TR Mandigo & Company

"Over 35 Years of Hospitality Consulting"

Market Study

Market Study for A 126-room hotel located adjacent to the European Crystal Banquets Building in Arlington Heights, Illinois

Prepared by:

TR Mandigo & Company
338 N. Highland Avenue
Elmhurst, Illinois 60125
TEL: (630) 279-8144
FAX: (630) 279-4701

Submitted to:

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

Submitted on:

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TR Mandigo & Company
Over 35 Years of Hospitality Experience
http://www.trmandigo.com

338 N. Highland Avenue
Elmhurst, IL 60126
(630) 279 - 8144
TedMandigo@trmandigo.com

Friday, September 08, 2017

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 126 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 126 room hotel tower.

We have updated the financials for the revised property program, reducing the room count from 165 rooms to 126 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 (2016) 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 to the village of Arlington Heights.

Sincerely,

Theodore R. Mandigo, CPA, ISHC

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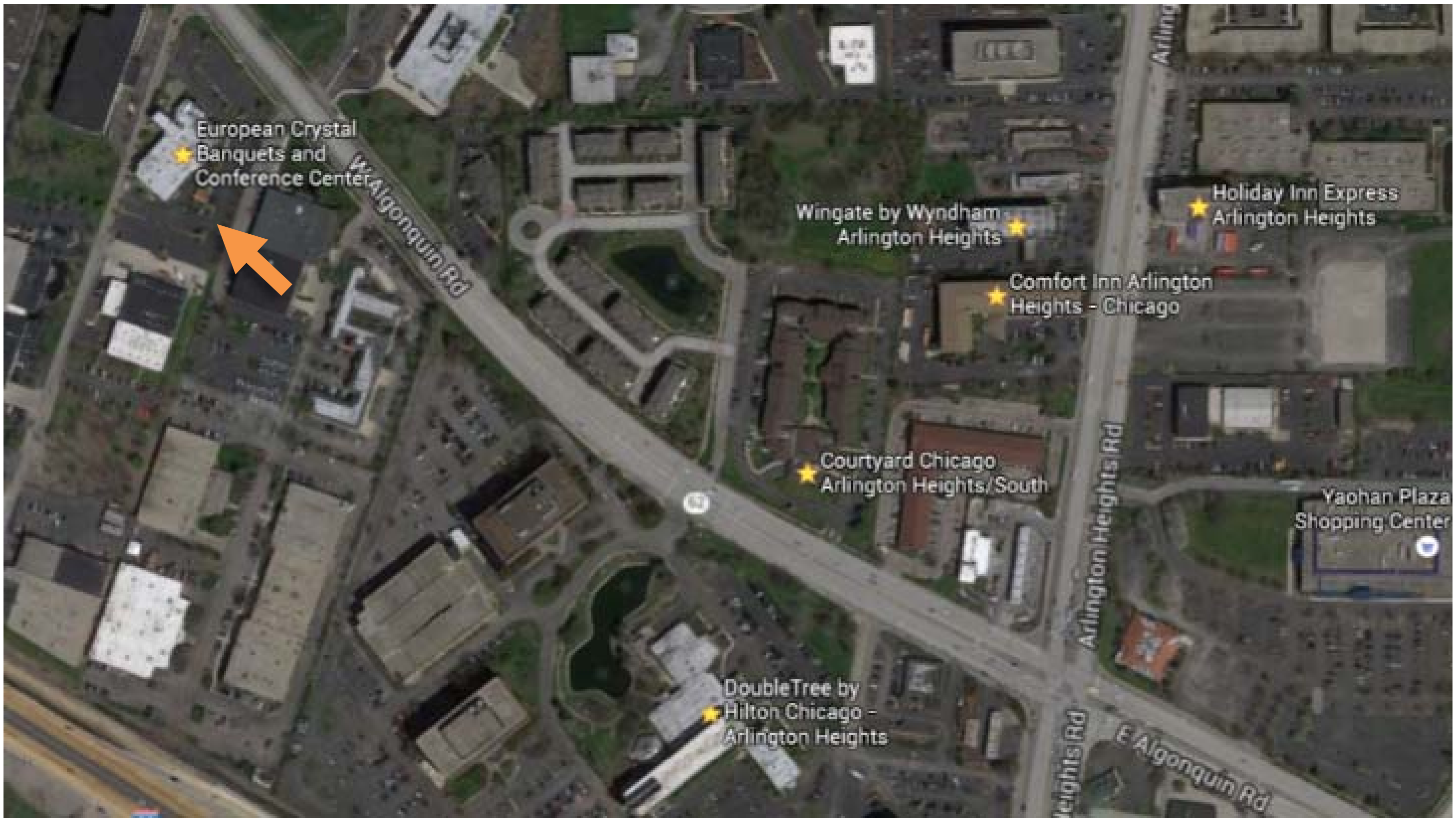

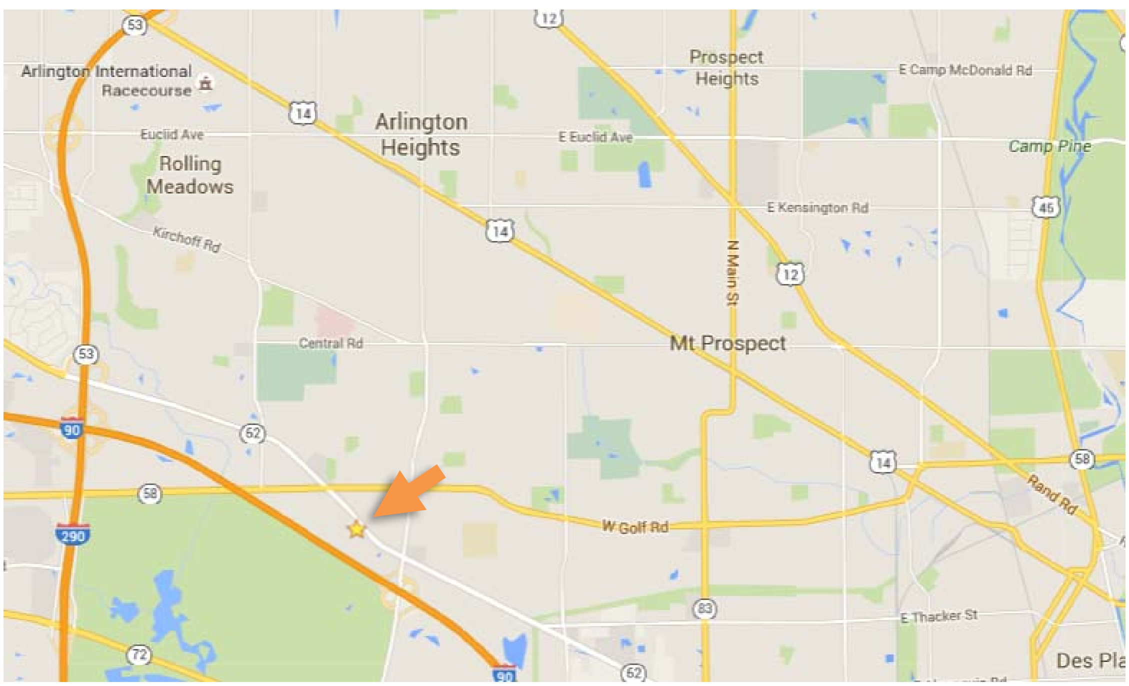

Images from Google 2016

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.

In this study, we examined the upper-midrange hotels located off the same intersection of Algonquin Road and Arlington Heights Road, immediately north of the I-90 exit to determine the strength of the primary market served, and compared this against performances from the above mentioned categories to create an extensive picture of the health of the region in general, and the sub-market served by the proposed property in particular.

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 45 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, 27 are located in Schaumburg, with an additional 5 listed as under development.

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.

The clearest local example of this is the 426 room Sheraton, 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 126-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 $120 in current (2016) dollars.

5. The depth of the market and current demand growth trends indicate a two-year absorption period for the additional 126 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.
6. The only new addition to the market that we are aware of is the Four-Points property now under development at the Arlington Park Track site as an appropriately sized replacement and state of the art facility proximate to the former Sheraton.
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 126-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.

We have prepared an analysis of the market for hotel properties in the Arlington Heights area including depth of market, performance of comparable properties in the northwest corridor, size of property and nearby facilities.

Reviewing area hotel performances, we found the Arlington Heights market to be operating at around the 64% range for 2015, which is generally considered marginal to attract development without incentives. However, the competitive set of properties around the banquet facilities operate well above the average level for all categories, with the exception of the extended stay market (which is typical). Rates are somewhat lower than other categories, but the Revenue Per Available Room is again higher. It is generally easier to move rates upward with higher occupancy, therefore, in the future, we see the competitive set increasing ADR faster than other segments, partially buoyed by the opening of the Four Points at Arlington Downs and the proposed hotel, as new properties tend to provide leverage.

Table 2: Comparison of Area Properties by Type

COMPARISON DATA, 2015			
	OCC	ADR	RevPAR
MIDRANGE	59.01%	$93.57	$55.22
UPSCALE	61.0%	$101.73	$62.06
CONVENTION	58.0%	$105.29	$61.07
EXTENDED STAY	74.50%	$108.45	$80.79
COMP SET	69.4%	$93.13	$64.61
AVG	64.38%	$100.43	$64.75

COMPARISON DATA, TYPICAL YEAR (2018)			
	OCC	ADR	RevPAR
MIDRANGE	59.18%	$105.62	$62.51
UPSCALE	67.00%	$113.32	$75.92
CONVENTION	64.00%	$137.36	$87.91
EXTENDED STAY	76.00%	$120.42	$91.52
COMP SET	77.14%	$125.24	$96.61
AVG	68.66%	$120.39	$82.89

From an operating standpoint, the competitive set performs strongly during midweek with performance peaking on Tuesday and Wednesday at around 75%, and near 70% on Monday, Thursday. Saturday sees a secondary peak of 73%, and the relatively strong 69% on Friday shows a strong transient and group market. The proposed hotel, with its ample meeting and banquet space, would likely perform above the set during this time.

Table 3: Competitive Set Day of Week Performance

	DAY OF WEEK 3 YR AVG (2013-2015)			DAY OF WEEK 2015		
	OCC	ADR	RevPAR	OCC	ADR	RevPAR
Sun	54.9%	$ 82.35	$ 45.23	55.3%	$ 86.71	$ 47.97
Mon	69.8%	$ 94.15	$ 65.69	69.5%	$ 98.08	$ 68.19
Tue	76.8%	$ 98.06	$ 75.31	75.1%	$ 103.32	$ 77.60
Wed	75.7%	$ 97.64	$ 73.92	74.7%	$ 102.91	$ 76.85
Thu	70.3%	$ 89.32	$ 62.80	68.8%	$ 92.64	$ 63.70
Fri	68.6%	$ 78.87	$ 54.12	69.5%	$ 82.66	$ 57.46
Sat	72.8%	$ 79.04	$ 57.52	72.7%	$ 83.17	$ 60.50

As is typical for the Chicagoland market, monthly performance peaks in mid-summer, with a strong falloff for the winter months. Unlike the CBD market, this growth is essentially a bell curve, while the downtown market tends to show a more pronounced dip before fall convention season. 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 are somewhat flat during all periods, which is a consequence of the compressing effect on the suburbs of increased CBD room supply.

Table 4: Competitive Set Monthly Performance

	MONTHLY 2014			MONTHLY 2015		
	OCC	ADR	RevPAR	OCC	ADR	RevPAR
Jan	52.6%	$83.25	$43.77	54.0%	$85.67	$46.23
Feb	58.3%	$84.69	$49.38	60.9%	$87.08	$53.01
Mar	63.2%	$83.08	$52.49	65.3%	$90.83	$59.30
Apr	72.7%	$85.13	$61.93	66.3%	$93.38	$61.93
May	80.7%	$85.76	$69.22	72.2%	$89.06	$64.33
Jun	85.5%	$89.81	$76.81	78.0%	$98.94	$77.22
Jul	83.1%	$88.31	$73.35	82.5%	$98.01	$80.86
Aug	82.5%	$87.29	$72.06	73.5%	$97.30	$71.48
Sep	81.3%	$93.20	$75.74	76.4%	$98.80	$75.49
Oct	77.3%	$89.70	$69.30	76.2%	$97.60	$74.38
Nov	70.5%	$84.47	$59.53	68.2%	$90.50	$61.75
Dec	55.8%	$82.74	$46.21	58.6%	$83.42	$48.89

The proposed hotel would likely see 20 to 50 fill days, as a result of some spillover from downtown, and the banquets and events hosted at the facility. During off-season would operate around the 60% 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 70% on average, achieving an average daily rate of $115 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 structure and banquets business

Based on our research and the performance of similarly positioned properties in the northwest Chicagoland area we prepared estimated of occupancy and average daily rate for a new construction small boutique property as follows:

Table 5: Projected Operating Results, Proposed Hotel

	OCC	ADR	RevPAR
TYPICAL	74.00%	$125.00	$92.5
2019	68.00%	$126.00	$85.68
2020	74.00%	$134.00	$99.16
2021	74.00%	$139.00	$102.86
2022	74.00%	$143.00	$105.82
2023	74.00%	$148.00	$109.52

Further, we have been asked to comment on several other municipally funded or unique properties, and their performance or outcomes.

Lombard Westin: This project was part of a large redevelopment plan for the Yorktown Mall area, which also included construction of numerous out lots for upper end restaurants and more retail space. Financing was backed by several issues of bonds from the city of Lombard. The hotel was meant to serve as an anchor and focal point, with over 40,000 sq/ft of meeting and banquet space. The hotel opened before the recession and operated within expected parameters for a time, but the 2008 crash essentially completely destroyed the base of business for the hotel. During the recession the property had to drastically reduce rates to fill its rooms, and as a consequence underperformed its goals.

The city in 2014, after refusing to spend additional dollars renovating the property for its capital expenditure plan, took the dramatic step of defaulting on its bonds. This has caused the hotel to essentially stop any renovations and deferred maintenance has continued to impact its performance. Further, the decision of Lombard has essentially poisoned the well for many neighboring municipalities, as well as essentially closing the books on the prospect of suburbs financing though bond deals large convention hotel properties.

Schaumburg Renaissance: The Renaissance Schaumburg Hotel & Convention Center is not included in the competitive set but is mentioned as it is a special case. The property entered the market in 2006 as a pet project for the city of Schaumburg as part of its economic development program to attract new business and conventions to the downtown Schaumburg area. It is much larger than any of the surrounding area hotels and building costs were about $500,000 per room all in (including all development costs for the total complex), construction was heavily subsidized with funds from the city of Schaumburg and the costs of the operation are subsidized through special tax assessments on F&B and hotels, at around 2% each.

The facilities include an attached 100,000 sq. ft. of conference space, with an additional 48,000 sq. ft. of meeting rooms. The hotel features a heavily landscaped entrance with an external architectural element, creating a dramatic entrance, with plans for two more art pieces to be located in front of the conference center and next to the hotel. The large second floor open lobby contains a Sam & Harry's Steakhouse, a bar and numerous guest lounge areas, with a built in retro-inspired fireplace as its focal point. The 500 rooms contain HDTV, Wi-Fi Internet access, customized shower fixtures, and other high-end amenities. The hotel provides room service, pool, fitness area and 24 hour concierge service. Banquets at the Renaissance cost upwards of $130 a plate and rooms cost over $200 a night, making it cost prohibitive for small groups and weddings.

Speaking with management at the property, the Renaissance reiterated its commitment to being a regional player, generally uninterested in the local competition. In so doing, the hotel has managed to avoid becoming trapped in bidding wars for local events, though at some cost to their occupancy. Further, it should be stressed that the reason that the hotel can be aloof and selective is because it is partially paid for by the taxes on restaurants and other hotels, so although it may not compete for the same clients, it affects their bottom lines. According to the Renaissance, the local market is struggling with oversupply, which has led to discounting as everyone competes for the same events. Conventions are up, though the average convention-goer spends less compared to a meeting attendee. Weekday business consists of business travel, as it has historically, while weekends have been dominated by sports groups, SMERF travel, and some leisure.

Although rates were listed at $199 on booking sites, this appears to be a strategy for the OTAs to make other hotels seem like a better deal. On its own website, rates were listed at $119 for January 2nd and $129 for December 26th. This is a better deal than most other properties, but far from the $200 show online or the $3000 maximum room rate listed.

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 $24.7 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 2016 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 6: Summary of Operating Results

	Proposed Home 2 Suites Hotel Property		
Year	**Total Revenue**	**Income (1)**	**Ratio to Revenue**
Typical Year	$6,538,000	$2,605,000	28.62%
2019	$6,250,000	$2,190,000	26.32%
2020	$6,983,000	$2,790,000	30.39%
2021	$7,227,000	$2,941,000	29.83%
2022	$7,438,000	$3,011,000	29.51%
2023	$7,685,000	$3,126,000	29.71%
2024	$7,968,000	$3,272,000	30.11%

(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 2019 to 2024. The estimates were based on the following assumptions:

- The property will be developed and ready for operation in January 2019.
- The property will be designed as an extended stay property, 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 2016 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 3.0 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.

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 $110,000 or $1.33 per occupied room in pay per view movies, vending income, telephone, commissions and other miscellaneous sources of revenue. Note that this category and its associated expenses have increased since telephony was rolled into this line item as it is no longer large enough to be considered its own line. We selected a revenue level consistent with the price point and location of the property. A Table of comparable follows:

Table 7: Rentals and Other Income per Occupied Room

	Limited Service Hotels
Average for All Properties	$.65
Independent	$2.71
East North Central	$0.33
Urban	$1.82
Suburban	$0.34
Upscale	$0.74
Projected for Subject Property	$1.33

Other Operated Departments are based on estimated revenue derived from the operation of the gift/sundry shop sales, revenues from laundry and valet, exercise facility operations and other miscellaneous income. We based this on a $176,000 level in current value dollars, or $2.13 per occupied room, assuming commission revenue from local service providers and the revenue from the gift shop/sundry operation. The rates are higher than the comparables because of the major metropolitan area location of the property in a substantial retail/commercial market location.

Table 8: Other Operated Departments per Occupied Room

	Limited Service Hotels
Average for All Properties	$1.82
Independent	$6.26
East North Central	$1.43
Urban Hotels	$4.16
Suburban	$1.22
Upscale	$2.54
Projected for Subject Property	$2.13

Departmental Expenses:

Rooms Departmental Expenses are based on a per available room operating cost of $7,673, 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 below the average for independent properties, but is 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 9: Room Department Expenses

	Limited Service Hotels	Per Room Ratio
Average for All Properties	$6,323	22.9%
Independent	$13,104	28.7%
East North Central	$4,967	22.7%
Urban Hotels	$10,590	23.6%
Suburban	$5,172	21.9%
Upscale	$9,017	23.2%
Subject Property	$7,673	24.0%

Other Operated Departments expenses are estimated at 60 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 below:

Table 10: Other Operated Departments

	Limited Service Hotels
Average for All Properties	59.4%
Independent	41.2%
East North Central	69.3%
Urban Hotels	44.6%
Suburban	72.6%
Upscale	57.6%
Projected for Subject Property	60.2%

Undistributed Expenses:

Administrative and General expenses are based on a per available room operating cost of $3,200 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 11: Administrative and General

	Limited Service Hotels
Average for All Properties	$2,454
Independent	$5,097
East North Central	$1,983
Urban Hotels	$3,866
Suburban	$2,085
Upscale	$3,440
Projected for Subject Property	$3,200

Marketing is based on a $3,200 per available room budget, providing $528,000 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 12: Marketing

	Limited Service Hotels
Average for All Properties	$1,587
Independent	$2,364
East North Central	$1,062
Urban Hotels	$2,407
Suburban	$1,426
Upscale	$1,967
Projected for Subject Property	$3,200

Property Operations and Maintenance costs are based on the industry averages for similar size and type properties, and are equal to $2,200 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 33,000-foot banquet facility which is why it is significantly higher than the average.

Table 13: Property Operations and Maintenance

	Limited Service Hotels
Average for All Properties	$1,422
Independent	$1,319
East North Central	$1,253
Urban Hotels	$1,911
Suburban	$1,318
Upscale	$1,799
Projected for Subject Property	$2,200

Energy costs are likewise based on comparable operations from industry databases. The estimated amount of $2,152 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 14: Energy Cost

	Limited Service Hotels
Average for All Properties	$1,288
Independent	$1,752
East North Central	$1,165
Urban Hotels	$1,644
Suburban	$1,213
Upscale	$1,611
Projected for Subject Property	$2,152

Fixed Charges:

Real Estate and Property Taxes have been estimated at 4.6 percent of total revenues, or a level of $350,000 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 15: Real Estate Taxes

	Limited Service Hotels
Average for All Properties	$1,263
Independent	$1,707
East North Central	$1,254
Urban Hotels	$2,621
Suburban	$1,054
Upscale	$1,755
Projected for Subject Property	$2,121

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 swimming pool 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 16: Building and Contents Insurance

	Limited Service Hotels
Average for All Properties	$357
Independent	$855
East North Central	$252
Urban Hotels	$463
Suburban	$315
Upscale	$391
Projected for Subject Property	$450

Reserve for Replacement is budgeted at 5 percent of total revenues, taking into account the need to continuously refurbish the property. This amount is consistent with the results of the recent ISHC study on Capital Expenditure that determined this as a minimum amount to retain the competitive status of a property. The amount is phased in over the first three years beginning with 3 percent in 2018 and reaching 5 percent by year 3 (2020).

The Statements of Estimated Annual Operating Results for a typical year, expressed in 2016 dollars and for the period 2018 through 2023, expressed in inflation adjusted dollars are presented on the following pages.

Table 17: Typical Year of Operations

European Crystal Hotel and Banquet Facility
Arlington Heights, Illinois
STATEMENT OF ESTIMATED ANNUAL OPERATING RESULTS
FOR A TYPICAL YEAR OF OPERATION IN 2017 DOLLARS
BASED ON 126 AVAILABLE ROOMS. GENERATED 06-NOV-08; REVISED 08-AUG-17 10:40 AM

PERCENTAGE OF OCCUPANCY		74%			
AVERAGE DAILY RATE		$125.00			
REVENUES:		AMOUNT	RATIO		AMOUNT\ROOM
ROOMS	$	4,254,000	65.1%	$	33,762
FOOD		1,639,000	25.1%		13,008
BEVERAGE		410,000	6.3%		3,254
TELEPHONE		14,000	0.2%		111
RENTALS & OTHER INCOME		85,000	1.3%		675
OTHER OPERATED DEPTS		136,000	2.1%		1,079
TOTAL REVENUE	$	6,538,000	100.0%	$	51,889
DEPARTMENTAL EXPENSES (1):					
ROOMS	$	1,021,000	24.0%	$	8,103
FOOD & BEVERAGE		1,434,000	70.0%		11,381
TELEPHONE		42,000	300.0%		333
OTHER OPERATED DEPTS		82,000	60.3%		651
TOTAL	$	2,579,000	39.4%		$20,468
TOTAL OPERATED INCOME	$	3,959,000	60.6%	$	31,421
UNDISTRIBUTED EXPENSES:					
ADMINISTRATIVE & GENERAL	$	403,000	6.2%	$	3,198
MANAGEMENT FEE (2)		0	0.0%		0
MARKETING		403,000	6.2%		3,198
FRANCHISE FEES (3)		0	0.0%		0
PROPERTY OPERATION & MAINT.		277,000	4.2%		2,198
ENERGY		271,000	4.1%		2,151
TOTAL	$	1,354,000	20.7%	$	10,746
INCOME BEFORE FIXED CHARGES	$	2,605,000	39.8%	$	20,675
FIXED CHARGES:					
REAL ESTATE & PROPERTY TAXES	$	350,000	5.4%	$	2,778
BUILDING & CONTENTS INSURANCE		56,700	0.9%		450
INCENTIVE MANAGEMENT FEE		0	0.0%		0
RENT: (4) BASE RENT		0	0.0%		0
PERCENTAGE RENT		0	0.0%		0
TOTAL	$	407,000	6.2%	$	3,228
INCOME BEFORE RESERVE	$	2,198,000	33.6%	$	17,447
RESERVE FOR REPLACEMENT	$	327,000	5.0%	$	2,595
INCOME BEFORE OTHER DEDUCTIONS (5)	$	1,871,000	28.6%	$	14,852

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 18: First 6 Years of Operations

European Crystal Hotel and Banquet Facility
Arlington Heights, Illinois
STATEMENT OF ESTIMATED ANNUAL OPERATING RESULTS
BASED ON 126 AVAILABLE ROOMS. GENERATED 06-NOV-08; REVISED 08-AUG-17 10:42 AM

YEAR #:	1.000			2.000			3.000		
PERIOD:	JAN-DEC 2018			JAN-DEC 2019			JAN-DEC 2020		
OCCUPANCY AND ADR:	68%	at	$126.00	74%	at	$134.00	74%	at	$139.00
REVENUES:	AMOUNT	RATIO	AMT\ROOM	AMOUNT	RATIO	AMT\ROOM	AMOUNT	RATIO	AMT\ROOM
ROOMS	$ 3,940,000	63.0%	$ 31,270	$ 4,560,000	65.3%	$ 36,190	$ 4,731,000	65.5%	$ 37,548
FOOD	1,661,000	26.6%	13,183	1,739,000	24.9%	13,802	1,791,000	24.8%	14,214
BEVERAGE	415,000	6.6%	3,294	435,000	6.2%	3,452	448,000	6.2%	3,556
TELEPHONE	13,000	0.2%	103	15,000	0.2%	119	15,000	0.2%	119
RENTALS & OTHER INCOME	88,000	1.4%	698	90,000	1.3%	714	93,000	1.3%	738
OTHER OPERATED DEPTS	133,000	2.1%	1,056	144,000	2.1%	1,143	149,000	2.1%	1,183
TOTAL REVENUE	$ 6,250,000	100.0%	$ 49,603	$ 6,983,000	100.0%	$ 55,421	$ 7,227,000	100.0%	$ 57,357
DEPARTMENTAL EXPENSES (1):									
ROOMS	$ 1,045,000	26.5%	$ 8,294	$ 1,083,000	23.8%	$ 8,595	$ 1,116,000	23.6%	$ 8,857
FOOD & BEVERAGE	1,468,000	70.7%	11,651	1,521,000	70.0%	12,071	1,567,000	70.0%	12,437
TELEPHONE	42,000	323.1%	333	45,000	300.0%	357	46,000	306.7%	365
OTHER OPERATED DEPTS	84,000	63.2%	667	87,000	60.4%	690	90,000	60.4%	714
TOTAL	$ 2,639,000	42.2%	$ 20,944	$ 2,736,000	39.2%	$ 21,714	$ 2,819,000	39.0%	$ 22,373
TOTAL OPERATED INCOME	$ 3,611,000	57.8%	$ 28,659	$ 4,247,000	60.8%	$ 33,706	$ 4,408,000	61.0%	$ 34,984
UNDISTRIBUTED EXPENSES:									
ADMINISTRATIVE & GENERAL	$ 453,000	7.2%	$ 3,595	$ 428,000	6.1%	$ 3,397	$ 440,000	6.1%	$ 3,492
MANAGEMENT FEE (2)	0	0.0%	0	0	0.0%	0	0	0.0%	0
MARKETING	453,000	7.2%	3,595	470,000	6.7%	3,730	440,000	6.1%	3,492
FRANCHISE FEES (3)	0	0.0%	0	0	0.0%	0	0	0.0%	0
PROPERTY OPERATION & MAINT.	246,000	3.9%	1,952	271,000	3.9%	2,151	291,000	4.0%	2,310
ENERGY	269,000	4.3%	2,135	288,000	4.1%	2,286	296,000	4.1%	2,349
TOTAL	$ 1,421,000	22.7%	$ 11,278	$ 1,457,000	20.9%	$ 11,563	$ 1,467,000	20.3%	$ 11,643
INCOME BEFORE FIXED CHARGES	$ 2,190,000	35.0%	$ 17,381	$ 2,790,000	40.0%	$ 22,143	$ 2,941,000	40.7%	$ 23,341
FIXED CHARGES:									
REAL ESTATE & PROPERTY TAXES	$ 298,000	4.8%	$2,365	$ 329,000	4.7%	$2,611	$ 362,000	5.0%	$2,873
BUILDING & CONTENTS INSURANCE	59,000	0.9%	468	60,000	0.9%	476	62,000	0.9%	492
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	$ 357,000	5.7%	$ 2,833	$ 389,000	5.6%	$ 3,087	$ 424,000	5.9%	$ 3,365
INCOME BEFORE RESERVE	$ 1,833,000	29.3%	$ 14,548	$ 2,401,000	34.4%	$ 19,056	$ 2,517,000	34.8%	$ 19,976
RESERVE FOR REPLACEMENT	$ 188,000	3.0%	$ 1,492	$ 279,000	4.0%	$ 2,214	$ 361,000	5.0%	$ 2,865
INCOME BEFORE OTHER DEDUCTIONS (5)	$ 1,645,000	26.3%	$ 13,056	$ 2,122,000	30.4%	$ 16,841	$ 2,156,000	29.8%	$ 17,111

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 126 AVAILABLE ROOMS. GENERATED 06-NOV-08; REVISED 08-AUG-17 10:42 AM

YEAR #:	4.000			5.000			6.000		
PERIOD:	JAN-DEC 2021			JAN-DEC 2022			JAN-DEC 2023		
OCCUPANCY AND ADR:	74%	at	$143.00	74%	at	$148.00	74%	at	$154.00
REVENUES:	AMOUNT	RATIO	AMOUNT\ROOM	AMOUNT	RATIO	AMOUNT\ROOM	AMOUNT	RATIO	AMOUNT\ROOM
ROOMS	$ 4,867,000	65.4%	$ 38,627	$ 5,037,000	65.5%	$ 39,976	$ 5,241,000	65.8%	$ 41,595
FOOD	**1,845,000**	24.8%	**14,643**	**1,900,000**	24.7%	**15,079**	**1,957,000**	24.6%	**15,532**
BEVERAGE	**461,000**	6.2%	**3,659**	**475,000**	6.2%	**3,770**	**490,000**	6.1%	**3,889**
TELEPHONE	**16,000**	0.2%	**127**	**16,000**	0.2%	**127**	**17,000**	0.2%	**135**
RENTALS & OTHER INCOME	**96,000**	1.3%	**762**	**99,000**	1.3%	**786**	**101,000**	1.3%	**802**
OTHER OPERATED DEPTS	**153,000**	2.1%	**1,214**	**158,000**	2.1%	**1,254**	**162,000**	2.0%	**1,286**
TOTAL REVENUE	$ 7,438,000	100.0%	$ 59,032	$ 7,685,000	100.0%	$ 60,992	$ 7,968,000	100.0%	$ 63,238
DEPARTMENTAL EXPENSES (1):									
ROOMS	$ 1,149,000	23.6%	$ 9,119	$ 1,184,000	23.5%	$ 9,397	$ 1,219,000	23.3%	$ 9,675
FOOD & BEVERAGE	**1,614,000**	70.0%	**12,810**	**1,662,000**	70.0%	**13,190**	**1,712,000**	70.0%	**13,587**
TELEPHONE	**47,000**	293.8%	**373**	**49,000**	306.3%	**389**	**50,000**	294.1%	**397**
OTHER OPERATED DEPTS	**92,000**	60.1%	**730**	**95,000**	60.1%	**754**	**98,000**	60.5%	**778**
TOTAL	$ 2,902,000	39.0%	$ 23,032	$ 2,990,000	38.9%	$ 23,730	$ 3,079,000	38.6%	$ 24,437
TOTAL OPERATED INCOME	$ 4,536,000	61.0%	$ 36,000	$ 4,695,000	61.1%	$ 37,262	$ 4,889,000	61.4%	$ 38,802
UNDISTRIBUTED EXPENSES:									
ADMINISTRATIVE & GENERAL	$ 454,000	6.1%	$ 3,603	$ 467,000	6.1%	$ 3,706	$ 481,000	6.0%	$ 3,817
MANAGEMENT FEE (2)	**0**	0.0%	**0**	**0**	0.0%	**0**	**0**	0.0%	**0**
MARKETING	**454,000**	6.1%	**3,603**	**467,000**	6.1%	**3,706**	**481,000**	6.0%	**3,817**
FRANCHISE FEES (3)	**0**	0.0%	**0**	**0**	0.0%	**0**	**0**	0.0%	**0**
PROPERTY OPERATION & MAINT.	**312,000**	4.2%	**2,476**	**321,000**	4.2%	**2,548**	**331,000**	4.2%	**2,627**
ENERGY	**305,000**	4.1%	**2,421**	**314,000**	4.1%	**2,492**	**324,000**	4.1%	**2,571**
TOTAL	$ 1,525,000	20.5%	$ 12,103	$ 1,569,000	20.4%	$ 12,452	$ 1,617,000	20.3%	$ 12,833
INCOME BEFORE FIXED CHARGES	$ 3,011,000	40.5%	$ 23,897	$ 3,126,000	40.7%	$ 24,810	$ 3,272,000	41.1%	$ 25,968
FIXED CHARGES:									
REAL ESTATE & PROPERTY TAXES	$ 380,000	5.1%	$3,016	$ 393,000	5.1%	$3,119	$ 407,000	5.1%	$3,230
BUILDING & CONTENTS INSURANCE	**64,000**	0.9%	**508**	**66,000**	0.9%	**524**	**68,000**	0.9%	**540**
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	$ 444,000	6.0%	$ 3,524	$ 459,000	6.0%	$ 3,643	$ 475,000	6.0%	$ 3,770
INCOME BEFORE RESERVE	$ 2,567,000	34.5%	$ 20,373	$ 2,667,000	34.7%	$ 21,167	$ 2,797,000	35.1%	$ 22,198
RESERVE FOR REPLACEMENT	$ 372,000	5.0%	$ 2,952	$ 384,000	5.0%	$ 3,048	$ 398,000	5.0%	$ 3,159
INCOME BEFORE OTHER DEDUCTIONS (5)	$ 2,195,000	29.5%	$ 17,421	$ 2,283,000	29.7%	$ 18,119	$ 2,399,000	30.1%	$ 19,040

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 19: DCF Valuation

VALUATION ANALYSIS

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

GENERATED 06-NOV-08; REVISED 08-AUG-17 10:43 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-19	
C. Reversion-	9.0%	Apprs'l "As Of" Date:	08-Aug-17	
		Months- "As Of" Date to Opening:	18	

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	2018	1,645,000	0.8969	1,475,336	0.9009	1,481,982	0.9050	1,488,688
2.000	2019	2,122,000	0.8044	1,706,851	0.8116	1,722,263	0.8190	1,737,884
3.000	2020	2,156,000	0.7214	1,555,336	0.7312	1,576,449	0.7412	1,597,945
4.000	2021	2,195,000	0.6470	1,420,153	0.6587	1,445,914	0.6707	1,472,263
5.000	2022	2,283,000	0.5803	1,324,743	0.5935	1,354,849	0.6070	1,385,781
6.000	2023	-	0.5204	-	0.5346	-	0.5493	-
7.000	2024	-	0.4667	-	0.4817	-	0.4971	-
8.000	2025	-	0.4186	-	0.4339	-	0.4499	-
9.000	2026	-	0.3754	-	0.3909	-	0.4071	-
10.000	2027	-	0.3367	-	0.3522	-	0.3684	-
11.000	2028	-	0.3020	-	0.3173	-	0.3334	-
12.000	2029	-	0.2708	-	0.2858	-	0.3018	-
Subtotal PV From Cash Flow				$7,482,419		$7,581,457		$7,682,561
Reversion	2022	25,855,889	0.5803	15,003,243	0.5935	15,344,212	0.6070	15,694,522
Total PV As Of:		01-Jan-19		$22,485,662		$22,925,669		$23,377,083
Deflated to Appraisal Date @:			3.50%					
Months to Appraisal Date:			18	0.9497		0.9497		0.9497
Present Value As Of:		08-Aug-17		$21,354,782		$21,772,660		$22,201,371
Less Renovation Costs				0		0		0
Less PIP				-		-		-
Adjusted Present Value				$21,354,782		$21,772,660		$22,201,371
			Rounded:	**$21,400,000**		**$21,800,000**		**$22,200,000**
				$169,841		$173,016		$176,190

DIRECT CAPITALIZATION ANALYSIS

		Low Value	High Value
Typical Year NOI		$1,871,000	$1,871,000
Divided by OAR		0.085	0.080
Indicated Value		$22,011,765	$23,387,500
Less Renovation Costs		0	0
Less PIP		0	0
Net Value		$22,011,765	$23,387,500
Rounded		###########	###########
Price per Room		$174,603	$185,714
REVERSION CALCULATION:			
Net Income for Year:		2023	$2,399,000
Divided by Reversion OAR			0.09
Gross Reversion			$26,655,556
Less Costs of Sale @:		3.0%	799,667
Net Reversion			$25,855,889
	Indices:	$205,205	per hotel unit

Table 20: Direct Cap Valuation

VALUATION INDICES			
Indice	11.5%	11.0%	10.5%
Appraised Value:	$21,400,000	$21,800,000	$22,200,000
Price Per Hotel Room:	$169,841	$173,016	$176,190
OVERALL RATE (OAR)			
OAR- 1st Yr:	7.69%	7.55%	7.41%
OAR- 2nd Yr:	9.92%	9.73%	9.56%
OAR- 3rd Yr:	10.07%	9.89%	9.71%
OAR- 4th Yr:	10.26%	10.07%	9.89%
OAR- Typ Year:	8.74%	8.58%	8.43%
GROSS ROOM RENT MULTIPLIER (GRRM)			
GRRM- 1st Yr:	5.431	5.533	5.635
GRRM- 2nd Yr:	4.693	4.781	4.868
GRRM- 3rd Yr:	4.523	4.608	4.692
GRRM- 4th Yr:	4.397	4.479	4.561
GRRM- Typ Year:	5.031	5.125	5.219
% of PV from CF:	34.96%	34.78%	34.61%

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	2018	1,645,000	1,871,000	(226,000)	0.9009	(203,604)
2.000	2019	2,122,000	1,984,944	137,056	0.8116	111,238
3.000	2020	2,156,000	2,169,002	(13,002)	0.7312	(9,507)
4.000	2021	2,195,000	2,441,231	(246,231)	0.6587	(162,200)
5.000	2022	2,283,000	2,830,055	(547,055)	0.5935	(324,651)
6.000	2023	0	0	0	0.0000	0
7.000	2024	0	0	0	0.0000	0
8.000	2025	0	0	0	0.0000	0
9.000	2026	0	0	0	0.0000	0
10.000	2027	0	0	0	0.0000	0
11.000	2028	0	0	0	0.0000	0
12.000	2029	0	0	0	0.0000	0
				Total PV of Difference		($588,723)
					Rounded:	($590,000)

COMPARISON OF TWO APPROACHES

Direct Capitalization Value		$23,400,000
Less PV of Difference		(590,000)
Adjusted Direct Capitalization Value		23,990,000
Less DCF Value @	11.0%	21,800,000
Difference		2,190,000
Percent Difference		9.13%

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.