via commercial transportation, either cab, limousine or shuttle services. Frequently commercial travelers are with other corporate visitors for the same purpose and share transportation. Because of the nature of this shared ride and commercial transportation, airport area hotels indicate that a provision for parking for approximately 40% of the room inventory is sufficient to serve the mid-week business.
- For evening events during the week, the surrounding commercial establishments have historically permitted use of spaces proximate to the banquet facility for overflow parking as evening use does not overlap their needs.
- Weekend events at the banquet facility currently find adequate parking for their needs given the existing parking capacity and the aforementioned use of shared parking in adjacent commercial establishment lots. Persons now coming to the facility from area hotels with their own vehicles would merely be replaced by the same volume of vehicular traffic that would now stay at the property, creating only a nominal increase in parking requirements that can easily be accommodated by agreements with adjacent properties for overflow parking on weekend.
- For larger groups the organizers or hotel would make provision for dedicated shuttle service transportation to and from the airport as well as to any area attractions.
- For larger scheduled special events the developers would partition the parking area and provide valet parking that will increase the capacity of the existing facility through a denser use of the space.
- It is our understanding that there are agreements with nearby businesses to utilize parking spaces should overflow occur. Notably, events which would require this overflow would take place during evenings and weekends, where office buildings and their surrounding parking lots typically are not used. Thus, any parking generated by the property would be considered complimentary use.
- Overnight parking would be necessarily limited to hotel guests, so daytime parking use would consist of hotel guests or daytime events (likely attended primarily by hotel guests), which are typically much smaller than weekend events.

We have prepared an analysis of the market for hotel properties in the surrounding nearby Arlington Heights market reflecting the competitive set discussed above.

Table 4: Competitive Set Yearly Performance



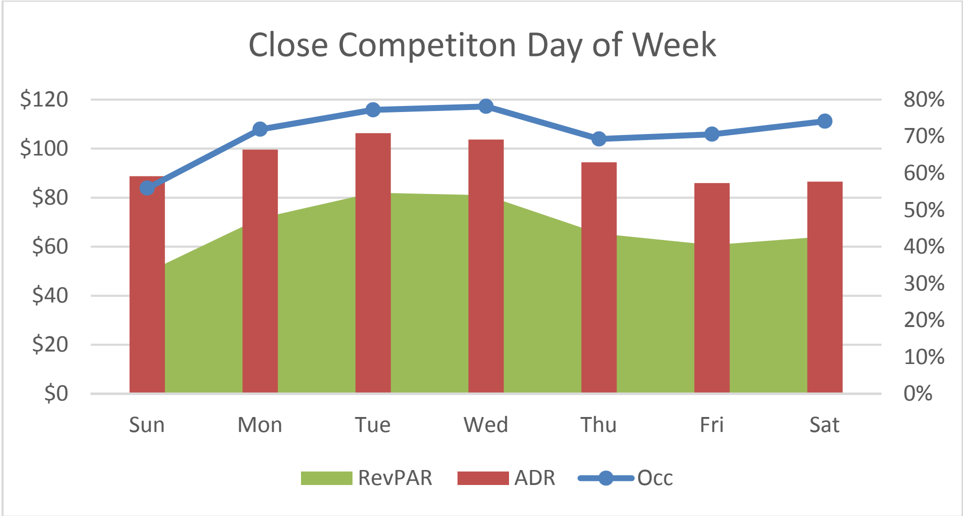
The above chart paints a picture of a resilient market that emerged fairly strongly from the recession, rebounding to 66.4% in 2012. By 2014 the market had achieved above 70%, which is considered very good for the suburban metro area, and the northwest in particular. The following years saw some ebb and flow, varying between 68.7 and 72.6, ending 2017 at 70%. Even the lowest of these numbers is indicative of a healthy market. Rates saw a spike in 2015, increasing by 6% compared to the previous year, but in general have seen slow, but continuing growth, of about 1.5% per year.

In the future we do not expect much change from this pattern. Given the delays in other proposed projects nearby, we anticipate the hotel market will stabilize above 70%, but will drop down to around 69% when the new hotel opens. The proposed property will represent an increase of under 8% in the immediate room supply, which will result in a year-over-year displacement of rooms from other hotels during its ramp up period, resulting in around a 3% drop in occupancy for the set, which is considered low.

This 3% overall drop is caused by the initial year ramp up period, in which it is anticipated that the proposed property will attract 35% of its business from demand generated by the existent local market. As the ramp up ends, this number decreases as the property stabilizes, achieves a loyal base, and ages upwards.

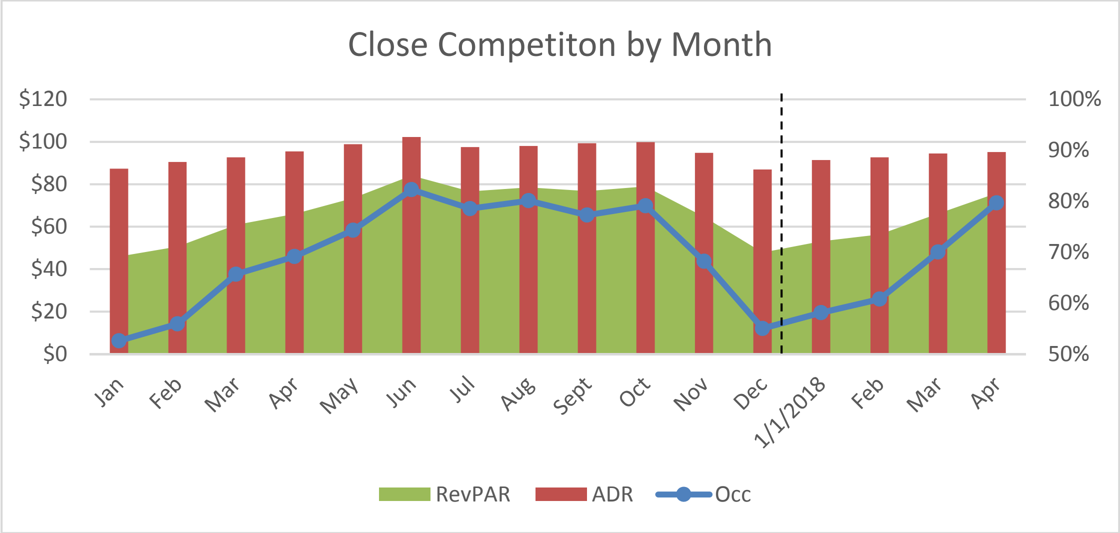
The proposed property will therefore attract around 65% of its business in the first year from sources that will not significantly impact the remaining properties, such as meetings, groups, events, or clients looking to stay in an upper-upscale hotel. Rates are likely to remain mostly unchanged. This places the impact of the potential property on the low end in terms of potential disruption, as properties which share similar branding, geographic proximity, scale and quality can theoretically capture up to 100% of the demand of existing properties.

Table 5: Competitive Set Day of Week Performance



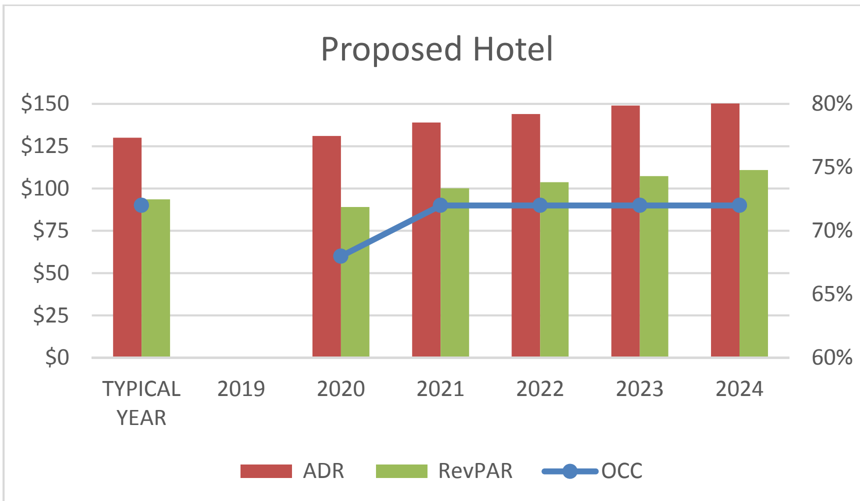
From an operating standpoint, the competitive set performs strongly during midweek with performance peaking on Tuesday and Wednesday above 75%, with Monday reaching 72% and Thursday at 69.3%. Fridays are above 70% and Saturday sees a secondary peak of 74.1%. Even Sunday, the worst day of any hotel, is fairly strong at 55.9%. Rates are strongest midweek, peaking at $106.30 on Tuesday, and remaining low on Friday and Saturday, despite the increase in occupancy. The proposed hotel, with the extensive attached banquet space, would likely perform above the set during peak periods, and may generate overflow rooms during certain events.

Table 6: Competitive Set Monthly Performance



The competitive set performs in a typical manner for the Chicagoland market, with monthly performance peaks in mid-summer, with a strong falloff for the winter months. While the downtown market tends to show a more pronounced dip before fall convention season before recovering strongly in October, occupancies in the competitive set remain relatively stable throughout this period. As mentioned in the summary, this is likely due to the diminished effect that major conventions have on the suburban markets, though strong summer numbers indicate robust leisure travel. Rates see a ramp up from midwinter discounts at $87 in December to $102 in June. From there, rates average $100 until November, where they drop off again.

Table 7: Projected Operating Results, Proposed Hotel



The proposed hotel would likely see 50 to 75 fill days, as a result of some spillover from downtown, and the banquets and events hosted at the facility. Though the banquet facility already hosts well over 75 events with over 150 attendees, not all will require room nights, thus the capture rate for internal events will be around half of attendees. During off-season it would operate around the 55% range. This winter number would essentially represent the floor demand, or inelastic demand that exists in the area and is difficult to displace elsewhere. Strong weekend events business and summer leisure demand would yield an annual occupancy of approximately 72% on average, achieving an average daily rate of $130 in current value dollars. The challenges in minimizing costs during off-peak will be greatly reduced by the flexibility and efficiency of operations generated by the existent banquets business.

Table 8: Projected Operating Results, Proposed Hotel

	Competitive Set			Subject Property			
	Supply	Occ	Demand	Occ	Demand	Fair Share	% Fair Share
2018	704	72.40%	510				
2019	704	72.76%	512				
2020	779	69.12%	538	68%	68	12.8%	98.37%
2021	804	70.51%	567	72%	72	12.4%	102.12%
2022	804	71.92%	578	72%	72	12.4%	100.12%
2023	804	72.64%	584	72%	72	12.4%	99.12%
2024	804	72.71%	585	72%	72	12.4%	99.03%

Based on our research and the performance of new construction properties in the Chicagoland over the last several years, we anticipate that the property will achieve slightly above its fair share as it stabilizes after its first year, which will slowly normalize over a 5-year period.

Conclusion

Financial statements were also prepared, reflecting the performance characteristics of new construction properties with an upscale positioning. These statements reflect the efficiencies in operation of some joint operations with the banquet facility vs. traditional transient lodging properties.

The results of this analysis were used in determining a relative value and support for development costs for the property as a basis for determining economic feasibility of the project. The results of that exercise yielded a value of $150,000 per room or support for an overall investment of $15 million in development cost of the property. Typical construction costs for a property of this type range from $85,000 per room for budget facilities to $160,000 per room for more upscale projects similar to the ideal positioning of the subject property. This correlation between value of the project as developed and construction costs indicates a market viability of the project given economic and competitive market conditions.

Statements of Estimated Annual Operating Results

We have prepared a statement of Estimated Annual Operating Results for a Typical Year in 2018 dollars for the subject property and for the first six full years of operation thereafter. The following table summarizes the results of operation for the property over this period.

Table 9: Summary of Operating Results

		Proposed Hotel Property	
Year	**Total Revenue**	**Income (1)**	**Ratio to Revenue**
Typical Year	$5,553,000	$1,772,000	31.9%
2020	$5,432,000	$1,581,000	29.1%
2021	$5,911,000	$1,919,000	32.5%
2022	$6,101,000	$1,992,000	32.7%
2023	$6,294,000	$2,048,000	32.5%
2024	$6,493,000	$2,119,000	32.6%
2025	$6,711,000	$2,206,000	32.9%

(1) Income before other fixed charges such as interest, amortization, depreciation and income taxes.

In the analysis that follows we present the basis for the estimate of the prospective cash flow from operations before debt service and income taxes for the proposed Hotel for the first six full years of operation from the year 2020 to 2025. The estimates were based on the following assumptions:

- The property will be developed and ready for operation in January 2020.
- The property will be designed as a boutique, consistent with the quality of the surrounding office, retail and commercial and will carve a niche from the upper end of the extended stay market currently served by area hotels, establishing itself as a market leader in the northwest area of Chicago.
- The property will provide infrastructure in terms of space, recreational facilities and service levels consistent with an upscale property.
- The property will be competently managed by an experienced operator throughout the analysis period.
- The property will achieve the levels of utilization as set forth in this report.
- All amounts have been rounded to the nearest one thousand dollars and account classifications generally confirm to the definitions prescribed by the American Lodging Association in the Uniform System of Accounts for Hotels.
- All gross revenue amounts and the ratios presented on the Statements of Estimated Annual Operating Results were computed on the basis of the revenue and expenses expressed in constant 2018 dollars. They were then adjusted for the effect of inflation, the ramp up time required to develop the projected gross volumes as set forth and pricing and operations policy adjustments over time.
- A 2.5 percent per annum rate of inflation has been applied for revenues and expenses through the analysis period based on the current level of economic growth and inflation and as generally forecast by econometric analysis of the economy except that a higher growth rate was used during the initial years to reflect pricing policy and booking policy following a brief introductory pricing structure during the initial year of operation, recovering to stabilized levels at the stated inflation rate by year three of the operation.
- We refer to the property as a select service hotel as F&B services will be available. These will be run through the banquet hall and rooftop, rather than

separate restaurant ops. STR and other data providers do not have a separate category for this type of operation, therefore it is compared against Limited Service properties in the following tables.

- We anticipate a revenue of around $250,000 in food sales for the rooftop operation, with beverage at $400,000. This assumes 150 drinks per night on average, which may require outside sources.
- We further anticipate that banquet sales will increase by around $600,000 per year.
- Other F&B revenue will be approximately $60,000 and will represent room rentals with a cost of 30%.

Revenues

Rooms Revenue is calculated based upon the number of available room the occupancy level and the average daily rate as set forth in this study.

Rentals and Other Income are based on $25,119 or $1.50 per occupied room in pay per view movies, vending income, telephone, taxi/uber commissions and other miscellaneous sources of revenue. Note that this category and its associated expenses have increased since telephone was rolled into this line item as it is no longer large enough to be considered its own line. In some cases, this line item is completely rolled into miscellaneous income, but that includes other things such as resort fees that make overly broad. We selected a revenue level consistent with the price point and location of the property

Other Operated Departments are based on estimated revenue derived from the operation of the gift/sundry shop sales, revenues from valet, and other miscellaneous income. We based this on a $41,866 level in current value dollars, or $2.50 per occupied room, assuming commission revenue from revenue from the gift shop/sundry operation. The rates are lower than the comparables because of the major metropolitan area location of the property in a substantial retail/commercial market location.

Table 10: Other Operated Departments per Occupied Room

	Select Service Hotels
Average for All Properties	$1.59
Suburban	$1.02
Upscale	$1.89
Projected for Subject Property	$2.50

Departmental Expenses:

Rooms Departmental Expenses are based on a per available room operating cost of $8,419, at the high end of operating costs for hotel properties in the upscale rate category, though well under the average for independent hotels. This level included the operation of an appropriate transportation service for the property, providing both airport transportation and shuttle service to area businesses and attractions. The operating ratio of 24 percent is above the average for independent properties, and is also above most other comparable tracts, but is driven by the cost estimates of providing transportation services and the continental breakfast service and reflects a higher average daily rate achievement than that of properties in the comparison. This expense category includes central reservation, frequent traveler incentive programs and other rooms related franchise charges. The comparable for both dollars per available room and percent of room revenues are presented below:

Table 11: Room Department Expenses

	Select Service Hotels	Per Room Ratio
Average for All Properties	$6,888	22.4%
Suburban	$5,548	21.4%
Upscale	$9,274	22.9%
Subject Property	$8,419	24.0%

Other Operated Departments expenses are estimated at 59.5 percent of revenues, consistent with the current concept for this type and scale of operation, running a small sundry operation through the front office, and collecting commissions as net of guest charges minus contracted costs for cleaning, valet and other services. Results of this department are property specific. The tabulated comparable results are presented on the following page:

Table 12: Other Operated Departments

	Select Service Hotels
Average for All Properties	60.7%
Suburban	63.8%
Upscale	67.2%
Projected for Subject Property	59.5%

Undistributed Expenses:

Administrative and General expenses are based on a per available room operating cost of $3,694 in current value dollars. This is comparable to the operating results of luxury full service hotels in the upper rate category and in urban areas. We have included start-up inefficiencies for the first two years of operation to reflect a more intensive management team in getting the property open and stabilized.

Table 13: Administrative and General

	Select Service Hotels
Average for All Properties	$2,648
Suburban	$2,260
Upscale	$3,522
Projected for Subject Property	$3,694

Marketing is based on a $3,194 per available room budget, providing $198,000 for marketing and promotion of the property. Combined with an aggressive pre-opening budget, this should enable the property to adequately penetrate the local market and continue to develop its client base. We have included some additional start-up costs in the first-year numbers. This expense category is higher than chain affiliated properties, because the hotel will not have a national advertising program, but the upside is that it does not need to expend additional money on franchise and marketing fees, which more than makes up the difference.

Table 14: Marketing

	Select Service Hotels
Average for All Properties	$1,715
Suburban	$1,516
Upscale	$2,075
Projected for Subject Property	$3,194

Property Operations and Maintenance costs are based on the industry averages for similar size and type properties and are equal to $2,194 per available room. Our estimates include a reduced cost during the first three years when much of the equipment is under warranty and the property is new. This number includes the operation of the remaining banquet facility which is why it is significantly higher than the average.

Table 15: Property Operations and Maintenance

	Select Service Hotels
Average for All Properties	$1,475
Suburban	$1,350
Upscale	$1,793
Projected for Subject Property	$2,194

Energy costs are likewise based on comparable operations from industry databases. The estimated amount of $2,145 per available room assumes energy efficient construction and operation that is consistent with the current "Green" movement, though it is higher than the average again because costs for the banquet space are rolled into this category.

Table 16: Energy Cost

	Select Service Hotels
Average for All Properties	$1,300
Suburban	$1,350
Upscale	$1,599
Projected for Subject Property	$2,145

Fixed Charges:

Real Estate and Property Taxes have been estimated at 4.5 percent of total revenues, or a level of $250,000 for the property. The Chicago area (Cook County) is among the highest areas nationwide for real estate taxes for hotels. Based on the location, type of property, and an aggressive appeal process, we believe the property can achieve this tax level, which is comparable to the rate paid at the banquet facility. We have included in our forecast for the first six years of operation (five full years and the initial partial year) a reduced real estate tax level during the ramp up period, with full real estate taxes coming into play in year four. The result of this is a slight drop in profitability in year four, with continued "normalized" real estate tax levels.

Table 17: Real Estate Taxes

	Select Service Hotels
Average for All Properties	$1,416
Suburban	$1,100
Upscale	$1,888
Projected for Subject Property	$4,032

Building and Contents Insurance was estimated on the basis of $450 per available room and should provide for customary coverage of building and contents as well as the liability for van service and recreation equipment. Other categories of insurance, such as business interruption, boiler, bonding, etc. have been included in the estimated Administrative and General category.

Table 18: Building and Contents Insurance

	Select Service Hotels
Average for All Properties	$308
Suburban	$267
Upscale	$336
Projected for Subject Property	$450

Reserve for Replacement has been removed as a line item in this study, but hotels require periodic reinvestment to stay up to date and competitive. It is our understanding this item will be paid for from other sources. Failure to reinvest typically results in degrading performance which is compounded with time.

The Statements of Estimated Annual Operating Results for a typical year, expressed in 2018 dollars and for the period 2020 through 2025, expressed in inflation adjusted dollars are presented on the following pages.

Table 19: Typical Year of Operations

FOR A TYPICAL YEAR OF OPERATION IN 2018 DOLLARS
BASED ON 62 AVAILABLE ROOMS. GENERATED 06-NOV-08; REVISED 18-OCT-18 9:30 AM

PERCENTAGE OF OCCUPANCY		74%			
AVERAGE DAILY RATE		$130.00			
REVENUES:		AMOUNT	RATIO		AMOUNT\ROOM
ROOMS	$	2,177,000	39.2%	$	35,113
FOOD		2,250,000	40.5%		36,290
BEVERAGE		999,000	18.0%		16,113
OTHER FOOD REVENUE		60,000	1.1%		968
RENTALS & OTHER INCOME		25,000	0.5%		403
OTHER OPERATED DEPTS		42,000	0.8%		677
TOTAL REVENUE	$	5,553,000	100.0%	$	89,565
DEPARTMENTAL EXPENSES (1):					
ROOMS	$	522,000	24.0%	$	8,419
FOOD & BEVERAGE		2,242,000	69.0%		36,161
OTHER FOOD EXPENSE		18,000	30.0%		290
OTHER OPERATED DEPTS		25,000	59.5%		403
TOTAL	$	2,807,000	50.5%		$45,274
TOTAL OPERATED INCOME	$	2,746,000	49.5%	$	44,290
UNDISTRIBUTED EXPENSES:					
ADMINISTRATIVE & GENERAL	$	229,000	4.1%	$	3,694
MANAGEMENT FEE (2)		0	0.0%		0
MARKETING		198,000	3.6%		3,194
FRANCHISE FEES (3)		0	0.0%		0
PROPERTY OPERATION & MAINT.		136,000	2.4%		2,194
ENERGY		133,000	2.4%		2,145
TOTAL	$	696,000	12.5%	$	11,226
INCOME BEFORE FIXED CHARGES	$	2,050,000	36.9%	$	33,065
FIXED CHARGES:					
REAL ESTATE & PROPERTY TAXES	$	250,000	4.5%	$	4,032
BUILDING & CONTENTS INSURANCE		27,900	0.5%		450
INCENTIVE MANAGEMENT FEE		0	0.0%		0
RENT: (4) BASE RENT		0	0.0%		0
PERCENTAGE RENT		0	0.0%		0
TOTAL	$	278,000	5.0%	$	4,482
INCOME BEFORE RESERVE	$	1,772,000	31.9%	$	28,582
RESERVE FOR REPLACEMENT	$	-	0.0%	$	-
INCOME BEFORE OTHER DEDUCTIONS (5)	$	1,772,000	31.9%	$	28,582

NOTES: (1) Each departmental expense ratio is based on the department's estimated revenue and does not add to the total departmental expense ratio.
(2) The basic management fee is normally classified as an administrative and general expense.
(3) Royalties only; franchise fees are normally classified as marketing expenses.
(4) Rent may be at base rate, percentage rate, or a base + percentage.
(5) Income before other fixed charges such as interest, amortization, depreciation and income taxes.
* Totals may not add due to rounding.

THIS STATEMENT SHOULD BE READ SUBJECT TO THE COMMENTS CONTAINED IN THE ATTACHED REPORT

Table 20: First 6 Years of Operations

European Crystal Hotel and Banquet Facility
Arlington Heights, Illinois
STATEMENT OF ESTIMATED ANNUAL OPERATING RESULTS
BASED ON 62 AVAILABLE ROOMS. GENERATED 06-NOV-08; REVISED 18-OCT-18 9:30 AM

YEAR #:	1.000			2.000			3.000		
PERIOD:	JAN-DEC 2020			JAN-DEC 2021			JAN-DEC 2022		
OCCUPANCY AND ADR:	68%	at	$131.00	74%	at	$139.00	74%	at	$144.00
REVENUES:	AMOUNT	RATIO	AMT\ROOM	AMOUNT	RATIO	AMT\ROOM	AMOUNT	RATIO	AMT\ROOM
ROOMS	$ 2,016,000	37.1%	$ 32,516	$ 2,328,000	39.4%	$ 37,548	$ 2,411,000	39.5%	$ 38,887
FOOD	2,280,000	42.0%	36,774	2,387,000	40.4%	38,500	2,459,000	40.3%	39,661
BEVERAGE	1,012,000	18.6%	16,323	1,060,000	17.9%	17,097	1,092,000	17.9%	17,613
OTHER FOOD REVENUE	57,000	1.0%	919	64,000	1.1%	1,032	66,000	1.1%	1,065
RENTALS & OTHER INCOME	26,000	0.5%	419	27,000	0.5%	435	27,000	0.4%	435
OTHER OPERATED DEPTS	41,000	0.8%	661	45,000	0.8%	726	46,000	0.8%	742
TOTAL REVENUE	$ 5,432,000	100.0%	$ 87,613	$ 5,911,000	100.0%	$ 95,339	$ 6,101,000	100.0%	$ 98,403
DEPARTMENTAL EXPENSES (1):									
ROOMS	$ 535,000	26.5%	$ 8,629	$ 554,000	23.8%	$ 8,935	$ 570,000	23.6%	$ 9,194
FOOD & BEVERAGE	2,295,000	69.7%	37,016	2,379,000	69.0%	38,371	2,450,000	69.0%	39,516
OTHER FOOD EXPENSE	18,000	31.6%	290	19,000	29.7%	306	20,000	30.3%	323
OTHER OPERATED DEPTS	26,000	63.4%	419	27,000	60.0%	435	27,000	58.7%	435
TOTAL	$ 2,874,000	52.9%	$ 46,355	$ 2,979,000	50.4%	$ 48,048	$ 3,067,000	50.3%	$ 49,468
TOTAL OPERATED INCOME	$ 2,558,000	47.1%	$ 41,258	$ 2,932,000	49.6%	$ 47,290	$ 3,034,000	49.7%	$ 48,935
UNDISTRIBUTED EXPENSES:									
ADMINISTRATIVE & GENERAL	$ 258,000	4.7%	$ 4,161	$ 243,000	4.1%	$ 3,919	$ 250,000	4.1%	$ 4,032
MANAGEMENT FEE (2)	0	0.0%	0	0	0.0%	0	0	0.0%	0
MARKETING	224,000	4.1%	3,613	231,000	3.9%	3,726	216,000	3.5%	3,484
FRANCHISE FEES (3)	0	0.0%	0	0	0.0%	0	0	0.0%	0
PROPERTY OPERATION & MAINT.	121,000	2.2%	1,952	133,000	2.3%	2,145	142,000	2.3%	2,290
ENERGY	132,000	2.4%	2,129	141,000	2.4%	2,274	145,000	2.4%	2,339
TOTAL	$ 735,000	13.5%	$ 11,855	$ 748,000	12.7%	$ 12,065	$ 753,000	12.3%	$ 12,145
INCOME BEFORE FIXED CHARGES	$ 1,823,000	33.6%	$ 29,403	$ 2,184,000	36.9%	$ 35,226	$ 2,281,000	37.4%	$ 36,790
FIXED CHARGES:									
REAL ESTATE & PROPERTY TAXES	$ 213,000	3.9%	$3,435	$ 235,000	4.0%	$3,790	$ 258,000	4.2%	$4,161
BUILDING & CONTENTS INSURANCE	29,000	0.5%	468	30,000	0.5%	484	31,000	0.5%	500
INCENTIVE MANAGEMENT FEE	0	0.0%	0	0	0.0%	0	0	0.0%	0
RENT: (4) BASE RENT	0	0.0%	0	0	0.0%	0	0	0.0%	0
PERCENTAGE RENT	0	0.0%	0	0	0.0%	0	0	0.0%	0
TOTAL	$ 242,000	4.5%	$ 3,903	$ 265,000	4.5%	$ 4,274	$ 289,000	4.7%	$ 4,661
INCOME BEFORE RESERVE	$ 1,581,000	29.1%	$ 25,500	$ 1,919,000	32.5%	$ 30,952	$ 1,992,000	32.7%	$ 32,129
RESERVE FOR REPLACEMENT	$ -	0.0%	$ -	$ -	0.0%	$ -	$ -	0.0%	$ -
INCOME BEFORE OTHER DEDUCTIONS (5)	$ 1,581,000	29.1%	$ 25,500	$ 1,919,000	32.5%	$ 30,952	$ 1,992,000	32.7%	$ 32,129

NOTES: (1) Each departmental expense ratio is based on the department's estimated revenue and does not add to the total departmental expense ratio.
(2) The basic management fee is normally classified as an administrative and general expense. (3) Franchise fees are normally classified as marketing expenses.
(4) Rent may be at base rate, percentage rate, or a base + percentage. (5) Income before other fixed charges such as interest, amortization, depreciation, and income taxes.
*Totals may not add due to rounding.

THIS STATEMENT SHOULD BE READ SUBJECT TO THE COMMENTS CONTAINED IN THE ATTACHED REPORT

European Crystal Hotel and Banquet Facility
Arlington Heights, Illinois
STATEMENT OF ESTIMATED ANNUAL OPERATING RESULTS
BASED ON 62 AVAILABLE ROOMS. GENERATED 06-NOV-08; REVISED 18-OCT-18 9:31 AM

YEAR #:	4.000			5.000			6.000		
PERIOD:	JAN-DEC 2023			JAN-DEC 2024			JAN-DEC 2025		
OCCUPANCY AND ADR:	74%	at	$149.00	74%	at	$154.00	74%	at	$160.00
REVENUES:	AMOUNT	RATIO	AMOUNT\ROOM	AMOUNT	RATIO	AMOUNT\ROOM	AMOUNT	RATIO	AMOUNT\ROOM
ROOMS	$ 2,495,000	39.6%	$ 40,242	$ 2,579,000	39.7%	$ 41,597	$ 2,679,000	39.9%	$ 43,210
FOOD	2,532,000	40.2%	40,839	2,608,000	40.2%	42,065	2,687,000	40.0%	43,339
BEVERAGE	1,124,000	17.9%	18,129	1,158,000	17.8%	18,677	1,193,000	17.8%	19,242
OTHER FOOD REVENUE	68,000	1.1%	1,097	70,000	1.1%	1,129	72,000	1.1%	1,161
RENTALS & OTHER INCOME	28,000	0.4%	452	29,000	0.4%	468	30,000	0.4%	484
OTHER OPERATED DEPTS	47,000	0.7%	758	49,000	0.8%	790	50,000	0.7%	806
TOTAL REVENUE	$ 6,294,000	100.0%	$101,516	$ 6,493,000	100.0%	$104,726	$ 6,711,000	100.0%	$108,242
DEPARTMENTAL EXPENSES (1):									
ROOMS	$ 588,000	23.6%	$ 9,484	$ 605,000	23.5%	$ 9,758	$ 623,000	23.3%	$ 10,048
FOOD & BEVERAGE	2,523,000	69.0%	40,694	2,599,000	69.0%	41,919	2,677,000	69.0%	43,177
OTHER FOOD EXPENSE	20,000	29.4%	323	21,000	30.0%	339	21,000	29.2%	339
OTHER OPERATED DEPTS	28,000	59.6%	452	29,000	59.2%	468	30,000	60.0%	484
TOTAL	$ 3,159,000	50.2%	$ 50,952	$ 3,254,000	50.1%	$ 52,484	$ 3,351,000	49.9%	$ 54,048
TOTAL OPERATED INCOME	$ 3,135,000	49.8%	$ 50,565	$ 3,239,000	49.9%	$ 52,242	$ 3,360,000	50.1%	$ 54,194
UNDISTRIBUTED EXPENSES:									
ADMINISTRATIVE & GENERAL	$ 258,000	4.1%	$ 4,161	$ 265,000	4.1%	$ 4,274	$ 273,000	4.1%	$ 4,403
MANAGEMENT FEE (2)	0	0.0%	0	0	0.0%	0	0	0.0%	0
MARKETING	223,000	3.5%	3,597	230,000	3.5%	3,710	236,000	3.5%	3,806
FRANCHISE FEES (3)	0	0.0%	0	0	0.0%	0	0	0.0%	0
PROPERTY OPERATION & MAINT.	153,000	2.4%	2,468	158,000	2.4%	2,548	162,000	2.4%	2,613
ENERGY	150,000	2.4%	2,419	154,000	2.4%	2,484	159,000	2.4%	2,565
TOTAL	$ 784,000	12.5%	$ 12,645	$ 807,000	12.4%	$ 13,016	$ 830,000	12.4%	$ 13,387
INCOME BEFORE FIXED CHARGES	$ 2,351,000	37.4%	$ 37,919	$ 2,432,000	37.5%	$ 39,226	$ 2,530,000	37.7%	$ 40,806
FIXED CHARGES:									
REAL ESTATE & PROPERTY TAXES	$ 271,000	4.3%	$4,371	$ 281,000	4.3%	$4,532	$ 291,000	4.3%	$4,694
BUILDING & CONTENTS INSURANCE	32,000	0.5%	516	32,000	0.5%	516	33,000	0.5%	532
INCENTIVE MANAGEMENT FEE	0	0.0%	0	0	0.0%	0	0	0.0%	0
RENT: (4) BASE RENT	0	0.0%	0	0	0.0%	0	0	0.0%	0
PERCENTAGE RENT	0	0.0%	0	0	0.0%	0	0	0.0%	0
TOTAL	$ 303,000	4.8%	$ 4,887	$ 313,000	4.8%	$ 5,048	$ 324,000	4.8%	$ 5,226
INCOME BEFORE RESERVE	$ 2,048,000	32.5%	$ 33,032	$ 2,119,000	32.6%	$ 34,177	$ 2,206,000	32.9%	$ 35,581
RESERVE FOR REPLACEMENT	$ -	0.0%	$ -	$ -	0.0%	$ -	$ -	0.0%	$ -
INCOME BEFORE OTHER DEDUCTIONS (5)	$ 2,048,000	32.5%	$ 33,032	$ 2,119,000	32.6%	$ 34,177	$ 2,206,000	32.9%	$ 35,581

NOTES: (1) Each departmental expense ratio is based on the department's estimated revenue and does not add to the total departmental expense ratio.
(2) The basic management fee is normally classified as an administrative and general expense. (3) Franchise fees are normally classified as marketing expenses.
(4) Rent may be at base rate, percentage rate, or a base + percentage. (5) Income before other fixed charges such as interest, amortization, depreciation, and income taxes.
*Totals may not add due to rounding.

THIS STATEMENT SHOULD BE READ SUBJECT TO THE COMMENTS CONTAINED IN THE ATTACHED REPORT

Table 21: DCF Valuation

VALUATION ANALYSIS

FOR THE European Crystal Hotel and Banquet Facility IN Arlington Heights, Illinois

GENERATED 06-NOV-08; REVISED 18-OCT-18 9:32 AM

ASSUMPTIONS:			
38. Discount Rate:	11.5%	40. Costs of Sale:	3.0%
	11.0%		
	10.5%	41. Avg Annual Inflation Rate:	3.5% / year, or
39. Overall Rates:			0.28709% monthly
A. Current, Hi Value-	8.0%	42. CRITICAL DATES:	
B. Current, Low Value-	8.5%	1st Forecast Year Open Date:	01-Jan-20
C. Reversion-	9.0%	Apprs'l "As Of" Date:	18-Oct-18
		Months- "As Of" Date to Opening:	20

43. Renovation Costs:

	Item	Quantity	Units	Unit Value		Total Value
(1)		-	systems	$ -	per system	$ -
(2)		-	systems	$ -	per system	$ -
(3)		-	rooms	$ -	per room	$ -
(4)		-	rooms	$ -	per room	$ -
(5)		-	rooms	$ -	per room	$ -
			Total Conversion Costs:			$ -

44. PIP Cost: $ -

DISCOUNTED CASH FLOW ANALYSIS

Year Number	Year	Income Before Other Deductions	P.V. @ 11.5% P.V. Factor	P.V. @ 11.5% Present Value	P.V. @ 11.0% P.V. Factor	P.V. @ 11.0% Present Value	P.V. @ 10.5% P.V. Factor	P.V. @ 10.5% Present Value
1.000	2020	1,581,000	0.8969	1,417,937	0.9009	1,424,324	0.9050	1,430,769
2.000	2021	1,919,000	0.8044	1,543,566	0.8116	1,557,503	0.8190	1,571,630
3.000	2022	1,992,000	0.7214	1,437,026	0.7312	1,456,533	0.7412	1,476,395
4.000	2023	2,048,000	0.6470	1,325,045	0.6587	1,349,081	0.6707	1,373,665
5.000	2024	2,119,000	0.5803	1,229,580	0.5935	1,257,523	0.6070	1,286,233
6.000	2025	-	0.5204	-	0.5346	-	0.5493	-
7.000	2026	-	0.4667	-	0.4817	-	0.4971	-
8.000	2027	-	0.4186	-	0.4339	-	0.4499	-
9.000	2028	-	0.3754	-	0.3909	-	0.4071	-
10.000	2029	-	0.3367	-	0.3522	-	0.3684	-
11.000	2030	-	0.3020	-	0.3173	-	0.3334	-
12.000	2031	-	0.2708	-	0.2858	-	0.3018	-
Subtotal PV From Cash Flow				$6,953,154		$7,044,965		$7,138,692
Reversion	2024	23,775,778	0.5803	13,796,229	0.5935	14,109,767	0.6070	14,431,894
Total PV As Of:		01-Jan-20		$20,749,383		$21,154,732		$21,570,587
Deflated to Appraisal Date @:			3.50%					
Months to Appraisal Date:			20	0.9443		0.9443		0.9443
Present Value As Of:		18-Oct-18		$19,593,165		$19,975,927		$20,368,609
Less Renovation Costs				0		0		0
Less PIP				-		-		-
Adjusted Present Value				$19,593,165		$19,975,927		$20,368,609
			Rounded:	**$19,600,000**		**$20,000,000**		**$20,400,000**
				$316,129		$322,581		$329,032

DIRECT CAPITALIZATION ANALYSIS

	Low Value	High Value
Typical Year NOI	$1,772,000	$1,772,000
Divided by OAR	0.085	0.080
Indicated Value	$20,847,059	$22,150,000
Less Renovation Costs	0	0
Less PIP	0	0
Net Value	$20,847,059	$22,150,000
Rounded	$20,800,000	$22,200,000
Price per Room	$335,484	$358,065

REVERSION CALCULATION:

Net Income for Year:	2025	$2,206,000
Divided by Reversion OAR		0.09
Gross Reversion		$24,511,111
Less Costs of Sale @:	3.0%	735,333
Net Reversion		$23,775,778
Indices:	$383,480	per hotel unit

Table 22: Direct Cap Valuation

VALUATION INDICES			
Indice	11.5%	11.0%	10.5%
Appraised Value:	$19,600,000	$20,000,000	$20,400,000
Price Per Hotel Room:	$316,129	$322,581	$329,032
OVERALL RATE (OAR)			
OAR- 1st Yr:	8.07%	7.91%	7.75%
OAR- 2nd Yr:	9.79%	9.60%	9.41%
OAR- 3rd Yr:	10.16%	9.96%	9.76%
OAR- 4th Yr:	10.45%	10.24%	10.04%
OAR- Typ Year:	9.04%	8.86%	8.69%
GROSS ROOM RENT MULTIPLIER (GRRM)			
GRRM- 1st Yr:	9.722	9.921	10.119
GRRM- 2nd Yr:	8.419	8.591	8.763
GRRM- 3rd Yr:	8.129	8.295	8.461
GRRM- 4th Yr:	7.856	8.016	8.176
GRRM- Typ Year:	9.003	9.187	9.371
% of PV from CF:	35.48%	35.22%	34.99%

COMPARISON OF DIRECT CAPITALIZATION ANALYSIS WITH DISCOUNTED CASH FLOW APPROACH

CALCULATION OF INCOME DIFFERENCE

Year Number	Year	DCF Income Before Other Deductions	Inflated Rep Year Income	Difference	Times PV Factor @ 11.0%	PV of Difference
1.000	2020	1,581,000	1,772,000	(191,000)	0.9009	(172,072)
2.000	2021	1,919,000	1,879,915	39,085	0.8116	31,722
3.000	2022	1,992,000	2,054,234	(62,234)	0.7312	(45,505)
4.000	2023	2,048,000	2,312,058	(264,058)	0.6587	(173,943)
5.000	2024	2,119,000	2,680,309	(561,309)	0.5935	(333,110)
6.000	2025	0	0	0	0.0000	0
7.000	2026	0	0	0	0.0000	0
8.000	2027	0	0	0	0.0000	0
9.000	2028	0	0	0	0.0000	0
10.000	2029	0	0	0	0.0000	0
11.000	2030	0	0	0	0.0000	0
12.000	2031	0	0	0	0.0000	0
				Total PV of Difference		($692,907)
					Rounded:	($690,000)

COMPARISON OF TWO APPROACHES

Direct Capitalization Value		$22,200,000
Less PV of Difference		(690,000)
Adjusted Direct Capitalization Value		22,890,000
Less DCF Value @	11.0%	20,000,000
Difference		2,890,000
Percent Difference		12.63%

Assumptions and Limiting Conditions

The report has been made with, and subject to, the following general limiting conditions and includes the following general assumptions:

- No responsibility is accepted by the consultant for considerations requiring expertise in other fields. Included in this category are ownership legal description and other legal matters, survey of property boundaries, geologic considerations including soils and seismic stability, civil, structural or other engineering, and identification of hazardous or toxic substances. Data furnished or obtained from public sources relative to these matters has been adopted and is assumed to be correct.

- Under the operating projection the property is assumed to be under responsible ownership and management.

- The definitions and assumptions upon which our analyses, opinions and conclusions are based are set forth in appropriate sections of this report and in this section and are to be part of these general assumptions as if included here in their entirety.

- The information furnished us by others and contained in this report is considered to be from reliable sources and, where feasible, has been verified; however, no responsibility is assumed for its accuracy. We reserve the right to modify the estimates of operating results should more reliable information become available subsequent to delivery of this report.
- The sketches, plot plans and drawings included in this report are included only to assist the reader in visualizing the property.

- There are no hidden or unapparent conditions in the property, soil, subsoil, or structures, which would render the site unsuitable for its intended use or would constrain the continued operation of the property. No responsibility is assumed for such conditions or for arranging for engineering studies, which would be required to discover them. The consultants are not construction, engineering, environmental, or legal experts, and any statement given on these matters in this report should be considered preliminary in nature.

- It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws, that all applicable zoning and use regulations and restrictions have been complied with or can and will be complied with, unless a nonconformity has been stated, defined and considered in the report, and that all required licenses, certificates of occupancy, legislated or administrative consents from any local, state or national government or private entity or organization have been or can be obtained for any use on which the estimates of future operating results contained in this report are based.

- The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey and analysis of the property to determine whether or not it is in conformity or can be brought into conformity with the various detailed requirements of the ADA. It is likely that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have an effect upon the capital spending plans for the property. Since we have no direct evidence relating to this issue, we did not consider possible non-compliance with the requirements of ADA in estimating the results of future operations of the property.

- All estimates shown in the report are projections based on our analysis as of the date of the study. These estimates may not be valid in other time periods or as conditions change. We take no responsibility for events, conditions, or circumstances affecting the property's operation that take place subsequent to either the date of this report or the date of our field inspection, whichever occurs first.

- By reason of this report, we are not required to give further consultation, testimony or to be in attendance in court or at any governmental or other hearing with reference to the property without prior arrangements having been made relative to such additional employment.

- Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of TR Mandigo & Co. and in any event only with properly written qualifications and only in its entirety.

- The party for whom this report was prepared may distribute copies of this report only in its entirety to such third parties as may be selected by the party for whom this report was prepared; however, portions of this report shall not be given to third parties without our written consent. Liability to third parties will not be accepted.

- Neither all nor any part of the contents of this report shall be disseminated to the general public through advertising or sales media, public relations media, news media, or other public means of communication without prior written consent and approval of the consultant.

- In any case, this report is not intended for use in registered or unregistered security offering documents without consultation and an opportunity for a complete review of the use of the report and a review of all related documents.