APPRAISAL REPORT

Holiday Inn Express Hotel & Suites Emporia Northwest

3007 WEST 18TH AVENUE
EMPORIA, KANSAS

SUBMITTED TO:

Mr. Martin Pinsker
American Hotel Income Properties
1660 - 401 West Georgia Street
Vancouver, BC V6B 5A1

+1 (604) 633-2853

PREPARED BY:

HVS Consulting and Valuation Services
Division of MM&R Valuation Services, Inc.
145 West 17th Street, Suite 400
North Vancouver, BC V7M 3G4

+1 (604) 988-9743

HVS VANCOUVER
145 West 17th Street, Suite 400
North Vancouver, BC V7M 3G4
+1 (604) 988-9743
+1 (604) 988-4625 FAX
www.hvs.com

April 28, 2015

Mr. Martin Pinsker
American Hotel Income Properties
1660 - 401 West Georgia Street
Vancouver, BC V6B 5A1

Re: Holiday Inn Express Hotel & Suites Emporia Northwest
3007 West 18th Avenue
Emporia, Kansas
HVS Reference: 2015020462

Dear Mr. Pinsker:

Pursuant to your request, we herewith submit our appraisal report pertaining to the above-captioned hotel. We have inspected the real estate and analyzed the market conditions in the Emporia, Kansas area. Our report has been prepared in accordance with, and is subject to, the requirements of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) and the Uniform Standards of Professional Appraisal Practice (USPAP), as provided by the Appraisal Foundation.

Based on our analysis, it is our opinion that the "as is" market value of the fee simple interest in the real and personal property of the Holiday Inn Express Hotel & Suites Emporia Northwest, as of April 6, 2015, is:

$8,400,000

EIGHT MILLION FOUR HUNDRED THOUSAND DOLLARS

This value estimate equates to $123,500 per room.

We have made no extraordinary assumptions specific to the subject property. However, several important general assumptions have been made that apply to this report. These aspects are set forth in the Assumptions and Limiting Conditions chapter of this report. We have made no assumptions of hypothetical conditions in our report.

We hereby certify that we have no undisclosed interest in the property, and our employment and compensation are not contingent upon our findings. This study is subject to the comments made throughout this report and to all assumptions and limiting conditions set forth herein.

Sincerely,
MM&R Valuation Services, Inc.

Daniel P. McCoy, MAI, Managing Director, Senior Partner
DMcCoy@hvs.com, +1 (970) 215-0620
State Appraiser License (KS) G-2839

Table of Contents

1. Summary of Salient Data and Conclusions

Property:	Holiday Inn Express Hotel & Suites Emporia Northwest
Location:	3007 West 18th Avenue Emporia, Kansas 66801 Lyon County
Interest Appraised:	Fee Simple
Highest and Best Use (as improved):	Limited-service lodging facility

LAND DESCRIPTION

Area:	1.77 acres, or 77,286 square feet
Zoning:	C-3 - General Commercial District
Assessor's Parcel Number(s):	1930503002005000
FEMA Flood Zone:	X

IMPROVEMENTS DESCRIPTION

Year Opened:	2014
Property Type:	Limited-service lodging facility
Building Area:	41,104 square feet
Guestrooms:	68
Number of Stories:	Three
Food and Beverage Facilities:	A breakfast dining area
Meeting Space:	580 square feet
Additional Facilities:	An indoor pool, a fitness room, a lobby workstation, a market pantry, a guest laundry room, and vending areas
Parking Spaces:	88 (surface)

OPINIONS OF “AS IS” MARKET VALUE - APRIL 6, 2015

Income Capitalization Approach:	$8,400,000
Sales Comparison Approach:	$7,700,000 to $10,800,000
Cost Approach:	Not Applicable
“As Is” Market Value, as of April 6, 2015:	$8,400,000
Market Value Conclusion per Room:	$123,500
Capital Expenditure (if applicable):	$0

ASSIGNMENT CONDITIONS

Extraordinary Assumptions:	We have made no extraordinary assumptions specific to the subject property. However, several important general assumptions have been made that apply to this report. These aspects are set forth in the Assumptions and Limiting Conditions chapter of this report.
Hypothetical Conditions:	We have made no assumptions of hypothetical conditions in our report.

HVS

2. Nature of the Assignment

Subject of the Appraisal

The subject of the appraisal is the fee simple interest in a 1.77-acre (77,286-square-foot) parcel improved with a limited-service lodging facility known as the Holiday Inn Express Hotel & Suites Emporia Northwest. The property opened in 2014 and features 68 rooms, a breakfast dining area, 580 square feet of meeting space, an indoor pool, a fitness room, a lobby workstation, a market pantry, a guest laundry room, and vending areas. The hotel also features all necessary back-of-the-house space. The hotel's civic address is 3007 West 18th Avenue, Emporia, Kansas, 66801.

Property Rights Appraised

The property rights appraised are the fee simple ownership of the real and personal property. The fee simple estate is defined as “absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."[1]

The Holiday Inn Express Hotel & Suites Emporia Northwest is appraised as an open and operating facility. The estimates of market value include the land, improvements, and personal property.

Objective of the Appraisal

The objective of the appraisal is to evaluate the supply and demand factors affecting the market for transient accommodations in the Emporia area for the purpose of developing an opinion of the subject property’s market value. The following definition of market value has been agreed upon by the agencies that regulate federal financial institutions in the United States:

> The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
>
> 1. buyer and seller are typically motivated;

[1] Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed. (Chicago Appraisal Institute, 2010).

2. both parties are well informed or well advised, and acting in what they consider their own best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.[2]

"As is" market value is defined by the Appraisal Institute as follows:

> The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.[3]

Pertinent Dates

The effective date of the "as is" market value opinion is April 6, 2015. The subject property was inspected by Jeff Pennington on April 6, 2015. Daniel P. McCoy, MAI participated in the analysis and reviewed the findings, but did not personally inspect the property.

Ownership, Franchise, and Management History and Assumptions

The subject property is currently owned by Emporia Hospitality, LLC. This entity acquired the subject site in 2012 for an undisclosed sum. The subject property was built in 2013 at a total cost of $6,350,000, including the land. No other transfers of the property have reportedly occurred in the last three years. The "as is" market value opinion in this appraisal is approximately 32% higher than the construction cost, reflecting an entrepreneurial profit for the developer. The "as is" value premium over the replacement cost is due to the current supply and demand imbalance in the market, which would allow the hotel to generate a significant amount of income in the time it would take to develop a similar property from the ground up. The hotel is now under contract for purchase by American Hotel Income Properties REIT, Inc. as part of a portfolio consisting of nine properties with a total of 632 rooms. The contracted price of the entire portfolio is $55,000,000; an individual purchase price for the subject property was not allocated.

The hotel is managed by JDSK Enterprises, Inc., an entity affiliated with ownership. Details pertaining to management terms were not available for our review; however, the existing management agreement is reportedly terminable upon sale. Our appraisal assumes that the subject property will be managed by a professional

[2] *Federal Register*, Vol. 75, No. 237, December 10, 2010: 77472.

[3] Appraisal Institute, The Dictionary of Real Estate Appraisal, 5th ed. (Chicago: Appraisal Institute, 2010).

hotel-operating company, with fees deducted at rates consistent with current market standards. We have assumed a market-appropriate total management fee of 3.0% of total revenues in our study. Please refer to the Income Capitalization Approach chapter for additional discussion pertaining to our management fee assumptions.

The hotel currently operates as a Holiday Inn Express Hotel & Suites under a license agreement with Holiday Hospitality Franchising, LLC; the existing agreement expires in 2023 and does not carry an option for renewal. The property's current franchise agreement calls for a royalty fee of 6.0% of rooms revenue and a marketing assessment of 3.0% of rooms revenue. We note that the current franchise agreement cannot automatically be transferred to a new owner upon the sale of the property. We have assumed that a buyer would elect to continue to operate the hotel as a Holiday Inn Express Hotel & Suites and would enter into a license agreement that would reflect the current terms as published in the company's Uniform Franchise Offering Circular (UFOC). Such a new license could require upgrades or renovations to the property in order to comply with prevailing brand standards, which would necessitate additional investment. Given the relatively recent opening of the property and its current condition, we have assumed that any such upgrades or renovations would be funded by the forecasted reserve for replacement. The Holiday Inn Express Hotel & Suites franchise is reflected in our forecasts with a royalty fee of 6% of rooms revenue, and a marketing assessment of 3% of rooms revenue. Reservations fees are also due and are included in the rooms expense line item of our forecast.

Holiday Inn Express (and Holiday Inn Express Hotel & Suites) is an upper-midscale, limited-service hotel brand by InterContinental Hotels Group (IHG). According to IHG, Holiday Inn Express is one of the fastest growing hotel brands in its segment. Holiday Inn Express offers competitive rates for both business and leisure travelers. All locations provide the complimentary "Express Start" breakfast bar, and many locations offer recreational amenities such as a swimming pool and/or fitness room. As of year-end 2014, there were 2,060 properties spanning 182,601 rooms in the Americas. In 2014, Holiday Inn Express hotels operated at an average occupancy rate of 68.5%, with an average daily rate of $108.48 and an average RevPAR of $74.26 in the Americas.

We assume that the hotel will retain its current brand affiliation throughout the holding period. Inherent in this assumption is the expectation that the property will be operated in accordance with brand standards, including requirements for services and cleanliness; that the hotel will be maintained in good condition, with all building systems in good working order; and that any necessary refurbishments or renovations will be completed in a timely manner and in accordance with the requirements of the brand. The franchise inspection report provided for our review is dated February 26, 2014. We assume that any deficiencies in the property noted in the report will be addressed in a timely manner and that the hotel will pass all future franchise inspections.

Most Probable Buyer

The subject property is a well-designed, limited-service hotel that would be attractive to active buyers. The hotel enjoys a favorable location in a tertiary market and offers an appropriate array of facilities and amenities. The hotel opened in late 2013 and is in very good condition, which would be considered a major advantage for a potential buyer. It is our opinion that the most probable buyer of the subject property would be a private investment fund, REIT, or ownership group looking to supplement its hotel portfolio. This type of buyer would seek to implement its own management team, or a third-party professional hotel operator, and to maintain a nationally recognized brand affiliation.

Highest and Best Use

Based on our analysis of the subject site, including its location, the surrounding land-use patterns, the available alternate uses, and the market influences of supply and demand, it is our opinion that the property's highest and best use as improved is its current use as a limited-service lodging facility.

Intended Use of the Appraisal

This appraisal report is being prepared for use for the asset evaluation of the subject property.

Identification of the Client and Intended User(s)

The client for this engagement is American Hotel Income Properties. This report is intended for the addressee firm and may not be distributed to or relied upon by other persons or entities.

Assignment Conditions

We have made no extraordinary assumptions specific to the subject property. However, several important general assumptions have been made that apply to this report. These aspects are set forth in the Assumptions and Limiting Conditions chapter of this report.

We have made no assumptions of hypothetical conditions in our report. We have not made any jurisdictional exceptions to the Uniform Standards of Professional Appraisal Practice in our analysis or report.

Marketing and Exposure Periods

Our opinion is that the exposure period for the subject property, prior to our date of value, is estimated to be less than or equal to seven months, while the marketing period for the subject property, subsequent to our date of value, is less than or equal to seven months. Published surveys report marketing time, not the exposure period. Marketing time is an opinion of the amount of time it might take to sell a property at the concluded market value level during the period immediately after the effective date of an appraisal. Currently, marketing time for economy/limited-service hotels is averaging 7.0 months, according to the PWC Real Estate Investor

Survey - Third Quarter 2014, published by PricewaterhouseCoopers. Overall marketing time is averaging 5.3 months for hotels, as reported by the Situs Real Estate Research Corporation's Winter 2015 Real Estate Survey.

Competency

Our qualifications are included as an addendum to this report. These qualifications reflect that we have the competence required to complete this engagement, in accordance with the competency provision of the Uniform Standards of Professional Appraisal Practice. Our knowledge and experience is appropriate for the complexity of this assignment.

Scope of Work

The methodology used to develop this appraisal is based on the market research and valuation techniques set forth in the textbooks authored by Hospitality Valuation Services for the American Institute of Real Estate Appraisers and the Appraisal Institute, entitled *The Valuation of Hotels and Motels,*[4] *Hotels & Motels: Valuations and Market Studies,*[5] *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations,*[6] *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations,*[7] and *Hotels and Motels – Valuations and Market Studies,*[8] as well as in accordance with the Uniform System of Accounts for the Lodging Industry (USALI).

1. All information was collected and analyzed by the staff of HVS. Information such as historical operating statements, franchise and/or management agreements, site plans, floor plans, and leases, as applicable, were supplied by the client or property management.
2. The subject site was evaluated from the viewpoint of its utility for the development and operation of a hotel. The potential existence of surplus or excess land was investigated. We have reviewed adjacent uses, regional and local accessibility attributes, and visibility characteristics. A study of the local neighborhood was undertaken to determine its boundaries, land uses, recent developments, and life-cycle stage. Other aspects of the land, such as soil and subsoil conditions, nuisances, hazards, easements,

---

[4] Stephen Rushmore, *The Valuation of Hotels and Motels*. (Chicago: American Institute of Real Estate Appraisers, 1978).

[5] Stephen Rushmore, *Hotels, Motels and Restaurants: Valuations and Market Studies*. (Chicago: American Institute of Real Estate Appraisers, 1983).

[6] Stephen Rushmore, *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations*. (Chicago: American Institute of Real Estate Appraisers, 1990).

[7] Stephen Rushmore, *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations* (Chicago: Appraisal Institute, 1992).

[8] Stephen Rushmore and Erich Baum, *Hotels and Motels – Valuations and Market Studies.* (Chicago: Appraisal Institute, 2001).

encroachments, zoning, and the current flood zone of the property, have been evaluated.

3. The subject property's improvements were inspected to evaluate their current condition, quality of construction, and design and layout, including any items of physical deterioration or functional obsolescence. A list of facilities and amenities that the property offers has been compiled, and past upgrades of each area of the hotel have been investigated. Recent capital expenditures, as well as planned future upgrades, have been reviewed. The remaining economic life of the hotel has been estimated.

4. Economic and demographic statistics for the subject property's market have been reviewed to identify specific hostelry-related trends that may affect future demand for hotels. Workforce characteristics have been evaluated, including employment trends by sector and unemployment rates. Major businesses and industries operating in the local area were investigated, and local area office statistics and trends were reviewed, as available. Passenger levels and recent changes at the area's pertinent airport have been researched, and visitor demand generators have been identified and evaluated.

5. An STR Trend Report pertaining to historical trends in room-night supply, demand, occupancy, average rate, and RevPAR for the subject property and a group of selected competitors has been ordered and analyzed. Performance levels for each of the competitive hotels have been researched and/or estimated. Ownership, management, facilities, renovations, and other pertinent factors for the competitive properties have been investigated. Potential new hotel supply was researched and quantified. Occupancy levels of the subject property and its existing competition provide a basis for quantifying current accommodated demand in the market. The market for hotel accommodations is segmented based on the specific characteristics of the types of travelers utilizing the area's hotels. By segmenting the demand accommodated by each hotel, the total demand by market segment is quantified. The demand generated by each market segment is then projected by year up through a point of hypothetical market stabilization. Latent demand, if applicable, is estimated and added to the base demand forecast, resulting in a forecast of overall occupancy for the competitive market.

6. Based on the physical, economic, financial, and legal factors influencing the subject property, a conclusion regarding the property's highest and best use, as currently improved, was developed. The highest and best use of the subject land, as if vacant, was also evaluated based on current real estate trends and market conditions.

7. Occupancy of the subject property was projected based on a forecast of overall market penetration, or penetration by market segment. Average rate was projected based on competitive positioning, through the application of an overall ADR penetration rate, or penetration by each market segment's average rate.
8. Historical income and expense statements for the subject hotel have been reviewed, analyzed, and compared to the financial performance of comparable hotels. Inflation forecasts were researched, forming the basis for our own forecast of inflation. A projection of income and expense was prepared in accordance with the USALI, setting forth the anticipated economic benefits of the subject property. All projections are expressed in inflated dollars. Each line item has been reviewed individually. Amounts are forecast based on past performance, expected changes at the property in the future, and comparable hotel performance levels. Property taxes are forecast based on a review of past assessment levels, comparable hotel assessments, and historical tax rates.
9. Our forecast of net income for the subject property is capitalized into an opinion of value via a ten-year mortgage-equity technique, as well as a discounted-cash-flow analysis. Pertinent direct capitalization rates are also reviewed. Recent trends in interest rates, amortization, loan-to-value ratios, and equity return rates, as well as terminal capitalization rates, are researched and applied during this process.
10. As applicable, sales of comparable hotels have been researched for the local market, by brand nationally, and for the greater region as a whole. Among these sales, a smaller set of sales was selected for more detailed review and analysis. An adjustment grid was developed to assist in deriving our opinion of value via the sales comparison approach.
11. The cost approach was deemed inapplicable in the valuation of the subject property because it is not relied upon by hotel investors in the valuation process and requires unsubstantiated calculations to derive an estimate of asset depreciation. An opinion of personal property value is presented, as well as an estimate of replacement cost for insurance purposes, if applicable.
12. The appraisal considers the following three approaches to value: cost, sales comparison, and income capitalization. We have investigated numerous improved sales in the market area and have spoken with buyers, sellers, brokers, property developers, and public officials. Because lodging facilities are income-producing properties that are normally bought and sold on the basis of capitalization of their anticipated stabilized earning power, the greatest weight is given to the value indicated by the income

capitalization approach. We find that most hotel investors employ a similar procedure in formulating their purchase decisions, and thus the income capitalization approach most closely reflects the rationale of typical buyers.

3. Description of the Real Estate

LAND

The subject property is located in northwestern Emporia, in the northwest quadrant of the intersection formed by Interstate 35 and Industrial Road. The street address of the Holiday Inn Express Hotel & Suites Emporia Northwest is 3007 West 18th Avenue, Emporia, Kansas, 66801.

FIGURE 3-1 PLAT MAP

FIGURE 3-2 SITE CHARACTERISTICS

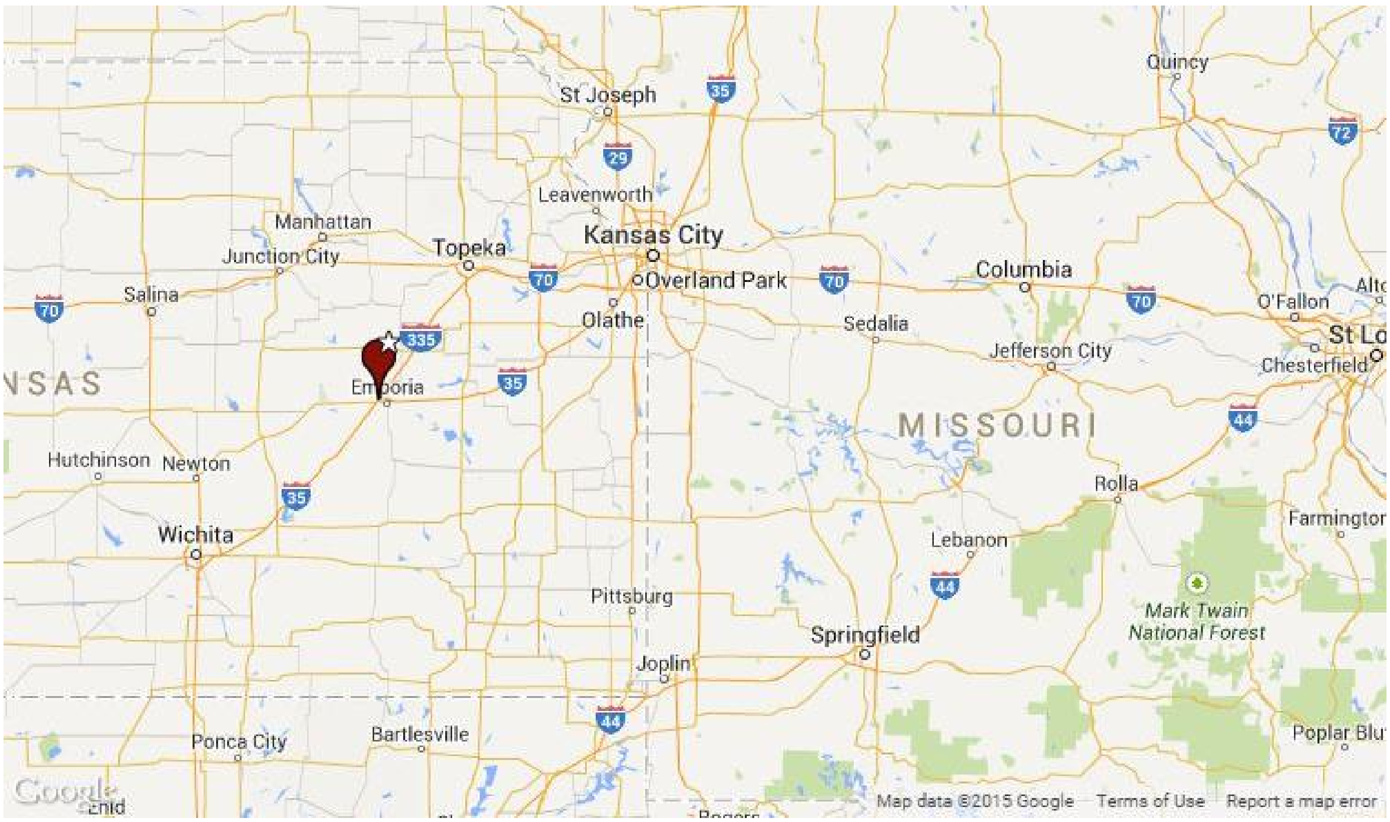
Size (Acres)	1.77
Configuration	Primary vehicular access to the property is provided by West 18th Street. The topography of the parcel gently slopes downhill from east to west, and the site's shape is irregular.
Parcel Number(s)	1930503002005000
Utilities	According to property ownership, the subject site is served by all necessary utilities.
Easements and Encroachments	We are not aware of any easements or encroachments encumbering the property that would significantly affect its utility or marketability.
Soil and Subsoil Conditions	Geological and soil reports were not provided to us or made available for our review during the preparation of this report. We are not qualified to evaluate soil conditions other than by a visual inspection of the surface; no extraordinary conditions were apparent.
Nuisances and Hazards	We were not informed of any site-specific nuisances or hazards, and there were no visible signs of toxic ground contaminants at the time of our inspection. Because we are not experts in this field, we do not warrant the absence of hazardous waste and urge the reader to obtain an independent analysis of these factors.
Zoning	C-3, General Commercial District This zoning designation allows for most commercial uses, including retail and service establishments, small offices, and hotels and motels. We assume that all necessary permits and approvals have been secured (including the appropriate liquor license if applicable) and that the subject property was constructed in accordance with local zoning ordinances, building codes, and all other applicable regulations. Our zoning analysis should be verified before any physical changes are made to the hotel.
Flood Zone	X areas outside the 500-year flood plain; areas of the 500-year flood; areas of the 100-year flood with average depths of less than one foot or with drainage areas less than one square mile and areas protected by levees from the 100-year flood.

The subject site does not contain any significant portion of undeveloped land that could be sold, entitled, and developed for alternate use. The site is considered to be fully developed with site or building improvements.

Access and Visibility

Regional access to/from the city of Emporia and the subject property, in particular, is considered good. The area enjoys a well-developed network of local roadways, highways, and interstates. West 18th Avenue, Industrial Road, Interstate 35, U.S. Highway 50, and Interstate 335 facilitate travel between the subject property and the principal concentrations of business activity and population in the region. The subject building is not visible from Interstate 35 or Industrial Road, as the subject property is set back from the main roads and its visibility is blocked from certain directions by the adjacent hotels. However, the hotel is highly visible from West 18th Street due to its identifiable signage and its frontage along West 18th Street. The subject hotel features freestanding signage in the southeast portion of the site, facing Interstate 35, as well as signage on the façade of the building. Overall, the site’s accessibility attributes and the subject property's visibility characteristics are appropriate and deemed adequate.

MAP OF REGIONAL ACCESS ROUTES



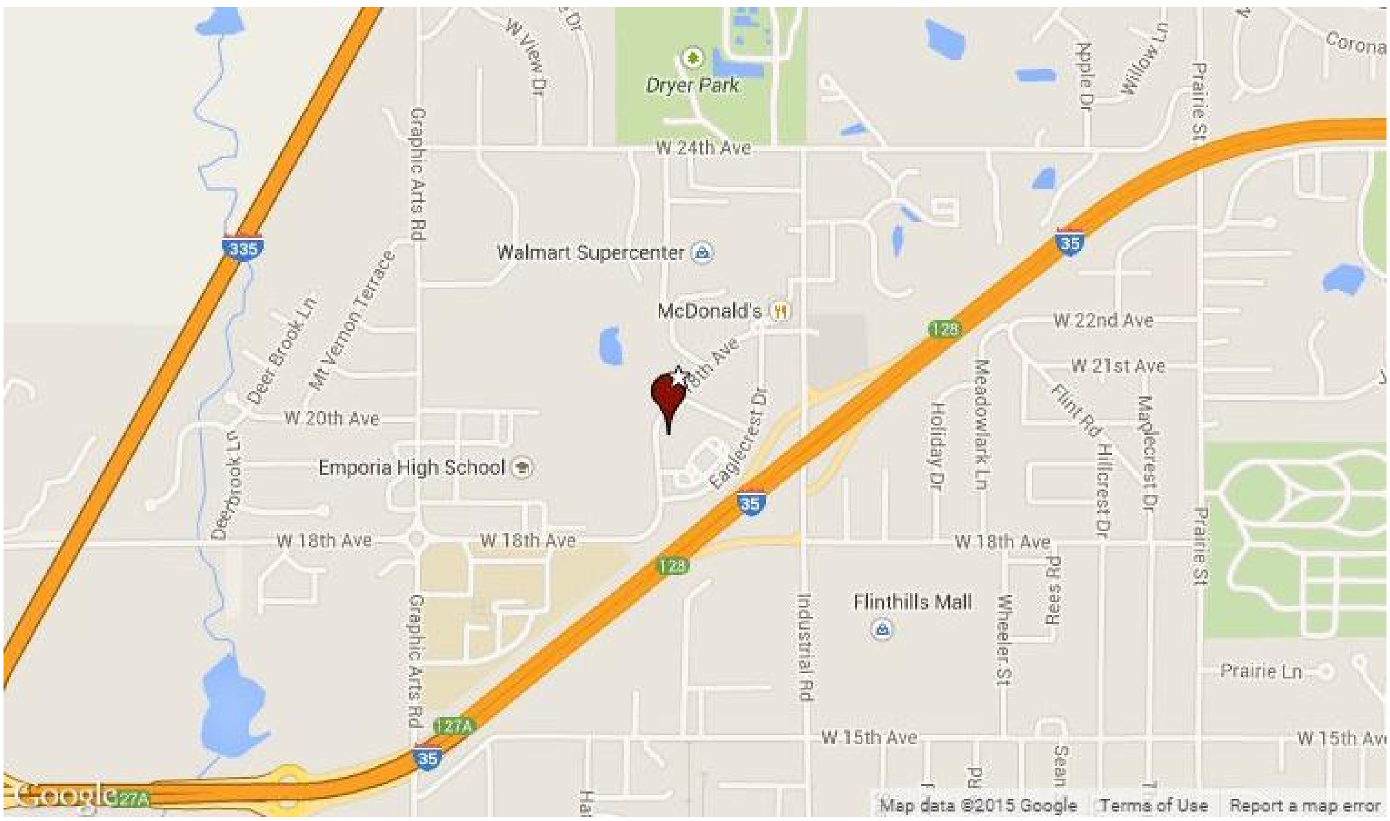
The subject property is served by the Kansas City International Airport, which is located approximately 90 miles to the northeast of the subject site. The subject property is also served by the Wichita Dwight D. Eisenhower National Airport, which is located approximately 75 miles to the southwest of the subject site.

Neighborhood

The subject property's northwestern Emporia neighborhood is generally defined by West 24th Avenue to the north, Interstate 35 to the southeast, and Graphic Arts Road to the west. This neighborhood is in the stable stage of its life cycle and is characterized by restaurants, a supermarket, retail and service shops, hotels, small office buildings, and educational facilities. A former Shell gas station located along Eaglecrest Drive across from Applebee's and the adjacent site containing a car wash were purchased in 2014 following the closure of the facilities. Local officials reported that the new owner of the two sites is planning to demolish the existing structures to potentially build a new hotel, but nothing has been confirmed as of early April 2015. Some specific businesses and entities in the area include Emporia High School, Emporia Middle School, Flint Hills Technical Campus, Walmart

Supercenter, and Comfort Inn. Restaurants located near the subject property include Montana Mike's Steakhouse, Pizza Ranch, Pizza Hut, Applebee's, Starbucks, and IHOP. In general, we would characterize the neighborhood as 40% educational facilities, 30% retail/restaurant use, 10% hotel use, 10% vacant, 5% office use, and 5% other.

MAP OF NEIGHBORHOOD



Conclusion

We have analyzed the issues of size, topography, access, visibility, and the availability of utilities. The subject site is favorably located near the interstate and a major interchange. In general, the site is well suited for hotel use, with acceptable access, visibility, and topography for an effective operation.

IMPROVEMENTS

Property Overview

The Holiday Inn Express Hotel & Suites Emporia Northwest is a limited-service lodging facility containing 68 rentable units. The three-story property opened in 2014.

SUBJECT PROPERTY – FRONT OF HOTEL

SUBJECT PROPERTY – BACK OF HOTEL

Summary of the Facilities

Based on information provided by the subject property's management representatives, the following table summarizes the facilities available at the subject property.

FIGURE 3-3 FACILITIES SUMMARY

Guestroom Configuration	Number of Units
King	20
Queen/Queen	33
One-Bedroom Suite	11
Two-Bedroom Suite	4
Total	68

Food & Beverage Facilities	Seating Capacity
Breakfast Dining Area	28

Meeting & Banquet Facilities	Square Footage
Meeting Room	580

Amenities & Services	
Indoor Swimming Pool	Market Pantry
Fitness Room	Guest Laundry Room
Lobby Workstation	Vending Areas

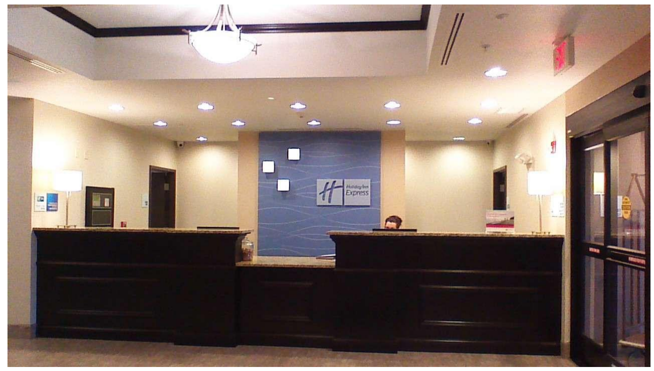
Infrastructure	
Parking Spaces	88
Elevators	1 Guest
Life-Safety Systems	Sprinklers, Smoke Detectors
Construction Details	Wood Framing, Poured Concrete

Site Improvements and Hotel Structure

The hotel comprises one three-story building that is positioned on the northeastern portion of the site. Surface parking is located to the west and south of the building. Other site improvements include signage, located in the southwestern portion of the hotel property, and well-kept landscaping and sidewalks. The hotel's main entrance, located on the west side of the building, leads directly into the lobby. The first floor houses the public areas and the back-of-the-house space, while the guestrooms are located on all levels of the building. The site and the structure appeared to be in very good condition upon inspection. No recent changes were noted by management.

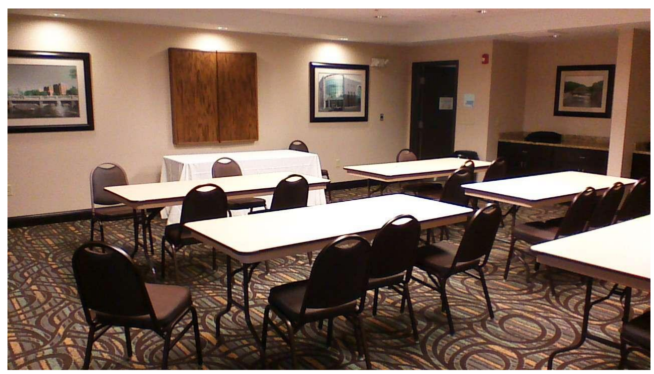
LOBBY SEATING AREA

FRONT DESK

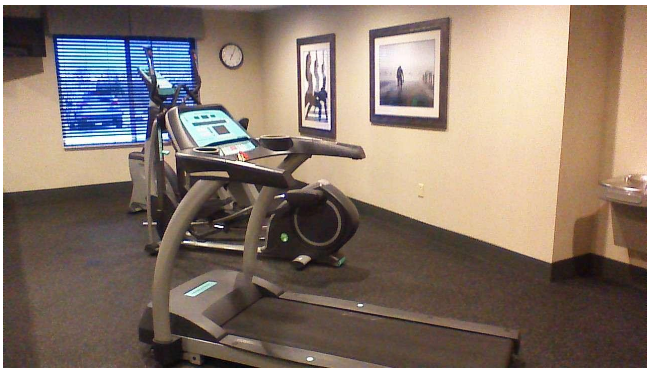


BREAKFAST DINING AREA

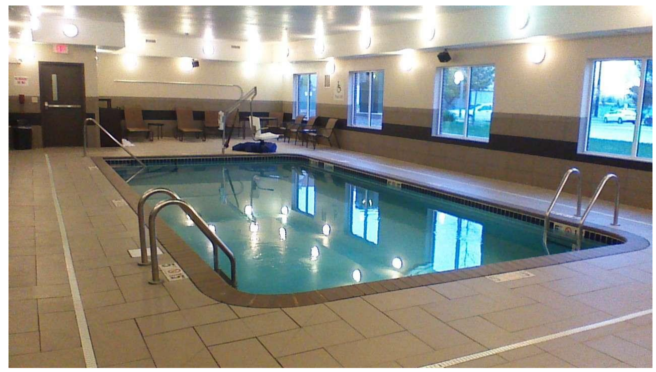
MEETING ROOM



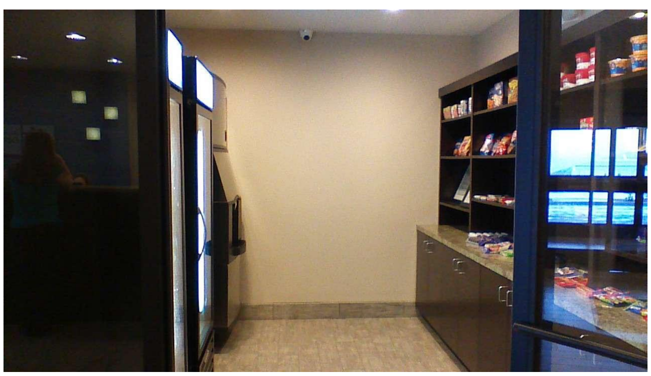
FITNESS ROOM



POOL

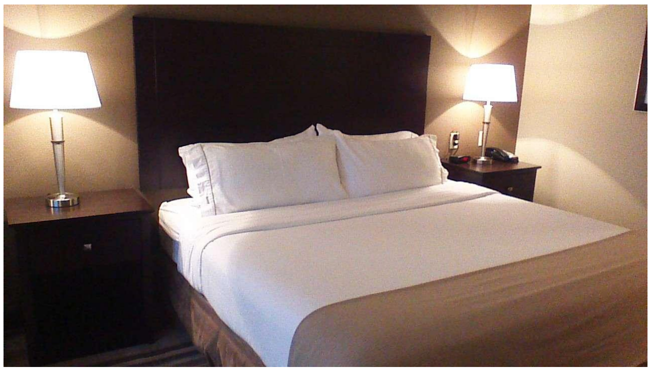


RETAIL

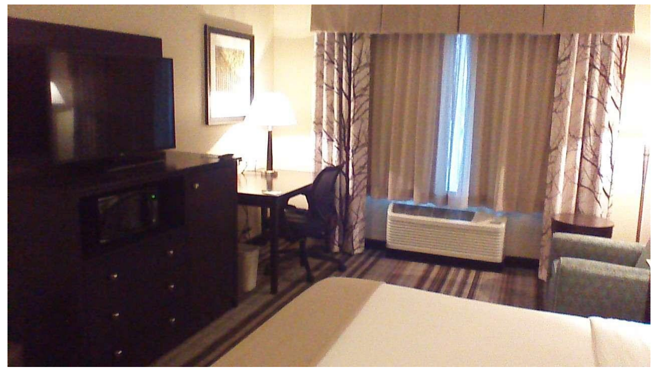


LOBBY WORKSTATION

TYPICAL GUESTROOM – SLEEPING AREA



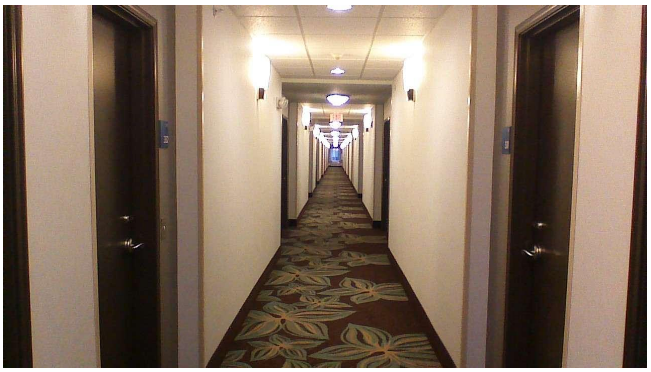
TYPICAL GUESTROOM – LIVING AREA



TYPICAL GUESTROOM BATHROOM – SINK

TYPICAL GUESTROOM BATHROOM – BATH

TYPICAL GUESTROOM – CORRIDOR

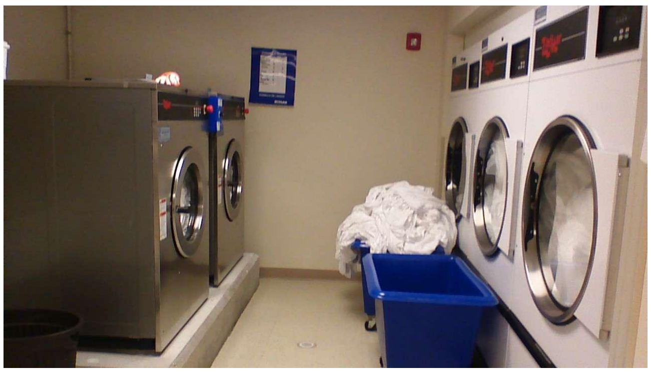


Hotel facilities and amenities include a breakfast dining area, an indoor pool, a meeting room, a fitness room, a two-computer lobby workstation, a market pantry, a guest laundry room, and vending areas. These spaces are functional, appearing to be well kept upon inspection. Given the relatively recent opening of the subject hotel, no updates or renovations to the hotel's public areas were noted by management. The hotel features standard and suite-style guestrooms, which offer typical amenities for this hotel's asset class. All guestrooms have a microwave and mini-fridge, while suite-style guestrooms offer a wet-bar with a sink and a separate living area. The guestrooms have not been updated since the hotel's opening. The corridors are also original to the hotel's opening. Overall, the public areas and guestrooms were in very good condition upon inspection.

Back-of-the-House

The subject property is served by the necessary back-of-the-house space, including an in-house laundry facility, administrative offices, and a prep kitchen. The kitchen is located adjacent to the breakfast dining area. The kitchen facilities are appropriate for the scope of service provided, appearing to be in good condition; no significant or persistent problems were reported by hotel management. The in-house laundry facility contains two large-capacity washers and three dryers. The hotel's back-of-the-house equipment and appliances were reported to be operational at the time of inspection and appeared to be in good condition.

LAUNDRY



KITCHEN/FOOD PREP AREA

ADA and Environmental

According to information provided by management representatives, there are no environmental hazards present in the subject property's improvements, nor did we observe any. The property reportedly complies with the Americans with Disabilities Act.

Functional Obsolescence

Due to the relatively new construction of the subject property, we found no indications of functional obsolescence.

Effective Age and Remaining Economic Life

Our opinion of effective age and remaining economic life for the building is presented as follows.

FIGURE 3-4 EFFECTIVE AGE AND REMAINING ECONOMIC LIFE

Typical Economic Life	45	Years
Chronological Age	1	
Effective Age	1	
Remaining Economic Life	44	

Hotels are typically renewed on a regular basis. With good ongoing maintenance and regular upgrading, the remaining economic life can be periodically extended.

Capital Expenditures

According to hotel ownership, there have been no major capital expenditures since the hotel's opening in December 2013.

Our analysis specifically assumes that the hotel will require ongoing renovations in order to maintain the Holiday Inn Express Hotel & Suites flag, as well as its RevPAR position in this market, as forecast in this report. These costs should be adequately funded by the forecasted reserve for replacement.

HVS

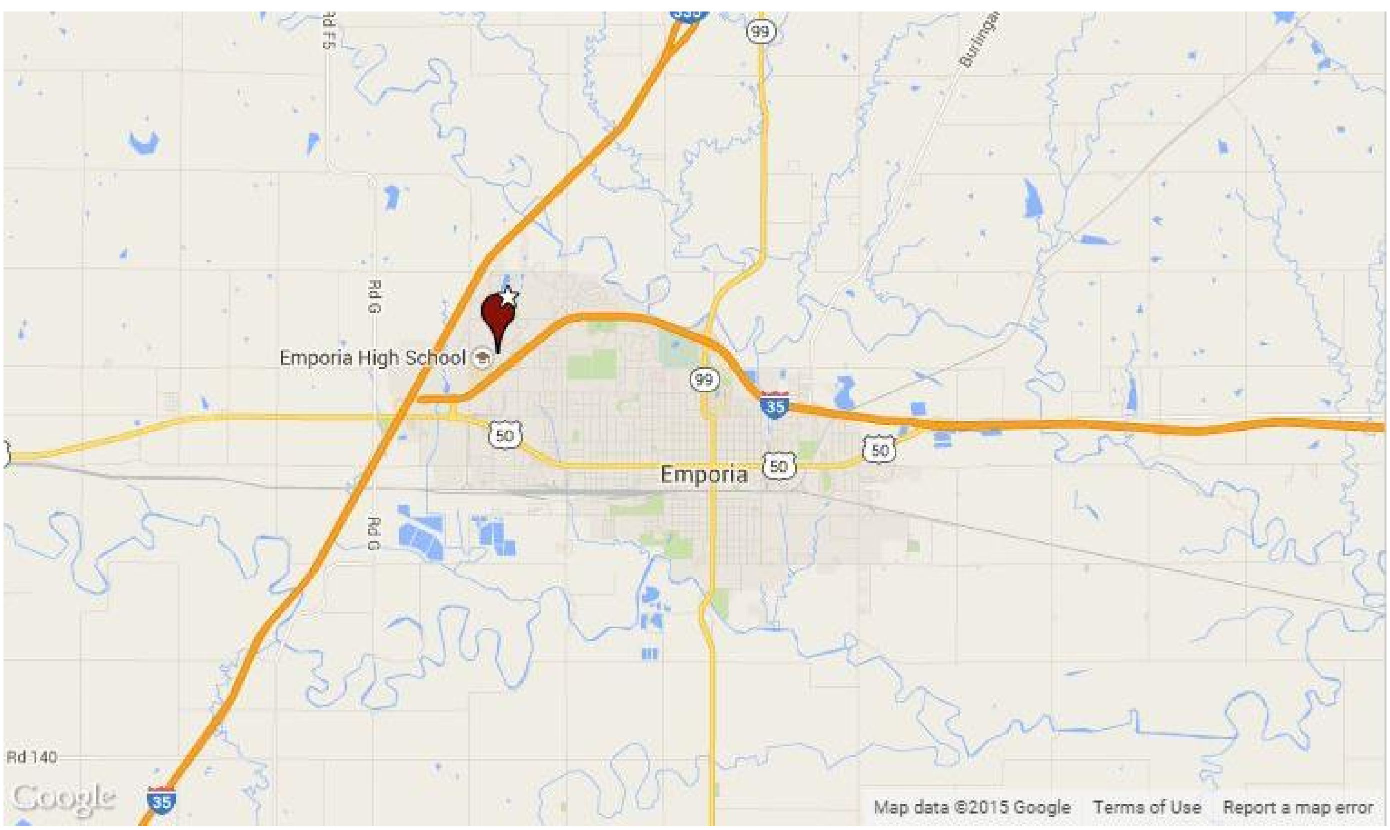
4. Market Area Analysis

Market Area Definition

The market area for a lodging facility is the geographical region where the sources of demand and the competitive supply are located. The subject property is located in the city of Emporia, the county of Lyon, and the state of Kansas. Emporia is located in eastern Kansas, between Kansas City and Wichita, and is the county seat of Lyon County. The city was incorporated in 1857. The Neosho River and Cottonwood River flow through Emporia on the north and south sides of town, respectively. The local economic base is supported by a variety of sectors and industries, including food processing and production, education, manufacturing, and health care.

The following exhibit illustrates the market area.

MAP OF MARKET AREA



Economic and Demographic Review

A primary source of economic and demographic statistics used in this analysis is the *Complete Economic and Demographic Data Source* published by Woods & Poole Economics, Inc.—a well-regarded forecasting service based in Washington, D.C. Using a database containing more than 900 variables for each county in the nation, Woods & Poole employs a sophisticated regional model to forecast economic and demographic trends. Historical statistics are based on census data and information published by the Bureau of Economic Analysis. Projections are formulated by Woods & Poole, and all dollar amounts have been adjusted for inflation, thus reflecting real change.

These data are summarized in the following table.

FIGURE 4-1 ECONOMIC AND DEMOGRAPHIC DATA SUMMARY

	2000	2010	2014	2020	Average Annual Compounded Change 2000-10	2010-14	2014-20
Resident Population (Thousands)							
Lyon County	36.0	33.7	34.1	34.6	(0.7) %	0.3 %	0.3 %
State of Kansas	2,693.7	2,859.1	2,941.5	3,087.4	0.6	0.7	0.8
United States	282,162.4	309,330.2	320,976.9	340,554.3	0.9	0.9	1.0
Per-Capita Personal Income*							
Lyon County	$25,199	$27,691	$29,285	$31,646	0.9	1.4	1.3
State of Kansas	34,246	37,919	40,380	43,846	1.0	1.6	1.4
United States	36,473	39,144	41,079	44,387	0.7	1.2	1.3
W&P Wealth Index							
Lyon County	74.1	74.1	74.3	74.2	(0.0)	0.1	(0.0)
State of Kansas	95.6	98.2	99.3	99.8	0.3	0.3	0.1
United States	100.0	100.0	100.0	100.0	0.0	0.0	0.0
Food and Beverage Sales (Millions)*							
Lyon County	$37	$35	$36	$39	(0.6)	1.0	1.2
State of Kansas	3,136	3,521	3,824	4,234	1.2	2.1	1.7
United States	368,842	447,396	490,340	548,160	1.9	2.3	1.9
Total Retail Sales (Millions)*							
Lyon County	$438	$439	$473	$503	0.0	1.9	1.0
State of Kansas	34,561	36,180	39,903	44,316	0.5	2.5	1.8
United States	3,902,969	4,149,070	4,617,326	5,187,469	0.6	2.7	2.0

* Inflation Adjusted

Source: Woods & Poole Economics, Inc.

The U.S. population has grown at an average annual compounded rate of 0.9% from 2010 through 2014. The county's population has grown more slowly than the nation's population; the average annual growth rate of 0.3% between 2010 and 2014 reflects a gradually expanding area. Following this population trend, per-capita personal income increased slowly, at 1.4% on average annually for the county between 2010 and 2014. Local wealth indexes have remained stable in recent years, registering a relatively low 74.3 level for the county in 2014.

Food and beverage sales totaled $36 million in the county in 2014, versus $35 million in 2010. This reflects a 1.0% average annual change, which is stronger than the -0.6% pace recorded in the prior decade, the latter years of which were adversely affected by the recession. Over the long term, the pace of growth is forecast to moderate to a more sustainable level of 1.2%, which is forecast through 2020. The retail sales sector demonstrated an annual change of 0.0% registered in the decade 2000 to 2010, followed by an increase of 1.9% in the period 2010 to 2014. An increase of 1.0% average annual change is expected in county retail sales through 2020.

Workforce Characteristics

The characteristics of an area's workforce provide an indication of the type and amount of transient visitation likely to be generated by local businesses. Sectors such as finance, insurance, and real estate (FIRE); wholesale trade; and services produce a considerable number of visitors who are not particularly rate-sensitive. The government sector often generates transient room nights, but per-diem reimbursement allowances often limit the accommodations selection to budget and mid-priced lodging facilities. Contributions from manufacturing, construction, transportation, communications, and public utilities (TCPU) employers can also be important, depending on the company type.

The following table sets forth the county workforce distribution by business sector in 2000, 2010, and 2014, as well as a forecast for 2020.

FIGURE 4-2 HISTORICAL AND PROJECTED EMPLOYMENT (000S)

Industry	2000	Percent of Total	2010	Percent of Total	2014	Percent of Total	2020	Percent of Total	Average Annual Compounded Change 2000-2010	2010-2014	2014-2020
Farm	1.0	4.4 %	0.9	4.8 %	0.9	4.8 %	0.9	4.7 %	(1.4) %	0.7 %	0.3 %
Forestry, Fishing, Related Activities And Other	0.1	0.4	0.1	0.3	0.1	0.4	0.1	0.4	(4.1)	2.3	0.7
Mining	0.1	0.3	0.1	0.5	0.1	0.5	0.1	0.5	2.1	2.7	0.7
Utilities	0.1	0.5	0.1	0.6	0.1	0.6	0.1	0.6	0.4	0.4	(0.9)
Construction	0.9	3.7	0.7	3.6	0.6	3.3	0.7	3.5	(2.5)	(1.1)	1.4
Manufacturing	5.7	24.4	3.0	15.9	2.8	14.9	2.9	14.4	(6.3)	(1.1)	0.1
Total Trade	3.2	13.6	2.6	14.0	2.7	14.0	2.8	14.0	(1.9)	0.6	0.5
Wholesale Trade	0.6	2.8	0.6	3.3	0.7	3.5	0.7	3.7	(0.3)	2.0	1.3
Retail Trade	2.5	10.9	2.0	10.7	2.0	10.5	2.0	10.3	(2.4)	0.2	0.2
Transportation And Warehousing	0.4	1.8	0.4	2.0	0.4	2.2	0.4	2.1	(1.2)	2.4	(0.0)
Information	0.7	3.0	0.2	1.2	0.2	1.2	0.2	1.3	(10.5)	(0.1)	1.2
Finance And Insurance	0.4	1.8	0.4	2.4	0.5	2.4	0.5	2.4	0.4	0.4	0.5
Real Estate And Rental And Lease	0.3	1.2	0.3	1.5	0.3	1.6	0.3	1.6	0.4	1.6	1.0
Total Services	5.6	23.9	5.1	27.2	5.6	29.1	5.9	29.9	(0.9)	2.4	1.0
Professional And Technical Services	0.3	1.5	0.3	1.7	0.3	1.7	0.3	1.8	(0.7)	0.7	0.7
Management Of Companies And Enterprises	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	(6.7)	0.0	0.0
Administrative And Waste Services	0.9	3.9	0.8	4.3	0.8	4.4	0.9	4.4	(1.4)	1.5	0.4
Educational Services	0.1	0.3	0.1	0.4	0.1	0.4	0.1	0.4	0.7	2.1	1.5
Health Care And Social Assistance	1.5	6.4	1.6	8.3	1.9	10.2	2.2	11.4	0.4	5.9	2.4
Arts, Entertainment, And Recreation	0.2	0.7	0.1	0.6	0.1	0.6	0.1	0.6	(3.2)	0.7	0.3
Accommodation And Food Services	1.6	7.0	1.4	7.6	1.4	7.5	1.4	7.1	(1.4)	0.1	(0.2)
Other Services, Except Public Administration	0.9	4.1	0.8	4.2	0.8	4.3	0.8	4.2	(1.7)	0.7	0.3
Total Government	4.9	20.8	4.8	26.0	4.8	25.0	4.9	24.7	(0.0)	(0.3)	0.3
Federal Civilian Government	0.2	0.7	0.1	0.7	0.1	0.6	0.1	0.5	(2.5)	(3.1)	(0.9)
Federal Military	0.2	0.7	0.1	0.8	0.1	0.8	0.1	0.7	(1.8)	0.7	0.1
State And Local Government	4.5	19.4	4.6	24.5	4.5	23.7	4.6	23.4	0.1	(0.2)	0.3
TOTAL	23.3	100.0 %	18.7	100.0 %	19.1	100.0 %	19.8	100.0 %	(2.2) %	0.6 %	0.6 %
U.S.	165,371.0	—	173,626.7	—	183,038.2	—	198,343.5	—	0.7	1.3	1.3

Source: Woods & Poole Economics, Inc.

Woods & Poole Economics, Inc. reports that during the period from 2000 to 2010, total employment in the county contracted at an average annual rate of -2.2%. This trend lagged the national average, reflecting the contracting nature of the local economy. More recently, the pace of total employment growth in the county accelerated to 0.6% on an annual average from 2010 to 2014, reflecting the initial years of the recovery.

Of the primary employment sectors, Total Services recorded the highest increase in number of employees during the period from 2010 to 2014, increasing by 494 people, or 9.7%, and rising from 27.2% to 29.1% of total employment. Of the various service sub-sectors, Health Care And Social Assistance and Accommodation And Food Services were the largest employers. Forecasts developed by Woods & Poole Economics, Inc. anticipate that total employment in the county will change by 0.6% on average annually through 2020. The trend is below the forecast rate of change for the U.S. as a whole during the same period.

Radial Demographic Snapshot

The following table reflects radial demographic trends for our market area measured by three points of distance from the subject property.

HVS

FIGURE 4-3 DEMOGRAPHICS BY RADIUS

	0.00 - 1.00 miles	0.00 - 3.00 miles	0.00 - 5.00 miles
Population			
2019 Projection	7,073	24,390	27,069
2014 Estimate	6,859	24,163	26,810
2010 Census	6,703	24,092	26,725
2000 Census	6,476	25,970	28,626
Growth 2014-2019	3.1%	0.9%	1.0%
Growth 2010-2014	2.3%	0.3%	0.3%
Growth 2000-2010	3.5%	-7.2%	-6.6%
Households			
2019 Projection	2,947	9,789	10,832
2014 Estimate	2,843	9,624	10,651
2010 Census	2,758	9,502	10,518
2000 Census	2,678	9,918	10,924
Growth 2014-2019	3.7%	1.7%	1.7%
Growth 2010-2014	3.1%	1.3%	1.3%
Growth 2000-2010	3.0%	-4.2%	-3.7%
Income			
2014 Est. Average Household Income	$59,781	$49,372	$50,112
2014 Est. Median Household Income	49,305	38,863	39,384
2014 Est. Civ Employed Pop 16+ by Occupation	3,412	12,086	13,374
Architect/Engineer	23	83	93
Arts/Entertain/Sports	40	109	114
Building Grounds Maint	122	594	694
Business/Financial Ops	146	331	360
Community/Soc Svcs	54	182	198
Computer/Mathematical	7	29	35
Construction/Extraction	133	515	564
Edu/Training/Library	410	1,034	1,101
Farm/Fish/Forestry	18	105	133
Food Prep/Serving	190	806	873
Health Practitioner/Tec	117	407	464
Healthcare Support	41	288	318
Maintenance Repair	107	419	481
Legal	11	35	37
Life/Phys/Soc Science	13	20	22
Management	245	703	826
Office/Admin Support	529	1,637	1,812
Production	372	1,506	1,672
Protective Svcs	63	250	285
Sales/Related	401	1,316	1,408
Personal Care/Svc	77	567	600
Transportation/Moving	292	1,147	1,284

Source: The Nielsen Company

This source reports a population of 26,810 within a five-mile radius of the subject property, and 10,651 households within this same radius. Average household income within a five-mile radius of the subject property is currently reported at $50,112, while the median is $39,384.

Unemployment Statistics

The following table presents historical unemployment rates for the subject property's market area.

FIGURE 4-4 UNEMPLOYMENT STATISTICS

Year	County	State	Country
2004	4.6 %	5.5 %	5.5 %
2005	4.6	5.0	5.1
2006	4.2	4.4	4.6
2007	4.1	4.2	4.6
2008	5.9	4.6	5.8
2009	6.1	6.9	9.3
2010	6.4(M)	7.1	9.6
2011	6.1(M)	6.5	8.9
2012	5.5(M)	5.8	8.1
2013	6.8(M)	5.3	7.4
Recent Month - January			
2014	5.9 %	5.2 %	6.6 %
2015	5.1	4.6	5.7

* Letters shown next to data points (if any) reflect revised population controls and/or model re-estimation implemented by the BLS.

Source: U.S. Bureau of Labor Statistics

The unemployment rate for the U.S. fluctuated within the narrow range of 4.6% to 5.5% in the period spanning from 2004 to 2007. The recession and financial crisis in 2007 and 2008 resulted in heightened unemployment rates, which peaked at 10.0% in October of 2009. Job growth resumed in late 2009; the national unemployment rate has steadily declined since 2010. Total nonfarm payroll employment increased by 257,000 and 295,000 in the most recent months of January and February, respectively, with gains relatively widespread and particularly strong in the food services and drinking places, professional and business services, construction, health care, and transportation and warehousing categories. The unemployment rate was 5.5% in February of 2015, slightly lower than the 5.7% rate in January. The positive gains in employment reflect steady progress by the U.S. economy.

Locally, the unemployment rate was 6.8(M)% in 2013; for this same area in 2015, the most recent month's unemployment rate was registered at 5.1%, versus 5.9% for the same month in 2014. After showing year-over-year improvement, unemployment began to rise in 2008 as the region entered an economic slowdown and the area's largest employer, Tyson, significantly reduced its workforce. This negative trend continued through 2010 as the height of the national recession took hold. However, unemployment declined in 2011 and 2012 as the economy rebounded. Unemployment increased significantly in 2013 due to the temporary closure of the Hostess plant in Emporia. Although the 2014 statistics have yet to be published, the most recent comparative period illustrates improvement, indicated by the lower unemployment rate in the latest available data for 2015. Our interviews with economic development officials reflect a positive outlook, primarily attributed to expansions and hiring efforts at several of the area's major employers.

Major Business and Industry

Providing additional context for understanding the nature of the regional economy, the following table presents a list of the major employers in the subject property's market.

FIGURE 4-5 MAJOR EMPLOYERS

Rank	Firm	Number of Employees
1	Tyson Fresh Meats	964
2	U.S.D. # 253	788
3	Emporia State University	737
4	Hostess Brands	412
5	Newman Regional Health	396
6	Simmons Pet Food	360
7	Lyon County	257
8	City of Emporia	240
9	Hopkins Manufacturing Corporation	240
10	Birch Communication	226

Source: Regional Development Association of East Central Kansas, 2014

Emporia is a regional hub for manufacturing, education, transportation, trade, and medical services in East Central Kansas. Interstate 35 and the Burlington Northern Santa Fe Railway pass through Emporia, which both contribute to the city's economy. As of early 2015, Emporia State University had over 5,800 students enrolled. Flint Hills Technical College offers training in a variety of fields, including dentistry, construction, automotive technology, and industrial engineering technology. Hostess Brands operates its flagship bakery in Emporia. Operations were closed down in 2012 due to bankruptcy; however, in 2013, new ownership reopened the facility. From 2013 to 2015, the plant underwent a $50-million expansion, which included a new 36,000-square-foot warehouse and distribution center along with the installation of new baking and packaging equipment. Other recent expansions in the area include $20 million in upgrades at the Simmons Pet Food plant and the hiring of an additional 120 employees at the Birch Communications call center in Emporia. Furthermore, Wolf Creek Generating Station is a nuclear power plant located to the southwest of Emporia and generates business in the surrounding areas, particularly during maintenance and inspection periods. The variety of economic anchors in and around Emporia should continue to support the area's economy.

Airport Traffic

Airport passenger counts are important indicators of lodging demand. Depending on the type of service provided by a particular airfield, a sizable percentage of arriving passengers may require hotel accommodations. Trends showing changes in passenger counts also reflect local business activity and the overall economic health of the area.

Kansas City International Airport (MCI) is located 15 miles northwest of Kansas City, Missouri. MCI passenger terminals have a unique structure comprising three terminals in the shape of rings. Each ring has short-term parking in its center; the Kansas City Airport also has several off-site airport parking facilities. Kansas City International is not a hub of any major airline, allowing the city to benefit from ample choices of flights among many airlines, which accordingly keeps travel costs into and out of the airport relatively low. In 2013, city officials approved preliminary plans to move forward with the long-discussed conversion of the airport to a single-terminal facility. However, this $1.2-billion project is contingent upon public bond issues and other financial considerations. A final proposal for the project will reportedly be voted on in the fall of 2015.

The following table illustrates recent operating statistics for the Kansas City International Airport, which is the primary airport facility serving the subject property's submarket.

HVS

FIGURE 4-6 AIRPORT STATISTICS - KANSAS CITY INTERNATIONAL AIRPORT

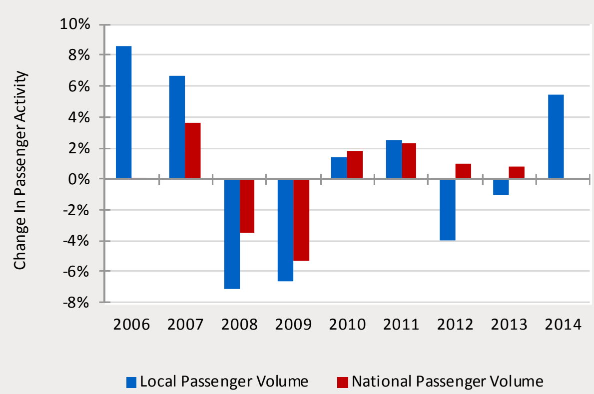
Year	Passenger Traffic	Percent Change*	Percent Change**
2005	9,730,909	—	—
2006	10,569,590	8.6 %	8.6 %
2007	11,275,951	6.7	7.6
2008	10,469,892	(7.1)	2.5
2009	9,774,972	(6.6)	0.1
2010	9,912,203	1.4	0.4
2011	10,158,452	2.5	0.7
2012	9,749,507	(4.0)	0.0
2013	9,644,264	(1.1)	(0.1)
2014	10,166,879	5.4	0.5
Year-to-date, January			
2014	680,606	—	—
2015	701,241	3.0 %	—

*Annual average compounded percentage change from the previous year

**Annual average compounded percentage change from first year of data

Source: Kansas City International Airport

FIGURE 4-7 LOCAL PASSENGER TRAFFIC VS. NATIONAL TREND



Source: HVS, Local Airport Authority

This facility recorded 10,166,879 passengers in 2014. The change in passenger traffic between 2013 and 2014 was 5.4%. The average annual change during the period shown was 0.5%.

Tourist Attractions

Given the rural location of the subject market, leisure demand generated by tourist attractions is limited. The annual Dirty Kanza endurance gravel road race is a draw for cyclist throughout the region. Limited weekend demand is generated by events at Emporia State University. This type of demand should remain in place in the near future.

Conclusion

This section discussed a wide variety of economic indicators for the pertinent market area. Emporia is experiencing a period of economic strength and expansion, primarily led by the manufacturing and food processing industries. The stability of the area's educational and healthcare institutions provides a solid foundation for the city's continuing growth. The outlook for the market area is positive.

5. Supply and Demand Analysis

In the lodging industry, supply is measured by the number of guestrooms available, and demand is measured by the number of rooms occupied; the net effect of supply and demand toward equilibrium results in a prevailing price, or average rate. The purpose of this section is to investigate current supply and demand trends as indicated by the current competitive market, resulting in a forecast of market-wide occupancy.

Definition of Subject Hotel Market

The 68-room Holiday Inn Express Hotel & Suites Emporia Northwest is located in Emporia, Kansas.

Historical Supply and Demand Data

Smith Travel Research (STR) is an independent research firm that compiles and publishes data on the lodging industry, routinely used by typical hotel buyers. STR has compiled historical supply and demand data for the subject property and its competitors. This information is presented in the following table, along with the market-wide occupancy, average rate, and rooms revenue per available room (RevPAR). RevPAR is calculated by multiplying occupancy by average rate and provides an indication of how well rooms revenue is being maximized.

FIGURE 5-1 HISTORICAL SUPPLY AND DEMAND TRENDS (STR)

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2006	308	112,590	—	67,459	—	59.9 %	$58.63	—	$35.13	—
2007	262	95,630	(15.1) %	60,921	(9.7) %	63.7	61.82	5.4 %	39.38	12.1 %
2008	262	95,630	0.0	64,900	6.5	67.9	62.41	1.0	42.35	7.5
2009	262	95,630	0.0	60,764	(6.4)	63.5	62.63	0.4	39.80	(6.0)
2010	262	95,630	0.0	59,318	(2.4)	62.0	62.38	(0.4)	38.70	(2.8)
2011	262	95,630	0.0	60,935	2.7	63.7	64.37	3.2	41.02	6.0
2012	262	95,630	0.0	57,330	(5.9)	59.9	67.40	4.7	40.40	(1.5)
2013	258	94,261	(1.4)	68,049	18.7	72.2	67.64	0.4	48.83	20.9
2014	273	99,645	5.7	73,133	7.5	73.4	81.06	19.8	59.50	21.8
Average Annual Compounded Change:										
2006-2014			(1.5) %		1.0 %			4.1 %		6.8 %

Hotels Included in Sample	Competitive Status	Number of Rooms	Year Affiliated	Year Opened
Best Western Hospitality House	*Secondary*	55	Oct 1996	May 1970
Super 8 Emporia	*Secondary*	45	Dec 2009	Oct 1985
La Quinta Inns & Suites Emporia	*Primary*	55	Dec 2014	Dec 1994
Candlewood Suites Emporia	*Primary*	60	May 2001	May 2001
Comfort Inn Emporia	*Primary*	45	Jun 2005	Jun 2005
Holiday Inn Express & Suites Emporia Northwest	***Subject Property***	**68**	**Dec 2013**	**Dec 2013**
	Total	**328**		

Source: STR Global

It is important to note some limitations of the STR data. Hotels are occasionally added to or removed from the sample, and not every property reports data in a consistent and timely manner; these factors can influence the overall quality of the information by skewing the results. These inconsistencies may also cause the STR data to differ from the results of our competitive survey. Nonetheless, STR data provide the best indication of aggregate growth or decline in existing supply and demand; thus, these trends have been considered in our analysis.

The average daily room count in 2014 was 273 for this reporting set, showing an average annual rate of change of -1.5% over the historical period. Opening dates, as available, are presented for each reporting hotel in the previous table.

Local employers, motorists traveling along Interstate 35, Wolf Creek Generating Station, and Emporia State University represent the primary sources of demand for the selected set of competitive hotels in this Emporia market. Occupancy levels increased in 2007 and 2008; however, in 2009 and 2010, occupancy and demand levels declined, largely attributed to decreased travel throughout the region during the Great Recession. Furthermore, local economic development officials reported that Tyson Fresh Meats, one of Emporia's major employers, underwent a significant downsizing at this time. Demand and occupancy levels increased in 2011 as the local and national economy began to improve; however, in early 2012, the Hostess Brands baking facility in Emporia was completely shut down, which caused demand and occupancy in the market to decline. In 2013, ownership reopened the baking facility, helping demand and occupancy levels to rebound. In November of 2013, a former Fairfield Inn by Marriott was closed; however, those lost rooms were quickly replaced by the subject property opening in December of 2013. Occupancy continued to climb in 2014, attributed to activity at the Wolf Creek Generating Station, an increase in the number of leisure travelers along Interstate 35, and ongoing expansions at multiple companies in Emporia. Meanwhile, average rate grew steadily from 2006 to 2013, with only a minimal decline in 2010. In 2014, average rate in the market increased significantly given the opening of the subject hotel in late 2013, which had a positive effect on average rate in the market.

The STR data for the competitive set reflect a market-wide average rate level of $81.06 in 2014, which compares to $67.64 for 2013. These occupancy and average rate trends resulted in a RevPAR level of $59.50 in 2014.

SUPPLY

The following tables summarize the important operating characteristics of the primary competitors and the secondary competitors (if applicable). This information was compiled from personal interviews, inspections, lodging directories, and our in-house library of operating data. The table also sets forth each property's penetration factors; penetration is the ratio between a specific hotel's operating results and the corresponding data for the market. If the penetration factor is greater than 100%, the property is performing better than the market as a whole; conversely, if the penetration is less than 100%, the hotel is performing at a level below the market-wide average. The room count of each secondary competitor has been weighted based on its assumed degree of competitiveness with the subject property.

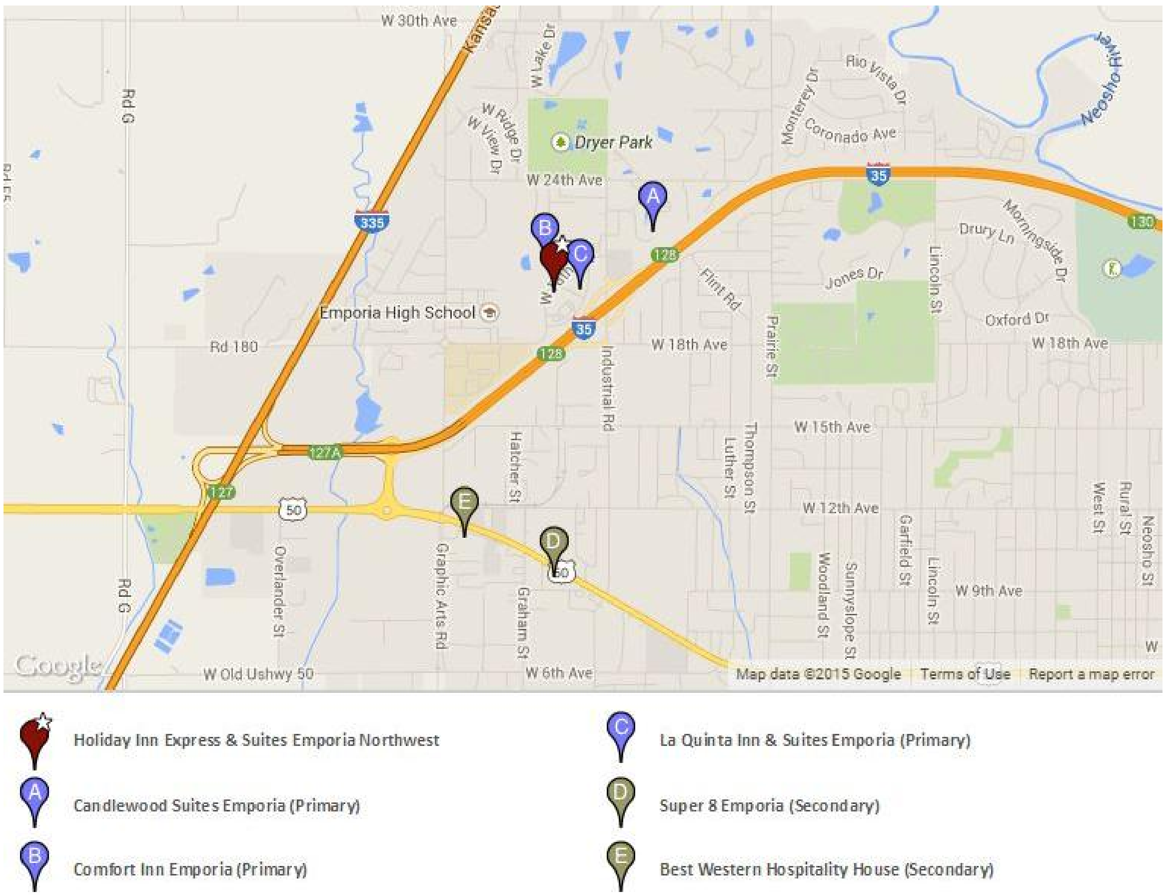
FIGURE 5-2 PRIMARY COMPETITORS – OPERATING PERFORMANCE

Property	Number of Rooms	Est. Segmentation: Commercial	Group	Leisure	Estimated 2012: Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Estimated 2013: Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Estimated 2014: Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Holiday Inn Express Hotel & Suites Emporia Northwest	68	60 %	10 %	30 %	0	0.0 %	$0.00	$0.00	3	45.0 %	$97.52	$43.85	68	82.1 %	$109.09	$89.58	110.6 %	145.9 %
Comfort Inn Emporia	45	60	10	30	45	63	77.00	48.51	45	76	78.00	59.28	45	76	84.00	63.84	102.4	104.0
Candlewood Suites Emporia	60	70	5	25	60	67	70.00	46.90	60	80	72.00	57.60	60	80	77.00	61.60	107.8	100.3
La Quinta Inn & Suites Emporia (former Fairfield Inn)	57	50	10	40	57	60	80.00	48.00	47	70	80.00	56.00	0	0	0.00	0.00	0.0	0.0
Sub-Totals/Averages	**230**	**63 %**	**8 %**	**28 %**	**162**	**63.4 %**	**$75.26**	**$47.73**	**155**	**75.2 %**	**$76.30**	**$57.37**	**173**	**79.8 %**	**$91.72**	**$73.18**	**107.5 %**	**119.2 %**
Secondary Competitors	100	55 %	13 %	33 %	80	54.3 %	$52.64	$28.56	80	67.3 %	$52.66	$35.41	80	62.3 %	$57.65	$35.89	83.8 %	58.5 %
Totals/Averages	**330**	**61 %**	**9 %**	**29 %**	**242**	**60.4 %**	**$68.54**	**$41.39**	**235**	**72.5 %**	**$68.83**	**$49.90**	**253**	**74.2 %**	**$82.68**	**$61.39**	**100.0 %**	**100.0 %**

FIGURE 5-3 SECONDARY COMPETITOR(S) – OPERATING PERFORMANCE

Property	Number of Rooms	Est. Segmentation: Commercial	Group	Leisure	Total Competitive Level	Estimated 2012: Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Estimated 2013: Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Estimated 2014: Weighted Annual Room Count	Occ.	Average Rate	RevPAR
Super 8 Emporia	45	60 %	10 %	30 %	80 %	36	57 %	$50.00	$28.50	36	70 %	$50.00	$35.00	36	65 %	$55.00	$35.75
Best Western Hospitality House	55	50	15	35	80	44	52	55.00	28.60	44	65	55.00	35.75	44	60	60.00	36.00
Totals/Averages	**100**	**55 %**	**13 %**	**33 %**	**80 %**	**80**	**54.3 %**	**$52.64**	**$28.56**	**80**	**67.3 %**	**$52.66**	**$35.41**	**80**	**62.3 %**	**$57.65**	**$35.89**

MAP OF COMPETITION



Our survey of the competitive hotels in the local market shows a range of lodging types and facilities.

Supply Changes

It is important to consider any new hotels that may have an impact on the subject property's operating performance. According to the local planning office, and our research and inspection (as applicable), new supply expected to be competitive within the subject property's competitive submarket is outlined in the following table.

FIGURE 5-4 NEW SUPPLY

Proposed Property	Number of Rooms	Total Competitive Level	Weighted Room Count	Estimated Opening Date	Developer	Development Stage
Breckingridge Hotel Ascend Collection	80	50 %	40	June 1, 2016	Hastco Building Products Inc.	Seeking Financing
Totals/Averages	**80**		**40**			

While we have taken reasonable steps to investigate proposed hotel projects and their status, due to the nature of real estate development, it is impossible to determine with certainty every hotel that will be opened in the future, or what their marketing strategies and effect in the market will be. Depending on the outcome of current and future projects, the future operating potential of the subject property may be positively or negatively affected. Future improvement in market conditions will raise the risk of increased competition. Our forthcoming forecast of stabilized occupancy and average rate is intended to reflect such risk.

DEMAND

The following table presents the most recent trends for the subject hotel market as tracked by HVS. These data pertain to the subject and competitors discussed previously in this section; performance results are estimated, rounded for the competition, and in some cases weighted if there are secondary competitors present. In this respect, the information in the table differs from the previously presented STR data and is consistent with the supply and demand analysis developed for this appraisal.

FIGURE 5-5 HISTORICAL MARKET TRENDS

Year	Accommodated Room Nights	% Change	Room Nights Available	% Change	Market Occupancy	Market ADR	% Change	Market RevPAR	% Change
Est. 2010	55,195	—	88,330	—	62.5 %	$63.63	—	$39.76	—
Est. 2011	56,794	2.9 %	88,330	0.0 %	64.3	65.57	3.1 %	42.16	6.0 %
Est. 2012	53,345	(6.1)	88,330	0.0	60.4	68.54	4.5	41.39	(1.8)
Est. 2013	62,198	16.6	85,805	(2.9)	72.5	68.83	0.4	49.90	20.5
Est. 2014	68,560	10.2	92,345	7.6	74.2	82.68	20.1	61.39	23.0
Avg. Annual Compounded Chg., Est. 2010-Est. 2014:		5.6 %		1.1 %			6.8 %		11.5 %

Demand Analysis Using Market Segmentation

For the purpose of demand analysis, the overall market is divided into individual segments based on the nature of travel. Based on our fieldwork, area analysis, and knowledge of the local lodging market, we estimate the 2014 distribution of accommodated-room-night demand as follows.

FIGURE 5-6 ACCOMMODATED ROOM-NIGHT DEMAND

	Marketwide		Subject Property	
Market Segment	Accommodated Demand	Percentage of Total	Accommodated Demand	Percentage of Total
Commercial	41,924	61 %	12,228	60 %
Group	6,462	9	2,038	10
Leisure	20,174	29	6,114	30
Total	**68,560**	**100 %**	**20,380**	**100 %**

Using the distribution of accommodated hotel demand as a starting point, three segments were defined as representing the subject property's lodging market. Various types of economic and demographic data were then evaluated to determine their propensity to reflect changes in hotel demand. Based on this procedure, we forecast the following average annual compounded market-segment growth rates.

FIGURE 5-7 AVERAGE ANNUAL COMPOUNDED MARKET SEGMENT GROWTH RATES

	Annual Growth Rate				
Market Segment	2015	2016	2017	2018	2019
Commercial	2.0 %	1.5 %	1.0 %	0.5 %	0.5 %
Group	1.5	2.0	1.5	0.5	0.5
Leisure	1.5	1.5	0.5	0.5	0.5
Base Demand Growth	**1.8 %**	**1.5 %**	**0.9 %**	**0.5 %**	**0.5 %**

Accommodated Demand and Market-wide Occupancy

Based upon a review of the market dynamics in the subject property's competitive environment, we have forecast growth rates for each market segment. Using the calculated potential demand for the market, we have determined market-wide accommodated demand based on the inherent limitations of demand fluctuations and other factors in the market area.

The following table details our projection of lodging demand growth for the subject market, including the total number of occupied room nights and any residual unaccommodated demand in the market.

FIGURE 5-8 ACCOMMODATED DEMAND

		2014	2015	2016	2017	2018	2019
Commercial							
Base Demand		41,924	42,763	43,404	43,838	44,057	44,278
Unaccommodated Demand			8,227	8,351	8,434	8,476	8,519
Total Demand			50,990	51,755	52,272	52,534	52,796
Growth Rate			21.6 %	1.5 %	1.0 %	0.5 %	0.5 %
Group							
Base Demand		6,462	6,559	6,690	6,790	6,824	6,858
Total Demand			6,559	6,690	6,790	6,824	6,858
Growth Rate			1.5 %	2.0 %	1.5 %	0.5 %	0.5 %
Leisure							
Base Demand		20,174	20,476	20,783	20,887	20,992	21,097
Unaccommodated Demand			2,412	2,448	2,461	2,473	2,485
Total Demand			22,889	23,232	23,348	23,465	23,582
Growth Rate			13.5 %	1.5 %	0.5 %	0.5 %	0.5 %
Totals							
Base Demand		68,560	69,798	70,877	71,516	71,873	72,233
Unaccommodated Demand			10,639	10,799	10,895	10,949	11,004
Total Demand			80,437	81,677	82,411	82,823	83,237
less: Residual Demand			7,882	1,881	0	0	0
Total Accommodated Demand			72,555	79,795	82,411	82,823	83,237
Overall Demand Growth			5.8 %	10.0 %	3.3 %	0.5 %	0.5 %
Market Mix							
Commercial		61.1 %	63.4 %	63.4 %	63.4 %	63.4 %	63.4 %
Group		9.4	8.2	8.2	8.2	8.2	8.2
Leisure		29.4	28.5	28.4	28.3	28.3	28.3
Existing Hotel Supply		253	310	310	310	310	310
Proposed Hotels							
Breckingridge Hotel Ascend Collection	1			23	40	40	40
Rumored Limited-Service Hotel	2						
Change to Existing Hotels							
La Quinta Inn & Suites Emporia (former Fairfield Inn)	B		32	55	55	55	55
Available Rooms per Night		92,345	104,115	120,980	127,020	127,020	127,020
Nights per Year		365	365	365	365	365	365
Total Supply		253	285	331	348	348	348
Rooms Supply Growth		—	12.7 %	16.2 %	5.0 %	0.0 %	0.0 %
Marketwide Occupancy		**74.2 %**	**69.7 %**	**66.0 %**	**64.9 %**	**65.2 %**	**65.5 %**

[1] Opening in June 2016 of the 50% competitive, 80-room Breckingridge Hotel Ascend Collection
[2] Opening in January 1900 of the 0% competitive, 0-room Rumored Limited-Service Hotel
[B] Change of room count in June 2015 of the 100% competitive, La Quinta Inn & Suites Emporia (former Fairfield Inn)

These room-night projections for the market area will be used in forecasting the subject property's occupancy and average rate in the following chapter.

6. Projection of Occupancy and Average Rate

Along with average rate results, the occupancy levels achieved by a hotel are the foundation of the property's financial performance and market value. Most of a lodging facility's other revenue sources (such as food, beverages, other operated departments, and rentals and other income) are driven by the number of guests, and many expense levels vary with occupancy. To a certain degree, occupancy attainment can be manipulated by management. For example, hotel operators may choose to lower rates in an effort to maximize occupancy. Our forecasts reflect an operating strategy that we believe would be implemented by a typical, professional hotel management team to achieve an optimal mix of occupancy and average rate.

The following table identifies the subject property’s recent performance in comparison to that of the market.

FIGURE 6-1 HISTORICAL TRENDS

	2013	2014	Year-to-Date Through February 2014	Year-to-Date Through February 2015
Holiday Inn Express Hotel & Suites Emporia Northwest				
Occupancy	45.0 %	82.1 %	69.3 %	78.7 %
Change	—	82.6 %	—	13.5 %
Occupancy Penetration	62.3 %	111.9 %		
Average Rate	$97.52	$109.09	$98.89	$113.11
Change	—	11.9 %	—	14.4 %
Average Rate Penetration	144.2 %	134.6 %		
RevPAR	$43.85	$89.58	$68.57	$89.01
Change	—	104.3 %	—	29.8 %
RevPAR Penetration	89.8 %	150.6 %		

	2013	2014
Emporia Submarket		
Occupancy	72.2 %	73.4 %
Change	20.4 %	1.7 %
Average Rate	$67.64	$81.06
Change	0.4 %	19.8 %
RevPAR	$48.83	$59.50
Change	20.9 %	21.8 %

Source: STR Global

Given that the subject property opened in late 2013, an analysis of the hotel's occupancy and average rate trend was limited to the 2014 year-end data and 2015 year-to-date data through February. Given the recent surge of demand levels in the market, as well as the temporary closure of the former Fairfield Inn by Marriott, the subject property opened at an exceptionally strong occupancy level, with a relatively high average rate. As the former Fairfield Inn by Marriott is renovated and reopened as a La Quinta Inn & Suites and other anticipated new supply enters the market, the subject property's occupancy is expected to trend downward to a more sustainable level.

Forecast of Subject Property's Occupancy

The subject property's occupancy level is projected in the following table.

FIGURE 6-2 FORECAST OF SUBJECT PROPERTY'S OCCUPANCY

Market Segment	2014	2015	2016	2017	2018	2019
Commercial						
Demand	41,924	45,024	50,300	52,272	52,534	52,796
Market Share	29.2 %	26.6 %	23.3 %	21.8 %	21.6 %	21.6 %
Capture	12,228	11,986	11,696	11,370	11,360	11,417
Penetration	109 %	112 %	113 %	111 %	111 %	111 %
Group						
Demand	6,462	6,484	6,690	6,790	6,824	6,858
Market Share	31.5 %	28.6 %	24.1 %	21.8 %	21.4 %	21.4 %
Capture	2,038	1,856	1,612	1,480	1,464	1,471
Penetration	117 %	120 %	117 %	112 %	110 %	110 %
Leisure						
Demand	20,174	21,046	22,805	23,348	23,465	23,582
Market Share	30.3 %	27.2 %	23.7 %	22.2 %	22.0 %	22.0 %
Capture	6,114	5,722	5,396	5,174	5,170	5,196
Penetration	113 %	114 %	115 %	113 %	113 %	113 %
Total Room Nights Captured	**20,380**	**19,564**	**18,705**	**18,024**	**17,994**	**18,084**
Available Room Nights	24,820	24,820	24,820	24,820	24,820	24,820
Subject Occupancy	**82 %**	**79 %**	**75 %**	**73 %**	**72 %**	**73 %**
Marketwide Available Room Nights	92,345	104,115	120,980	127,020	127,020	127,020
Fair Share	**27 %**	**24 %**	**21 %**	**20 %**	**20 %**	**20 %**
Marketwide Occupied Room Nights	68,560	72,555	79,795	82,411	82,823	83,237
Market Share	**30 %**	**27 %**	**23 %**	**22 %**	**22 %**	**22 %**
Marketwide Occupancy	**74 %**	**70 %**	**66 %**	**65 %**	**65 %**	**66 %**
Total Penetration	**111 %**	**113 %**	**114 %**	**112 %**	**111 %**	**111 %**

Based on our analysis of the subject property and market area, we have selected a stabilized occupancy level of 73%. The stabilized occupancy is intended to reflect the anticipated results of the property over its remaining economic life, given all changes in the life cycle of the hotel. Thus, the stabilized occupancy excludes from consideration any abnormal relationship between supply and demand, as well as any nonrecurring conditions that may result in unusually high or low occupancies. Although the subject property may operate at occupancies above this stabilized level, we believe it equally possible for new competition and temporary economic downturns to force the occupancy below this selected point of stability.

Average Rate Analysis

The following table illustrates the projected average rate and the growth rates assumed. As a context for the average rate growth factors, note that we have applied an underlying inflation rate of 2.0% in 2015/16, 2.5% in 2016/17, and 3.0% in 2017/18 and thereafter.

FIGURE 6-3 MARKET AND SUBJECT PROPERTY AVERAGE RATE FORECAST

	Areawide (Calendar Year)			Subject Property (Calendar Year)			
Year	Occupancy	Average Rate Growth	Average Rate	Occupancy	Average Rate Growth	Average Rate	Average Rate Penetration
Base Year	74.2 %	—	$82.68	82.0 %	—	$109.09	131.9 %
2015	69.7	3.5 %	85.58	79.0	5.5 %	115.09	134.5
2016	66.0	3.5	88.57	75.0	5.0	120.85	136.4
2017	64.9	3.0	91.23	73.0	3.0	124.47	136.4
2018	65.2	3.0	93.97	72.0	3.0	128.21	136.4
2019	65.5	3.0	96.79	73.0	3.0	132.05	136.4

As illustrated above, a 5.5% rate of change is expected for the subject property's room rate in 2015. This is followed by rates of 5.0% and 3.0% in 2016 and 2017, respectively. The subject property's room rate is anticipated to follow a trend similar to that of the market, increasing in the first projection year. Given the recent opening of the subject property, the average-rate penetration level is expected to continue to ramp up and improve by the stabilized year. Furthermore, once the La Quinta Inn & Suites reopens, the subject property is expected to minimize its reliance on more price-sensitive accounts, which is expected to have a positive effect on average rate growth. Anticipated future economic strength in this market should support longer-term rate improvements for the subject property.

The following table provides a comparison of the historical performance and forecasts for the subject property and competitive set.

FIGURE 6-4 COMPARISON OF HISTORICAL AND PROJECTED OCCUPANCY, AVERAGE RATE, AND REVPAR – SUBJECT PROPERTY AND MARKET

	Historical					Projected					
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Holiday Inn Express Hotel & Suites Emporia Northwest											
Occupancy				45.0 %	82.1 %	78.8 %	75.4 %	72.6 %	72.5 %	72.9 %	73.2 %
Change	—	—	—	—	82.6 %	(4.0) %	(4.4) %	(3.6) %	(0.2) %	0.5 %	0.5 %
Occupancy Penetration				62.0 %	110.6 %	113.1 %	114.3 %	111.9 %	111.2 %	111.2 %	111.2 %
Average Rate				$97.52	$109.09	$115.09	$120.85	$124.47	$128.21	$132.05	$136.02
Change	—	—	—	—	11.9 %	5.5 %	5.0 %	3.0 %	3.0 %	3.0 %	3.0 %
Average Rate Penetration				141.7 %	131.9 %	134.5 %	136.4 %	136.4 %	136.4 %	136.4 %	136.4 %
RevPAR				$43.85	$89.58	$90.72	$91.08	$90.39	$92.95	$96.21	$99.59
Change	—	—	—	—	104.3 %	1.3 %	0.4 %	(0.8) %	2.8 %	3.5 %	3.5 %
RevPAR Penetration				87.9 %	145.9 %	152.1 %	155.9 %	152.7 %	151.7 %	151.7 %	151.7 %

	Historical (Estimated)					Projected					
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Emporia Submarket											
Occupancy	62.5 %	64.3 %	60.4 %	72.5 %	74.2 %	69.7 %	66.0 %	64.9 %	65.2 %	65.5 %	65.9 %
Change	—	2.9 %	(6.1) %	20.0 %	2.4 %	(6.1) %	(5.4) %	(1.6) %	0.5 %	0.5 %	0.5 %
Average Rate	$63.63	$65.57	$68.54	$68.83	$82.68	$85.58	$88.57	$91.23	$93.97	$96.79	$99.69
Change	—	3.1 %	4.5 %	0.4 %	20.1 %	3.5 %	3.5 %	3.0 %	3.0 %	3.0 %	3.0 %
RevPAR	$39.76	$42.16	$41.39	$49.90	$61.39	$59.64	$58.42	$59.19	$61.27	$63.42	$65.65
Change	—	6.0 %	(1.8) %	20.5 %	23.0 %	(2.9) %	(2.0) %	1.3 %	3.5 %	3.5 %	3.5 %

The following occupancies and average rates will be used to project the subject property's rooms revenue; this forecast begins on May 1, 2015, and corresponds with our financial projections.

FIGURE 6-5 FORECAST OF OCCUPANCY, AVERAGE RATE, AND REVPAR

Year	Occupancy	Average Rate	RevPAR
2015/16	78 %	$116.99	$91.25
2016/17	74	122.04	90.31
2017/18	73	125.70	91.76
2018/19	73	129.47	94.52

7. Income Capitalization Approach

The income capitalization approach is based on the principle that the value of a property is indicated by its net return, or what is known as the present worth of future benefits. The future benefits of income-producing properties, such as hotels, are net income before debt service and depreciation (as estimated by a forecast of income and expense) and any anticipated reversionary proceeds from a sale. These future benefits can be converted into an indication of market value through a capitalization process and discounted-cash-flow analysis.

The forecast of income and expense is expressed in current dollars for each year. The stabilized year is intended to reflect the anticipated operating results of the property over its remaining economic life, given any or all applicable stages of build-up, plateau, and decline in the life cycle of the hotel.

The eleven-year forecast of net income forms the basis of a mortgage-equity and discounted-cash-flow analysis, where ten years of net income and a reversion derived from the capitalized eleventh year's net income are discounted back to the date of value and summed to derive an estimate of market value.

Because the value is unknown but the loan-to-value ratio and market rates of return can be estimated, the value is computed by way of a linear algebraic equation. The algebraic equation that solves for the total property value using a ten-year mortgage and equity technique was developed by Suzanne R. Mellen, CRE, MAI, FRICS, ISHC, Senior Managing Director of the San Francisco office of HVS. A complete discussion of the technique is presented in her article entitled "Simultaneous Valuation: A New Technique."[9]

Review of Operating History

The subject property is a relatively new hotel and does not yet have an established operating performance. However, its historical income and expense experience, albeit limited, can still serve as a starting point for projections. The following income and expense statements were provided by current ownership. Where applicable, we have reorganized the statements in accordance with the USALI.

[9] Suzanne Mellen, "Simultaneous Valuation: A New Technique," *Appraisal Journal.* April (1983).

FIGURE 7-1 HISTORICAL OPERATING PERFORMANCE

	2014/15	Fiscal Year Ending February			2014	Calendar Year		
Number of Rooms:	**68**				**68**			
Paid Occupied Rooms:	**20,755**				**20,380**			
Days Open:	**365**				**365**			
Paid Occupancy:	**83.6%**			**Amount**	**82.1%**			**Amount**
Average Rate:	**$111.07**	**Percentage**	**Available**	**Occupied**	**$109.09**	**Percentage**	**Available**	**Occupied**
RevPAR:	**$92.88**	**of Revenue**	**Room**	**Room**	**$89.58**	**of Revenue**	**Room**	**Room**
OPERATING REVENUE								
Rooms	$2,305	99.5 %	$33,901	$111.07	$2,223	99.6 %	$32,695	$109.09
Other Operated Departments	0	0.0	2	0.01	0	0.0	2	0.01
Miscellaneous Income	12	0.5	171	0.56	10	0.4	146	0.49
Total Operating Revenue	2,317	100.0	34,075	111.64	2,233	100.0	32,843	109.59
DEPARTMENTAL EXPENSES*								
Rooms	445	19.3	6,550	21.46	438	19.7	6,448	21.52
Other Operated Departments	5	3217.1	75	0.24	5	4040.4	77	0.26
Total	450	19.4	6,624	21.70	444	19.9	6,525	21.77
DEPARTMENTAL INCOME	1,867	80.6	27,451	89.94	1,790	80.1	26,318	87.81
UNDISTRIBUTED OPERATING EXPENSES								
Administrative & General	209	9.0	3,071	10.06	196	8.8	2,889	9.64
Marketing	91	3.9	1,339	4.39	87	3.9	1,286	4.29
Franchise Fee	212	9.2	3,118	10.22	204	9.1	2,995	9.99
Prop. Operations & Maint.	46	2.0	676	2.21	46	2.1	681	2.27
Utilities	100	4.3	1,473	4.82	96	4.3	1,405	4.69
Total	658	28.4	9,676	31.70	629	28.2	9,256	30.89
GROSS HOUSE PROFIT	1,209	52.2	17,775	58.24	1,160	51.9	17,062	56.93
Management Fee	175	7.6	2,574	8.43	170	7.6	2,507	8.37
INCOME BEFORE NON-OPER. INC. & EXP.	1,034	44.6	15,201	49.80	990	44.3	14,554	48.56
NON-OPERATING INCOME AND EXPENSE								
Property Taxes	71	3.0	1,039	3.40	56	2.5	825	2.75
Insurance	29	1.3	427	1.40	27	1.2	391	1.30
Reserve for Replacement	22	0.9	321	1.05	22	1.0	325	1.08
Total	121	5.2	1,786	5.85	105	4.7	1,540	5.14
EBITDA LESS RESERVE	$912	39.4 %	$13,415	$43.95	$885	39.6 %	$13,014	$43.42
NOI adjusted to reflect a								
3.0% mgmt fee and a 4.0% reserve	$947	40.9 %			$921	41.2 %		

*Departmental expenses are expressed as a percentage of departmental revenues.

FIGURE 7-2 HISTORICAL OPERATING PERFORMANCE (CONTINUED)

	2015	Year-to-Date Ending February			2014	Year-to-Date Ending February		
Number of Rooms:	**68**				**68**			
Paid Occupied Rooms:	**3,157**				**2,782**			
Days Open:	**59**				**59**			
Paid Occupancy:	**78.7%**			**Amount**	**69.3%**			**Amount**
Average Rate:	**$113.11**	**Percentage**	**Available**	**Occupied**	**$98.89**	**Percentage**	**Available**	**Occupied**
RevPAR:	**$89.01**	**of Revenue**	**Room**	**Room**	**$68.57**	**of Revenue**	**Room**	**Room**
OPERATING REVENUE								
Rooms	$357	99.2 %	$5,251	$113.11	$275	99.6 %	$4,045	$98.89
Other Operated Departments	0	0.0	1	0.01	0	0.0	0	0.00
Miscellaneous Income	3	0.8	40	0.86	1	0.4	15	0.35
Total Operating Revenue	360	100.0	5,292	113.99	276	100.0	4,060	99.24
DEPARTMENTAL EXPENSES*								
Rooms	65	18.3	961	20.71	58	21.3	860	21.02
Other Operated Departments	1	2106.8	12	0.27	1	8170.0	15	0.37
Total	66	18.4	974	20.98	60	21.6	875	21.39
DEPARTMENTAL INCOME	294	81.6	4,318	93.01	217	78.4	3,185	77.85
UNDISTRIBUTED OPERATING EXPENSES								
Administrative & General	36	10.0	529	11.39	24	8.5	346	8.46
Marketing	13	3.7	194	4.19	10	3.5	142	3.47
Franchise Fee	33	9.2	488	10.51	25	9.0	365	8.92
Prop. Operations & Maint.	7	1.9	98	2.12	7	2.6	104	2.55
Utilities	19	5.2	276	5.94	14	5.1	208	5.09
Total	108	30.0	1,585	34.14	79	28.7	1,165	28.48
GROSS HOUSE PROFIT	186	51.6	2,733	58.86	137	49.7	2,020	49.37
Management Fee	20	5.5	290	6.24	15	5.5	223	5.45
INCOME BEFORE NON-OPER. INC. & EXP.	166	46.2	2,443	52.62	122	44.3	1,797	43.92
NON-OPERATING INCOME AND EXPENSE								
Property Taxes	15	4.0	214	4.61	0	0.0	0	0.00
Insurance	6	1.6	86	1.86	3	1.2	50	1.22
Reserve for Replacement	3	0.9	46	1.00	3	1.3	51	1.24
Total	24	6.5	347	7.47	7	2.5	101	2.47
EBITDA LESS RESERVE	$143	39.7 %	$2,096	$45.15	$115	41.8 %	$1,696	$41.45
NOI adjusted to reflect a 3.0% mgmt fee and a 4.0% reserve	$140	39.0 %			$115	41.5 %		

*Departmental expenses are expressed as a percentage of departmental revenues.

Only one full year of operating history was provided for our review along with year-to-date data through February for 2015. The 2014/15 base year illustrates an overall positive trend in profitability, owing to increases in rooms revenue as the subject hotel continues to ramp up its operations. Revenues associated with telephone charges are included in the other operated departments line. Miscellaneous income sources include the hotel's meeting room rental fees, vending machine and market pantry revenues, rollaway beds and mini-fridge rental fees, and other operating income. Departmental and operating expenses remained stable as a percentage of total revenue when compared with 2014 levels. Fixed expenses increased somewhat with higher property tax payments. As a result, the overall 2014/15 net operating income (NOI) remained stable as a percentage of total revenue when compared to the 2014 NOI ratio.

Comparable Operating Statements

In order to gauge the subject hotel's profitability, we have reviewed the following individual income and expense statements from comparable hotels, derived from our database of hotel income and expense statements. All financial data are presented according to the three most common measures of industry performance: ratio to sales (RTS), amounts per available room (PAR), and amounts per occupied room night (POR). These historical income and expense statements will be used as benchmarks in our forthcoming forecast of income and expense. The subject property's 2014/15 operating history has been included to facilitate a comparison. The stabilized statement of income and expense, in 2014/15 dollars, is presented as well.

FIGURE 7-3 COMPARABLE OPERATING STATEMENTS: RATIO TO SALES

	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject Stabilized $
Year:	2014/15	2013/14	2013/14	2011/12	2013/14	2013/14	2014/15
Number of Rooms:	68	50 to 70	50 to 70	70 to 90	60 to 90	70 to 100	68
Days Open:	365	365	365	366	365	365	365
Occupancy:	83.6%	76%	77%	71%	73%	71%	73%
Average Rate:	$111.07	$111	$115	$113	$116	$118	$117
RevPAR:	$92.88	$84	$89	$80	$84	$84	$85
REVENUE							
Rooms	99.5 %	99.7 %	98.8 %	98.0 %	98.7 %	94.7 %	99.5 %
Other Operated Departments	0.0	0.3	1.2	2.0	1.3	4.6	0.0
Rentals & Other Income	0.5	0.0	0.0	0.0	0.0	0.6	0.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
DEPARTMENTAL EXPENSES*							
Rooms	19.3	25.6	27.7	22.0	18.6	22.2	20.1
Other Operated Departments	3,217.1	133.0	57.1	12.4	57.3	14.9	3,306.4
Total	19.4	25.9	28.1	21.8	19.1	21.7	20.2
DEPARTMENTAL INCOME	80.6	74.1	71.9	78.2	80.9	78.3	79.8
OPERATING EXPENSES							
Administrative & General	9.0	9.1	9.0	9.2	7.8	13.2	9.7
Marketing	3.9	6.2	1.5	4.3	4.1	7.2	4.2
Franchise Fee	9.2	4.7	7.2	8.9	9.2	9.4	9.0
Property Operations & Maintenance	2.0	4.9	4.0	3.3	4.2	3.8	3.7
Utilities	4.3	3.8	3.0	2.7	3.1	2.7	4.6
Total	28.4	28.7	24.6	28.3	28.3	36.3	31.1
HOUSE PROFIT	52.2	45.4	47.3	49.9	52.6	42.0	48.7
Management Fee	7.6	3.0	4.0	5.5	5.1	2.8	3.0
INCOME BEFORE FIXED CHARGES	44.6	42.4	43.3	44.3	47.4	39.1	45.7

* Departmental expense ratios are expressed as a percentage of departmental revenues

FIGURE 7-4 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER AVAILABLE ROOM

	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject Stabilized $
Year:	**2014/15**	**2013/14**	**2013/14**	**2011/12**	**2013/14**	**2013/14**	**2014/15**
Number of Rooms:	**68**	**50 to 70**	**50 to 70**	**70 to 90**	**60 to 90**	**70 to 100**	**68**
Days Open:	**365**	**365**	**365**	**366**	**365**	**365**	**365**
Occupancy:	**83.6%**	**76%**	**77%**	**71%**	**73%**	**71%**	**73%**
Average Rate:	**$111.07**	**$111**	**$115**	**$113**	**$116**	**$118**	**$117**
RevPAR:	**$92.88**	**$84**	**$89**	**$80**	**$84**	**$84**	**$85**
REVENUE							
Rooms	$33,901	$30,695	$32,550	$29,338	$30,830	$30,527	$31,102
Other Operated Departments	2	90	408	604	409	1,497	2
Rentals & Other Income	171	0	0	0	0	198	166
Total	34,075	30,785	32,958	29,942	31,239	32,222	31,270
DEPARTMENTAL EXPENSES							
Rooms	6,550	7,843	9,021	6,463	5,739	6,771	6,242
Other Operated Departments	75	119	233	75	235	223	74
Total	6,624	7,962	9,254	6,537	5,974	6,994	6,316
DEPARTMENTAL INCOME	27,451	22,823	23,704	23,404	25,265	25,228	24,954
OPERATING EXPENSES							
Administrative & General	3,071	2,812	2,980	2,763	2,428	4,248	3,018
Marketing	1,339	1,910	483	1,300	1,279	2,333	1,315
Franchise Fee	3,118	1,448	2,375	2,650	2,874	3,019	2,799
Property Operations & Maintenance	676	1,502	1,305	975	1,300	1,230	1,157
Utilities	1,473	1,167	981	800	973	875	1,447
Total	9,676	8,839	8,124	8,488	8,853	11,705	9,737
HOUSE PROFIT	17,775	13,984	15,580	14,916	16,412	13,523	15,217
Management Fee	2,574	924	1,320	1,650	1,604	918	938
INCOME BEFORE FIXED CHARGES	15,201	13,061	14,260	13,267	14,808	12,605	14,279

FIGURE 7-5 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER OCCUPIED ROOM

	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject Stabilized $
Year:	**2014/15**	**2013/14**	**2013/14**	**2011/12**	**2013/14**	**2013/14**	**2014/15**
Number of Rooms:	**68**	**50 to 70**	**50 to 70**	**70 to 90**	**60 to 90**	**70 to 100**	**68**
Days Open:	**365**	**365**	**365**	**366**	**365**	**365**	**365**
Occupancy:	**83.6%**	**76%**	**77%**	**71%**	**73%**	**71%**	**73%**
Average Rate:	**$111.07**	**$111**	**$115**	**$113**	**$116**	**$118**	**$117**
RevPAR:	**$92.88**	**$84**	**$89**	**$80**	**$84**	**$84**	**$85**
REVENUE							
Rooms	$111.07	$110.99	$115.19	$112.59	$116.08	$118.46	$116.73
Other Operated Departments	0.01	0.32	1.44	2.32	1.54	5.81	0.01
Rentals & Other Income	0.56	0.00	0.00	0.00	0.00	0.77	0.62
Total	111.64	111.32	116.63	114.91	117.62	125.04	117.36
DEPARTMENTAL EXPENSES							
Rooms	21.46	28.36	31.93	24.80	21.61	26.28	23.43
Other Operated Departments	0.24	0.43	0.82	0.29	0.88	0.86	0.28
Total	21.70	28.79	32.75	25.09	22.49	27.14	23.71
DEPARTMENTAL INCOME	89.94	82.53	83.88	89.82	95.13	97.90	93.65
OPERATING EXPENSES							
Administrative & General	10.06	10.17	10.55	10.60	9.14	16.49	11.33
Marketing	4.39	6.91	1.71	4.99	4.81	9.05	4.94
Franchise Fee	10.22	5.24	8.41	10.17	10.82	11.71	10.51
Property Operations & Maintenance	2.21	5.43	4.62	3.74	4.89	4.77	4.34
Utilities	4.82	4.22	3.47	3.07	3.66	3.40	5.43
Total	31.70	31.96	28.75	32.57	33.34	45.42	36.54
HOUSE PROFIT	58.24	50.57	55.14	57.25	61.80	52.48	57.11
Management Fee	8.43	3.34	4.67	6.33	6.04	3.56	3.52
INCOME BEFORE FIXED CHARGES	49.80	47.23	50.46	50.91	55.75	48.91	53.59

The comparables' departmental income ranged from 71.9% to 80.9% of total revenue. The subject hotel's 2014/15 departmental income ratio of 80.6% is within this range. The comparable properties achieved a house profit ranging from 42.0% to 52.6% of total revenue. The subject hotel's 2014/15 house profit percentage of 52.2% of total revenue is within this range. We will refer to the comparable operating data in our discussion of each line item, which follows later in this section of the report.

Fixed and Variable Component Analysis

HVS uses a fixed and variable component model to project a lodging facility's revenue and expense levels. This model is based on the premise that hotel revenues and expenses have one component that is fixed and another that varies directly with occupancy and facility usage. A projection can be made by taking a known level of revenue or expense and calculating its fixed and variable components. The fixed component is then increased in tandem with the underlying rate of inflation, while the variable component is adjusted for a specific measure of volume such as total revenue.

Inflation Assumption

In consideration of the most recent trends, the projections set forth previously, and our assessment of probable property appreciation levels, we have applied an underlying inflation rate of 2.0% in 2015, 2.5% in 2016, and 3.0% in 2017 and thereafter. This stabilized inflation rate takes into account normal, recurring inflation cycles. Inflation is likely to fluctuate above and below this level during the projection period. Any exceptions to the application of the assumed underlying inflation rate are discussed in our write-up of individual income and expense items.

Summary of Projections

Based on an analysis that will be detailed throughout this section, we have formulated a forecast of income and expense. The following table presents a detailed forecast through the first several projection years, including amounts per available room and per occupied room. The second table illustrates our ten-year forecast of income and expense, presented with a lesser degree of detail. The forecasts pertain to years that begin on May 1, 2015, expressed in inflated dollars for each year.

FIGURE 7-6 DETAILED FORECAST OF INCOME AND EXPENSE AND TRAILING-12-MONTH OPERATING HISTORY

	Historical Operating Results							
	2014/15	Fiscal Year Ending February			2015/16			
Number of Rooms:	68				68			
Occupancy (Paid Rooms):	84%				78%			
Average Rate:	$111.07				$116.99			
RevPAR:	$92.88				$91.25			
Days Open:	365				365			
Occupied Rooms (Paid):	20,755	%Gross	PAR	POR	19,360	%Gross	PAR	POR
OPERATING REVENUE								
Rooms	$2,305	99.5 %	$33,901	$111.07	$2,265	99.5 %	$33,309	$117.00
Other Operated Departments	0	0.0	2	0.01	0	0.0	2	0.01
Miscellaneous Income	12	0.5	171	0.56	12	0.5	172	0.60
Total Operating Revenues	2,317	100.0	34,075	111.64	2,277	100.0	33,483	117.61
DEPARTMENTAL EXPENSES *								
Rooms	445	19.3	6,550	21.46	444	19.6	6,528	22.93
Other Operated Departments	5	3217.1	75	0.24	5	3263.5	76	0.27
Total	450	19.4	6,624	21.70	449	19.7	6,604	23.19
DEPARTMENTAL INCOME	1,867	80.6	27,451	89.94	1,828	80.3	26,880	94.41
UNDISTRIBUTED OPERATING EXPENSES								
Administrative & General	209	9.0	3,071	10.06	212	9.3	3,114	10.94
Marketing	91	3.9	1,339	4.39	92	4.1	1,357	4.77
Franchise Fee	212	9.2	3,118	10.22	204	9.0	2,998	10.53
Prop. Operations & Maint.	46	2.0	676	2.21	51	2.2	753	2.64
Utilities	100	4.3	1,473	4.82	102	4.5	1,493	5.24
Total	658	28.4	9,676	31.70	661	29.1	9,715	34.12
GROSS HOUSE PROFIT	1,209	52.2	17,775	58.24	1,167	51.2	17,165	60.29
Management Fee	175	7.6	2,574	8.43	68	3.0	1,004	3.53
INCOME BEFORE NON-OPER. INC. & EXP.	1,034	44.6	15,201	49.80	1,099	48.2	16,160	56.76
NON-OPERATING INCOME AND EXPENSE								
Property Taxes	71	3.0	1,039	3.40	178	7.8	2,620	9.20
Insurance	29	1.3	427	1.40	30	1.3	437	1.54
Reserve for Replacement	22	0.9	321	1.05	91	4.0	1,339	4.70
Total	121	5.2	1,786	5.85	299	13.1	4,397	15.44
EBITDA LESS RESERVE	$912	39.4 %	$13,415	$43.95	$800	35.1 %	$11,764	$41.32

	2016/17				2017/18			
Number of Rooms:	68				68			
Occupancy (Paid Rooms):	74%				73%			
Average Rate:	$122.04				$125.70			
RevPAR:	$90.31				$91.76			
Days Open:	365				365			
Occupied Rooms (Paid):	18,367	%Gross	PAR	POR	18,119	%Gross	PAR	POR
OPERATING REVENUE								
Rooms	$2,241	99.5 %	$32,956	$122.01	$2,278	99.5 %	$33,500	$125.73
Other Operated Departments	0	0.0	2	0.01	0	0.0	2	0.01
Miscellaneous Income	12	0.5	174	0.64	12	0.5	178	0.67
Total Operating Revenues	2,253	100.0	33,132	122.67	2,290	100.0	33,681	126.41
DEPARTMENTAL EXPENSES *								
Rooms	446	19.9	6,559	24.28	457	20.1	6,722	25.23
Other Operated Departments	5	3297.7	77	0.29	5	3306.4	80	0.30
Total	451	20.0	6,637	24.57	463	20.2	6,802	25.53
DEPARTMENTAL INCOME	1,802	80.0	26,495	98.09	1,828	79.8	26,879	100.88
UNDISTRIBUTED OPERATING EXPENSES								
Administrative & General	215	9.6	3,165	11.72	221	9.6	3,250	12.20
Marketing	94	4.2	1,379	5.11	96	4.2	1,416	5.32
Franchise Fee	202	9.0	2,966	10.98	205	9.0	3,015	11.32
Prop. Operations & Maint.	58	2.6	859	3.18	70	3.0	1,027	3.85
Utilities	103	4.6	1,517	5.62	106	4.6	1,558	5.85
Total	672	30.0	9,886	36.60	698	30.4	10,267	38.53
GROSS HOUSE PROFIT	1,129	50.0	16,609	61.49	1,130	49.4	16,612	62.35
Management Fee	68	3.0	994	3.68	69	3.0	1,010	3.79
INCOME BEFORE NON-OPER. INC. & EXP.	1,062	47.0	15,615	57.81	1,061	46.4	15,602	58.55
NON-OPERATING INCOME AND EXPENSE								
Property Taxes	183	8.1	2,686	9.94	188	8.2	2,766	10.38
Insurance	30	1.4	448	1.66	31	1.4	462	1.73
Reserve for Replacement	90	4.0	1,325	4.91	92	4.0	1,347	5.06
Total	303	13.5	4,459	16.51	311	13.6	4,575	17.17
EBITDA LESS RESERVE	$759	33.5 %	$11,156	$41.30	$750	32.8 %	$11,027	$41.38

	Stabilized				2019/20			
Number of Rooms:	68				68			
Occupancy (Paid Rooms):	73%				73%			
Average Rate:	$129.47				$133.36			
RevPAR:	$94.51				$97.35			
Days Open:	365				365			
Occupied Rooms (Paid):	18,119	%Gross	PAR	POR	18,119	%Gross	PAR	POR
OPERATING REVENUE								
Rooms	$2,346	99.5 %	$34,500	$129.48	$2,416	99.5 %	$35,529	$133.34
Other Operated Departments	0	0.0	2	0.01	0	0.0	3	0.01
Miscellaneous Income	12	0.5	184	0.69	13	0.5	189	0.71
Total Operating Revenues	2,359	100.0	34,686	130.18	2,429	100.0	35,721	134.06
DEPARTMENTAL EXPENSES *								
Rooms	471	20.1	6,924	25.99	485	20.1	7,132	26.77
Other Operated Departments	6	3306.4	82	0.31	6	3306.4	85	0.32
Total	476	20.2	7,006	26.29	491	20.2	7,216	27.08
DEPARTMENTAL INCOME	1,882	79.8	27,680	103.88	1,938	79.8	28,505	106.98
UNDISTRIBUTED OPERATING EXPENSES								
Administrative & General	228	9.7	3,347	12.56	234	9.7	3,448	12.94
Marketing	99	4.2	1,459	5.48	102	4.2	1,503	5.64
Franchise Fee	211	9.0	3,105	11.65	217	9.0	3,198	12.00
Prop. Operations & Maint.	87	3.7	1,284	4.82	90	3.7	1,322	4.96
Utilities	109	4.6	1,605	6.02	112	4.6	1,653	6.20
Total	734	31.2	10,800	40.53	756	31.2	11,123	41.75
GROSS HOUSE PROFIT	1,148	48.6	16,880	63.35	1,182	48.6	17,382	65.24
Management Fee	71	3.0	1,041	3.91	73	3.0	1,072	4.02
INCOME BEFORE NON-OPER. INC. & EXP.	1,077	45.6	15,840	59.45	1,109	45.6	16,310	61.21
NON-OPERATING INCOME AND EXPENSE								
Property Taxes	194	8.2	2,849	10.69	200	8.2	2,935	11.01
Insurance	32	1.4	475	1.78	33	1.4	490	1.84
Reserve for Replacement	94	4.0	1,387	5.21	97	4.0	1,429	5.36
Total	320	13.6	4,712	17.68	330	13.6	4,853	18.21
EBITDA LESS RESERVE	$757	32.0 %	$11,128	$41.76	$779	32.0 %	$11,457	$43.00

*Departmental expenses are expressed as a percentage of departmental revenues.

NOI adjusted to reflect a

3.0% mgmt fee and a 4.0% reserve $947 40.9 %

FIGURE 7-7 TEN-YEAR FORECAST OF INCOME AND EXPENSE

	2015/16		2016/17		2017/18		2018/19		2019/20		2020/21		2021/22		2022/23		2023/24		2024/25	
Number of Rooms:	**68**		**68**		**68**		**68**		**68**		**68**		**68**		**68**		**68**		**68**	
Occupied Rooms:	**19,360**		**18,367**		**18,119**		**18,119**		**18,119**		**18,119**		**18,119**		**18,119**		**18,119**		**18,119**	
Occupancy:	**78%**		**74%**		**73%**		**73%**		**73%**		**73%**		**73%**		**73%**		**73%**		**73%**	
Average Rate:	**$116.99**	**% of**	**$122.04**	**% of**	**$125.70**	**% of**	**$129.47**	**% of**	**$133.36**	**% of**	**$137.36**	**% of**	**$141.48**	**% of**	**$145.72**	**% of**	**$150.09**	**% of**	**$154.60**	**% of**
RevPAR:	**$91.25**	**Gross**	**$90.31**	**Gross**	**$91.76**	**Gross**	**$94.51**	**Gross**	**$97.35**	**Gross**	**$100.27**	**Gross**	**$103.28**	**Gross**	**$106.38**	**Gross**	**$109.57**	**Gross**	**$112.86**	**Gross**
OPERATING REVENUE																				
Rooms	$2,265	99.5 %	$2,241	99.5 %	$2,278	99.5 %	$2,346	99.5 %	$2,416	99.5 %	$2,489	99.5 %	$2,563	99.5 %	$2,640	99.5 %	$2,719	99.5 %	$2,801	99.5 %
Other Operated Departments	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Miscellaneous Income	12	0.5	12	0.5	12	0.5	12	0.5	13	0.5	13	0.5	14	0.5	14	0.5	14	0.5	15	0.5
Total Operating Revenue	2,277	100.0	2,253	100.0	2,290	100.0	2,359	100.0	2,429	100.0	2,502	100.0	2,577	100.0	2,654	100.0	2,734	100.0	2,816	100.0
DEPARTMENTAL EXPENSES*																				
Rooms	444	19.6	446	19.9	457	20.1	471	20.1	485	20.1	499	20.1	514	20.1	530	20.1	546	20.1	562	20.1
Other Operated Departments	5	3263.5	5	3297.7	5	3306.4	6	3306.4	6	3306.4	6	3306.4	6	3306.4	6	3306.4	6	3306.4	7	3306.4
Total	449	19.7	451	20.0	463	20.2	476	20.2	491	20.2	505	20.2	521	20.2	536	20.2	552	20.2	569	20.2
DEPARTMENTAL INCOME	1,828	80.3	1,802	80.0	1,828	79.8	1,882	79.8	1,938	79.8	1,997	79.8	2,056	79.8	2,118	79.8	2,181	79.8	2,247	79.8
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	212	9.3	215	9.6	221	9.6	228	9.7	234	9.7	241	9.6	249	9.7	256	9.7	264	9.7	272	9.7
Marketing	92	4.1	94	4.2	96	4.2	99	4.2	102	4.2	105	4.2	108	4.2	112	4.2	115	4.2	118	4.2
Franchise Fee	204	9.0	202	9.0	205	9.0	211	9.0	217	9.0	224	9.0	231	9.0	238	9.0	245	9.0	252	9.0
Prop. Operations & Maint.	51	2.2	58	2.6	70	3.0	87	3.7	90	3.7	93	3.7	95	3.7	98	3.7	101	3.7	104	3.7
Utilities	102	4.5	103	4.6	106	4.6	109	4.6	112	4.6	116	4.6	119	4.6	123	4.6	127	4.6	130	4.6
Total	661	29.1	672	30.0	698	30.4	734	31.2	756	31.2	779	31.1	802	31.2	826	31.2	851	31.2	877	31.2
GROSS HOUSE PROFIT	1,167	51.2	1,129	50.0	1,130	49.4	1,148	48.6	1,182	48.6	1,218	48.7	1,254	48.6	1,292	48.6	1,330	48.6	1,370	48.6
Management Fee	68	3.0	68	3.0	69	3.0	71	3.0	73	3.0	75	3.0	77	3.0	80	3.0	82	3.0	84	3.0
INCOME BEFORE NON-OPER. INC. & EXP.	1,099	48.2	1,062	47.0	1,061	46.4	1,077	45.6	1,109	45.6	1,143	45.7	1,177	45.6	1,212	45.6	1,248	45.6	1,286	45.6
NON-OPERATING INCOME AND EXPENSE																				
Property Taxes	178	7.8	183	8.1	188	8.2	194	8.2	200	8.2	206	8.2	212	8.2	218	8.2	225	8.2	231	8.2
Insurance	30	1.3	30	1.4	31	1.4	32	1.4	33	1.4	34	1.4	35	1.4	36	1.4	37	1.4	39	1.4
Reserve for Replacement	91	4.0	90	4.0	92	4.0	94	4.0	97	4.0	100	4.0	103	4.0	106	4.0	109	4.0	113	4.0
Total	299	13.1	303	13.5	311	13.6	320	13.6	330	13.6	340	13.6	350	13.6	361	13.6	371	13.6	383	13.6
EBITDA LESS RESERVE	$800	35.1 %	$759	33.5 %	$750	32.8 %	$757	32.0 %	$779	32.0 %	$803	32.1 %	$826	32.0 %	$851	32.0 %	$877	32.0 %	$903	32.0 %

*Departmental expenses are expressed as a percentage of departmental revenues.

Forecast of Income and Expense

The following description sets forth the basis for the forecast of income and expense. We anticipate that it will take four years for the subject property to reach a stabilized level of operation. Each revenue and expense item has been forecast based upon our review of the subject property's operating history, operating budget, and comparable income and expense statements. The forecast begins on May 1, 2015, expressed in inflated dollars for each year.

- The subject property's occupancy level is expected to stabilize at 73.0% with an average rate of $129.47 in 2018/19. Following the stabilized year, the subject property's average rate is projected to increase along with the underlying rate of inflation.
- We forecast the subject property's other operated departments revenue at 0.0% of rooms revenue or $0.01 per occupied room in year one, stabilizing at 0.0% of rooms revenue or $0.01 per occupied room.
- We forecast the subject property's miscellaneous income to stabilize at $0.69 per occupied room by the stabilized year, 2018/19.
- We have projected rooms expense for the subject hotel at 19.6% of rooms revenue in the first year (or $22.93 per occupied room), stabilizing at 20.1% in 2018/19.
- For other operated departments expense, primary consideration is given to the subject property's operating history; rentals and other income is forecast net of expenses.
- In the first projection year, we have projected administrative and general expense for the subject property to be $3,114 per available room, or 9.3% of total revenue. By the 2018/19 stabilized year, these amounts change to $3,347 per available room and 9.7% of total revenue.
- The subject property is not reporting information and telecommunications systems as a separate line item at this time. Therefore, we have not forecast an expense in this line item going forward. We assume that all information and telecommunications systems expenses are accounted for in the other line items of the hotel's operating statement.
- In the first projection year, we have projected marketing expense for the subject property to be $1,357 per available room, or 4.1% of total revenue. By the 2018/19 stabilized year, these amounts change to $1,459 per available room and 4.2% of total revenue.
- The subject property is assumed to operate as a Holiday Inn Express Hotel & Suites throughout the projection period. The costs of the Holiday Inn Express Hotel & Suites affiliation are reflected in our forecast and comprise a 6% royalty fee and a 3% advertising assessment. Other charges related to the

affiliation, such as frequent guest programs, are reflected in the appropriate departmental expenses, consistent with the Uniform System of Accounts for the Lodging Industry (USALI).

- Given that the subject property is a relatively new hotel, we have adjusted the property operations and maintenance line item upward during the initial projection period. Over time, and as the subject property continues to age, we would expect an owner to spend an increasingly more significant level of funds in order to maintain the property and its competitiveness in the local market. In the first projection year, we have projected property operations and maintenance expense for the subject property to be $753 per available room, or 2.2% of total revenue. By the 2018/19 stabilized year, these amounts change to $1,284 per available room and 3.7% of total revenue.
- We have projected utilities expense for the subject property to be 4.5% of total revenue or $1,493 per available room in year one, stabilizing at 4.6% of total revenue or $1,605 per available room.
- Management fees for the subject property have been forecast at 3.0% of total revenue.
- The following tables detail the subject property's assessment history, comparable assessments, applicable tax rates, and our forecast of property tax expense.

FIGURE 7-8 SUBJECT PROPERTY'S ASSESSMENT HISTORY

	Real Property			
Year	Land	Improvements	Real Property Total	Percent Change
2012	$42,485	$0	$42,485	—
2013	41,903	0	41,903	(1.4) %
2014	94,765	1,003,820	1,098,585	2,521.7

Source: Gary Stapp County Appraiser

FIGURE 7-9 COUNTY-ASSESSED VALUE OF COMPARABLE HOTELS

Hotel	Number of Rooms	Land	Improvements	Total
Subject Property	68	$94,765	$1,003,820	$1,098,585
Candlewood Suites Emporia	60	$39,415	$241,298	$280,713
Comfort Inn Emporia	45	90,263	302,935	393,198
Best Western Hospitality House	55	36,943	140,973	177,915
Super 8 Emporia	45	18,528	132,308	150,835
La Quinta Inn & Suites Emporia	57	85,835	345,510	431,345
Flint Hills Inn & Suites	58	87,768	336,583	424,350

Hotel	Number of Rooms	Amounts Per Room		
		Land	Improvements	Total
Subject Property	68	$1,394	$14,762	$16,156
Candlewood Suites Emporia	60	$657	$4,022	$4,679
Comfort Inn Emporia	45	2,006	6,732	8,738
Best Western Hospitality House	55	672	2,563	3,235
Super 8 Emporia	45	412	2,940	3,352
La Quinta Inn & Suites Emporia	57	1,506	6,062	7,567
Flint Hills Inn & Suites	58	1,513	5,803	7,316

Source: Gary Stapp County Appraiser

FIGURE 7-10 PROPERTY TAX RATES

Year	Real Property Tax Rate
2012	167.45000
2013	160.96400
2014	159.00500

Source: Gary Stapp County Appraiser

The subject hotel's real property tax burden has been forecast in line with the county's assessed value for the land and improvements. We note that the subject property's real property assessment levels are significantly higher that of the other comparable hotels in this market, as the comparable hotels all opened prior to 2006. Personal property is not assessed in this jurisdiction.

HVS

FIGURE 7-11 PROJECTED PROPERTY TAX EXPENSE

	Assessed Value			Forecast Rate of	Base Rate of Tax	Real Prop.	Tax
Year	Land	Improvements	Total	Value Change	Burden Increase	Tax Rate	Forecast
Historical	$94,765	$1,003,820	$1,098,585	—	—	159.01	$174,681
2015/16	$94,765	$1,003,820	$1,098,585	0.0 %	2.0 %	—	$178,174
2016/17	94,765	1,003,820	1,098,585	0.0	2.5	—	182,628
2017/18	94,765	1,003,820	1,098,585	0.0	3.0	—	188,107
2018/19	94,765	1,003,820	1,098,585	0.0	3.0	—	193,751
2019/20	94,765	1,003,820	1,098,585	0.0	3.0	—	199,563

- Based on our review of historical levels and comparable data, we project the subject property's insurance expense at $475 per available room by the stabilized year. This stabilized level equates to 1.4% of total revenue.
- The subject property does not report any additional significant fixed expenses.
- Based on the results of this study, our review of the subject asset and comparable lodging facilities, and our industry expertise, we estimate that a reserve for replacement of 4% of total revenues is sufficient to provide for the timely and periodic replacement of the subject property's furniture, fixtures, and equipment.

INCOME CAPITALIZATION – MORTGAGE-EQUITY TECHNIQUE

The subject property has been valued via the income approach through the application of a ten-year mortgage-equity technique and a discounted-cash-flow analysis. The conversion of the subject property's forecasted net income into an estimate of value was based on the premise that investors typically leverage their real estate investments to enhance their equity yield. Typically, the majority of a transaction is capitalized with mortgage financing (50% to 80%), with equity comprising the balance (20% to 50%). The amounts and terms of available mortgage financing and the rates of return that are required to attract sufficient equity capital formed the basis for allocating the net income between the mortgage and equity components and deriving a value estimate.

Mortgage Component

Based on our analysis of the current lodging industry mortgage market and adjustments for specific factors, such as the property’s location and conditions in the Emporia hotel market, it is our opinion that a 4.75% interest, 30-year amortization mortgage with a 0.062598 constant is appropriate for the subject property. In the mortgage-equity analysis, we have applied a loan-to-value ratio of 65%, which is reasonable to expect based on this interest rate and current parameters.

Equity Component & Equity Yield Rate

The remaining capital required for a hotel investment generally comes from the equity investor. The following table summarizes the range of equity yields indicated by hotel sales and investor interviews. We note that there tends to be lag between the sales data and current market conditions, and thus, the full effect of the change in the economy and capital markets may not yet be reflected.

FIGURE 7-12 SUMMARY OF EQUITY YIELD OR INTERNAL RATE OF RETURN REQUIREMENTS

Source	Data Point Range	Average
HVS Hotel Sales - Full-Service & Luxury	12% - 21.8%	17.8%
HVS Hotel Sales - Select-Service & Extended-Stay	14.3% - 21.9%	18.7%
HVS Hotel Sales - Budget/Economy	16.1% - 25.5%	21.2%
HVS Investor Interviews	12% - 22%	

Based on the assumed 65% loan-to-value ratio, the risk inherent in achieving the projected income stream, and the age, condition, and anticipated market position of the subject property, it is our opinion that an equity investor is likely to require an equity yield rate of 19.0%. While the lack of attainable yields on alternate investments has continued to put downward pressure on equity-yield rates, increasing leverage levels are enabling investors to earn higher returns. Competition for quality assets remains strong among all hotel asset types. These influences are keeping equity yields from increasing significantly. Intense competition for assets in the major metro areas is pushing investors to pursue acquisitions with greater upside in secondary and tertiary markets. Value-added acquisitions are also attracting greater interest due to the increasing availability of financing for these types of transactions and the potential for higher returns.

Terminal Capitalization Rate

We have reviewed several recent investor surveys, and the following table summarizes the data. Note that survey data lag the market and do not necessarily reflect the most current market conditions.

FIGURE 7-13 TERMINAL CAPITALIZATION RATES DERIVED FROM INVESTOR SURVEYS

Source	Data Point Range	Average
PWC Real Estate Investor Survey - 3rd Quarter 2014		
Limited-Service Hotels	8.0% - 11.0%	9.6%
Select-Service Hotels	5.0% - 11.0%	8.5%
USRC Hotel Investment Survey - Mid-Year 2014		
Limited-Service Hotels	6.5% - 11.5%	9.3%
CRE/RERC Real Estate Report - Fall 2014		
Second Tier Hotels	5.9% - 12.0%	9.3%
Third Tier Hotels	7.0% - 13.0%	10.4%

For purposes of this analysis, we have applied a terminal capitalization rate of 9.0%. Our final position for the terminal capitalization rate reflects the current market for hotel investments. In tandem with overall lower return expectations, terminal capitalization rates for quality hotel assets in markets with high barriers to entry have returned to their 2005 to 2007 lows, while terminal capitalization rates for older assets or for those suffering from functional obsolescence and/or weak market conditions remain elevated, reflecting the market's recognition that certain assets have less opportunity for significant appreciation.

Mortgage-Equity Method - Value Opinion

The valuation of the mortgage and equity components is accomplished using an algebraic equation that calculates the exact amount of debt and equity that the hotel will be able to support based on the anticipated cash flow (as estimated by the forecast of income and expense) and the specific return requirements demanded by the mortgage lender (interest) and the equity investor (equity yield). Thus, the anticipated net income (before debt service and depreciation) is allocated to the mortgage and equity components based on market rates of return and loan-to-value ratios. The total of the mortgage component and the equity component equals the value of the property. Using this method of the income capitalization approach with the variables set forth, our opinion of value of the fee simple interest in the subject property is illustrated in the following table.

FIGURE 7-14 VALUE OPINION AND APPLICATION OF CAPITAL DEDUCTION, AS APPLICABLE

Value Indication Prior to Deduct:	$8,401,745
Capital Deduction, If Applicable:	0
Value Indication ("As Is") After Deduction:	$8,401,745
Rounded to:	$8,400,000

The discount rate (before debt service), the yield to the lender, and the yield to the equity position have been calculated by computer with the following results.

FIGURE 7-15 TOTAL PROPERTY VALUE AND INTERNAL RATES OF RETURN

Position	Value	Projected Yield (Internal Rate of Return) Over Holding Period
Total Property	$8,402,000	10.7 %
Mortgage	$5,461,000	4.7
Equity	$2,941,000	19.0

Note: Whereas the mortgage constant and value are calculated on the basis of monthly mortgage payments, the mortgage yield in this proof assumes single annual payments. As a result, the proof's derived yield may be slightly less than that actually input.

The position of the total property yield or unlevered discount rate reflects the current ready availability and low cost of both debt and equity capital. As of third-quarter 2013, lenders are very active, with capital available from numerous sources. Equity and mezzanine financing is also readily available due to the attractive yields being generated by hotels when compared with other forms of commercial real estate. We continue to interview hotel investors to assess the movement in yield rates and their impact on value.

The following tables demonstrate that the property receives its anticipated yields, proving that the value is correct based on the assumptions used in this approach.

FIGURE 7-16 VALUE OF THE MORTGAGE COMPONENT

Year	Total Annual Debt Service		Present Worth of $1 Factor at 4.7%		Discounted Cash Flow
2015/16	$342,000	x	0.955035	=	$327,000
2016/17	342,000	x	0.912091	=	312,000
2017/18	342,000	x	0.871078	=	298,000
2018/19	342,000	x	0.831910	=	285,000
2019/20	342,000	x	0.794503	=	272,000
2020/21	342,000	x	0.758778	=	260,000
2021/22	342,000	x	0.724659	=	248,000
2022/23	342,000	x	0.692074	=	237,000
2023/24	342,000	x	0.660955	=	226,000
2024/25	4,750,000 *	x	0.631235	=	2,998,000
			Value of Mortgage Component		$5,463,000

*10th year debt service of $342,000 plus outstanding mortgage balance of $4,408,000

FIGURE 7-17 VALUE OF THE EQUITY COMPONENT

Year	Net Income to Equity		Present Worth of $1 Factor at 19.0%		Discounted Cash Flow
2015/16	$458,000	x	0.840362	=	$385,000
2016/17	417,000	x	0.706209	=	294,000
2017/18	408,000	x	0.593471	=	242,000
2018/19	415,000	x	0.498731	=	207,000
2019/20	437,000	x	0.419115	=	183,000
2020/21	461,000	x	0.352208	=	162,000
2021/22	484,000	x	0.295982	=	143,000
2022/23	509,000	x	0.248732	=	127,000
2023/24	535,000	x	0.209025	=	112,000
2024/25	6,176,000 *	x	0.175657	=	1,085,000
			Value of Equity Component		$2,940,000

FIGURE 7-18 VALUE OF THE EQUITY, DEBT AND TOTAL PROPERTY

Year	Net Income Available for Debt Service		Present Worth of $1 Factor at 10.7%		Discounted Cash Flow
2015/16	$800,000	x	0.903496	=	$723,000
2016/17	759,000	x	0.816305	=	620,000
2017/18	750,000	x	0.737528	=	553,000
2018/19	757,000	x	0.666353	=	504,000
2019/20	779,000	x	0.602048	=	469,000
2020/21	803,000	x	0.543947	=	437,000
2021/22	826,000	x	0.491454	=	406,000
2022/23	851,000	x	0.444027	=	378,000
2023/24	877,000	x	0.401176	=	352,000
2024/25	10,926,000 *	x	0.362461	=	3,960,000
			Total Property Value		$8,402,000

*10th year net income of $903,000 plus sales proceeds of $10,023,000

Direct Capitalization

The direct capitalization approach applies an overall capitalization rate to projected net income to derive a value estimate. The overall rates derived from our value conclusion are set forth below. Note that the stabilized year's net income has been deflated to first-year dollars.

FIGURE 7-19 DERIVED CAPITALIZATION RATES

Year	Net Operating Income	Market Value "As Is"	Derived Capitalization Rate
2014/15 Historical*	$947,000	$8,400,000	11.3 %
Forecast 2015/16	800,000	$8,400,000	9.5
Deflated Stabilized (2015/16) Dollars	696,000	$8,400,000	8.3

*2014/15 historical net operating income has been adjusted to reflect a 3.0% management fee and a 4.0% reserve for replacement

The derived capitalization rates are considered appropriate for a lodging facility such as the Holiday Inn Express Hotel & Suites Emporia Northwest. The capitalization rate based on the first year's projected net income is in line with current rates of return for hotel investments with the subject property's operating profile.

Overall Discount Rate and Discounted Cash Flow Analysis

The process of converting the projected income stream into an estimate of value via the discounted-cash-flow method is described as follows.

1. An appropriate discount rate is selected to apply to the projected net income before debt service. This rate reflects the "free and clear" internal rate of return to an all-cash purchaser or a blended rate of debt and equity return requirements.
2. A reversionary value reflecting the sales price of the property at the end of the ten-year holding period is calculated by capitalizing the eleventh-year net income by the terminal capitalization rate and deducting typical brokerage and legal fees.
3. Each year's forecasted net income before debt service and depreciation and the reversionary sales proceeds at the end of the ten-year holding period are converted to a present value by multiplying the cash flow by the chosen discount rate for that year in the forecast. The sum of the discounted cash flows equates to the value of the subject property.

We have reviewed several recent investor surveys, and the following table summarizes the data.

FIGURE 7-20 OVERALL DISCOUNT RATES DERIVED FROM SALES AND INVESTOR SURVEYS

Source	Data Point Range	Average
HVS Hotel Sales - Budget/Economy	10.1% - 14.3%	12.4%
HVS Hotel Sales - Select-Service & Extended-Stay	9.2% - 13.7%	11.2%
PWC Real Estate Investor Survey - 3rd Quarter 2014		
Limited-Service Hotels	9.0% - 12.0%	10.7%
Select-Service Hotels	9.0% - 13.0%	11.0%
USRC Hotel Investment Survey - Mid-Year 2014		
Limited-Service Hotels	9.5% - 15.0%	11.2%
CRE/RERC Real Estate Report - Fall 2014		
Second Tier Hotels	7.0% - 13.0%	10.2%
Third Tier Hotels	7.0% - 13.5%	11.0%

Based on our review of these surveys, sales transactions, and interviewing market participants, we have selected a discount rate of 10.75% for our analysis. Utilizing this discount rate, the discounted-cash-flow procedure is summarized as follows. The capital deduction, if applicable, is applied in this analysis as shown.

FIGURE 7-21 VALUE DERIVED BY APPLICATION OF OVERALL DISCOUNT RATE

Year	Net Income		Discount Factor @ 10.75%	Discounted Cash Flow
2015/16	$800,000		0.90293	$722,348
2016/17	759,000		0.81529	618,806
2017/18	750,000		0.73615	552,116
2018/19	757,000		0.66470	503,177
2019/20	779,000		0.60018	467,540
2020/21	803,000		0.54192	435,164
2021/22	826,000		0.48932	404,179
2022/23	851,000		0.44182	375,993
2023/24	877,000		0.39894	349,869
2024/25	10,926,000	*	0.36022	3,935,837
			Estimated Market Value, Prior to Deduct	$8,365,029
			Capital Deduction (If Applicable)	0
			Estimated Market Value, After Deduct	$8,365,029
			Rounded To	**$8,400,000**

Reversion Analysis

11th Year's Net Income	$930,000
Capitalization Rate	9.0%
Total Sales Proceeds	$10,333,333
Less: Transaction Costs @ 3.0%	310,000
Net Sales Proceeds	$10,023,333

*10th year net income of $903,000 plus sales proceeds of $10,023,000

Conclusion

Using the income capitalization approach, the subject property was valued by a mortgage-equity valuation analysis and a straightforward discounted-cash-flow analysis. Based on our review of each method and their inherent strengths and weaknesses, as well as investor attitudes and methodologies, we have reconciled the value indication via the income capitalization approach to $8,400,000, or $123,500 per room.

8. Sales Comparison Approach

The sales comparison approach is based on the principle of substitution, which defines a property's value as the cost of acquiring an equally desirable substitute (assuming that no costly delay is incurred in making the substitution). Thus, the sales comparison approach can be used to form an opinion of a property's market value from the price at which equally desirable properties have sold, or for which they can be purchased, on the open market.

To present our selection of comparable sales, we conducted a comprehensive search for recent transactions of hotels that bear comparison to the subject property in one or more key areas. When possible, we gave priority to transactions occurring in the same state or region as the subject property. We also considered factors such as operational and physical similarities to the subject property, including brand affiliation and revenue-generating characteristics. All of the data have been verified by HVS or obtained from a verifying source. The following transactions involved hotels that have some degree of similitude with the subject property.

FIGURE 8-1 SUMMARY OF SELECTED COMPARABLE SALES

Property	Location	Sale Date	Price	Rooms	Price/Rm	Overall Cap	Year Opened
Hilton Garden Inn St. Louis O'Fallon	O'Fallon, Missouri	Dec-14	$13,500,000	122	$110,656	8.3%	2003
Hampton Inn Oklahoma City Northwest	Oklahoma City, Oklahoma	May-14	$11,230,000	97	$115,773	9.8%	1997
Hampton Inn Tulsa Sand Springs	Tulsa, Oklahoma	May-14	$4,900,000	71	$69,014	10.4%	2001
Best Western Plus Texarkana Inn & Suites	Texarkana, Arkansas	Dec-13	$4,100,000	76	$53,947	5.7%	2009
Hampton Inn Maumelle	Maumelle, Arkansas	Nov-13	$6,300,000	71	$88,732	—	2011
Hampton Inn & Suites Omaha Downtown	Omaha, Nebraska	Jul-13	$19,775,000	139	$142,266	—	2007

Review of Comparable Sales

The following table sets forth the adjustment grid used to account for differences between the transacted properties and the subject property.

FIGURE 8-2 COMPARABLE SALES ADJUSTMENT GRID

Elements of Comparison	Subject Property	Sale #1 Hilton Garden Inn St. Louis O'Fallon, O'Fallon, Missouri	Sale #2 Hampton Inn Oklahoma City Northwest, Oklahoma City, Oklahoma	Sale #3 Hampton Inn Tulsa Sand Springs, Tulsa, Oklahoma	Sale #4 Best Western Plus Texarkana Inn & Suites, Texarkana, Arkansas	Sale #5 Hampton Inn Maumelle, Maumelle, Arkansas	Sale #6 Hampton Inn & Suites Omaha Downtown, Omaha, Nebraska
Sale Price		$13,500,000	$11,230,000	$4,900,000	$4,100,000	$6,300,000	$19,775,000
Number of Rooms	68	122	97	71	76	71	139
Price per Room		$110,656	$115,773	$69,014	$53,947	$88,732	$142,266
Year Open	2014	2003	1997	2001	2009	2011	2007
Date of Sale	Apr-14	December-14	May-14	May-14	December-13	November-13	July-13
Adjustments for Transaction Characteristics (Per Room)							
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment		0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Adjusted Sales Price		110,656	115,773	69,014	53,947	88,732	142,266
Financing Terms		Cash Equivalent	Cash Equivalent	Cash Equivalent	Cash Equivalent	Cash Equivalent	Cash Equivalent
Adjustment		0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Adjusted Sales Price		110,656	115,773	69,014	53,947	88,732	142,266
Conditions of Sale		Normal	Normal	Normal	Normal	Normal	Normal
Adjustment		0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Adjusted Sales Price		110,656	115,773	69,014	53,947	88,732	142,266
Market Conditions		Similar	Inferior	Inferior	Inferior	Inferior	Inferior
Adjustment		0.0 %	5.0 %	5.0 %	10.0 %	10.0 %	10.0 %
Adjusted Sales Price		110,656	121,562	72,465	59,342	97,606	156,493
Adjusted Price		$110,656	$121,562	$72,465	$59,342	$97,606	$156,493
Adjustments for Property Characteristics							
Location/Market		Similar	Similar	Similar	Similar	Similar	Superior
Adjustment		0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	(10.0) %
Physical Condition/Facilities		Inferior	Inferior	Inferior	Inferior	Similar	Inferior
Adjustment		10.0 %	10.0 %	10.0 %	5.0 %	0.0 %	5.0 %
Other Revenue Sources		Superior	Similar	Similar	Similar	Similar	Similar
Adjustment		(10.0) %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Market Orientation (RevPAR)	$92.88	$88.44	$76.96	$63.29	$43.48	$61.74	$99.06
Adjustment		5.0 %	20.7 %	46.7 %	113.6 %	50.4 %	(6.2) %
Cumulative Percentage Adjustment		5.0 %	30.7 %	56.7 %	118.6 %	50.4 %	(11.2) %
Net Adjust. for Property Characteristics		5,552	37,303	41,120	70,398	49,230	(17,587)
Adjusted Price Per Room		$116,208	$158,865	$113,584	$129,740	$146,836	$138,906

The transactions listed as Sales #2 through #6 were adjusted for inferior market conditions given their dates of sale. Otherwise, the sales comparables were transacted in terms that were similar to the subject property; thus, no other adjustments were made for differences in transaction characteristics. An adjustment for location/market was applied to the transaction noted as Sale #6 given this asset's superior location in Downtown Omaha, a location with higher barriers to entry. Upward adjustments for physical condition were applied to all transactions, aside from Sale #5, given these assets' earlier dates of construction. A downward adjustment for other revenue sources was applied to the transaction noted as Sale #1 given the asset's select-service scope, inclusive of an onsite restaurant and lounge.

Hotels are purchased and sold on their ability to generate revenue and net income. Thus, we find that a reliable way to adjust hotel sales is by comparing RevPARs. Revenue per available room inherently reflects the relative revenue-producing ability of each of the comparable sales, the primary consideration of hotel purchasers. The best way to adjust comparable hotel sales is to calculate the difference between a comparable hotel's RevPAR at the time of sale with the subject property's RevPAR. RevPAR adjustments also inherently account for differences in physical condition and the passage of time. As such, we have adjusted the per-room sales price for each sale by the percentage differential between the subject hotel's base-year RevPAR and that of each property at the time of its sale.

Conclusion

Prior to adjustments, the comparable sales transacted for amounts ranging from $54,000 to $116,000 per room. Following quantitative and qualitative adjustments, we have positioned an appropriate value at $114,000 to $159,000 per room, or $7,700,000 to $10,800,000, for the 68-room subject property.

Gross Rooms Revenue Multiplier

We have obtained occupancy and average rate data for each hotel for the year immediately preceding the sale. The data have been used to calculate the gross rooms revenue achieved by the hotel. From this information, we have extracted the gross rooms revenue multiplier (GRRM), which is calculated by dividing the sales price by the gross rooms revenue. This is a common measure of sales transactions in this tier and is often used in lieu of capitalization rates. Because of the widely different operating profiles that characterize the owner/operators that constitute the market for these assets, the operating efficiencies and net income levels can vary significantly. Consequently, the market typically employs a standard of measurement that is tied to the location, facilities, and market conditions, and the GRRM fits these criteria.

The GRRMs indicated by the transactions surveyed ranged from 3.00 to 4.30; the average GRRM is 3.68. As a test of the reasonableness of the value indicated by the income approach, we have calculated the GRRM for the subject property based on the trailing-twelve-month period and first year's forecast and have then compared these figures with the selected sales. The results of these calculations are set forth in the following table. Note that we have used the "as is" value conclusion in calculating the indicated GRRM in this table.

FIGURE 8-3 GROSS ROOMS REVENUE MULTIPLIERS

Property	Location	Year Open	Number of Rooms	Date of Sale	Sale Price	Price Per Room	GRRM
Hilton Garden Inn St. Louis O'Fallon	O'Fallon, Missouri	2003	122	Dec-14	$13,500,000	$110,656	3.40
Hilton Garden Inn Saint Louis Airport	Saint Louis, Missouri	2009	136	Dec-14	17,000,000	125,000	3.50
Hampton Inn Tulsa Sand Springs	Tulsa, Oklahoma	2001	71	May-14	4,900,000	69,014	3.00
Hampton Inn Oklahoma City Northwest	Oklahoma City, Oklahoma	1997	97	May-14	11,230,000	115,773	4.10
Courtyard by Marriott Norman	Norman, Oklahoma	2009	113	May-14	12,000,000	106,195	4.30
Best Western Plus Texarkana Inn & Suites	Texarkana, Arkansas	2009	76	Dec-13	4,100,000	53,947	3.40
Hampton Inn Maumelle	Maumelle, Arkansas	2011	71	Nov-13	6,300,000	88,732	3.90
SpringHill Suites by Marriott Oklahoma City Quail Springs	Oklahoma City, Oklahoma	1999	128	Oct-13	10,000,000	78,125	3.40
Hilton Garden Inn North Little Rock	North Little Rock, Arkansas	2009	119	Aug-13	13,150,000	110,504	3.90
Hampton Inn & Suites Omaha Downtown	Omaha, Nebraska	2007	139	Jul-13	19,775,000	142,266	3.90
						Average	***3.68***

Gross Room Revenue Multipliers for the Subject Property, as indicated by the Income Approach	
Based on Trailing-Twelve-Month Period	3.64
Based on Year One Forecast	3.71
Based on Deflated Stabilized Forecast	3.97

The gross rooms revenue multipliers indicated by the income approach to value are consistent with the range of data exhibited by the market transactions.

9. Cost Approach

As addressed in prior sections of this report, the cost approach has limited utility in the valuation of existing hotels. The quantification of external and incurable functional obsolescence is based on numerous adjustments. It is our experience that knowledgeable purchasers of complex hotel properties are more concerned with the economics of the investment. Therefore, the cost approach has little significance. In light of its minimal value and the difficulty in quantifying the varying sources of depreciation, we have not utilized the cost approach in estimating the value of the subject property. We have, however, estimated the replacement cost of the subject property's personal property and improvements for insurance purposes.

Personal Property

In a hotel, the personal property consists of the furniture, fixtures, and equipment (FF&E) and the inventories in place at the subject property as of the date of value. USPAP defines personal property as "identifiable tangible objects that are considered by the general public as being 'personal' – for example, furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; all tangible property that is not classified as real estate."[10]

Personal property is an integral part of a transient lodging facility. The allocation of a portion of the overall hotel's value to the personal property is not explicitly considered by hotel investors in making their pricing decisions. Lodging facilities are usually sold with their personal property in place. Most furnishings in a hotel can command little more than a salvage value substantially lower than the original cost when sold separately from the improvements.

We estimate the total replacement cost of the subject property's FF&E at $12,000 per available room, or a total of $816,000.

Replacement Cost for Insurance Purposes

At the client's request, we have estimated the replacement cost for the subject property's building and contents for insurance purposes. One of the nationally recognized authorities on replacement cost information is Marshall & Swift, and HVS uses the Commercial Estimator computer software program produced by Marshall & Swift. As defined by Marshall & Swift, the replacement cost of a building is the total cost of construction required to replace the subject building with a substitute of like or equal utility using current standards of materials and design. These costs include labor, materials, supervision, contractors' profit and

[10] Ibid.

overhead, architects' plans and specifications, sales taxes, and insurance. The Marshall & Swift costs also contain the normal interest on the actual building funds during period of construction; normal site preparation including the excavation and grading for foundation, as well as backfill for the structure only and the finish of foundation; and utilities from structure to lot line figured for typical setback. Although generally reliable, the data used to compile this estimate provide only a rough indication of what the replacement cost of the property may be.

For the purpose of developing a replacement cost estimate using the Marshall & Swift Commercial Estimator program, the building has been classified as a Class D, Rank 3 hotel structure. Based on information obtained from the subject property's ownership or management, the total area of the building is estimated to be 41,104 square feet. The following chart reflects the summary of the Marshall & Swift estimate.

FIGURE 9-1 MARSHALL & SWIFT ESTIMATE

Date of Query:	April 6, 2014
Occupancy:	limited-service
Class:	Class D
Height (Feet):	10
Rank:	0
Total Area (Square Feet):	41,104
Number of Stories (Section):	3
Number of Elevators:	1
Shape:	2
Number of Rooms:	68

Basic Structure	Unit	Cost Per SF	Total
Base Cost	41,104	$74.67	$3,069,236
Exterior Walls	41,104	17.05	700,823
Heating & Cooling	41,104	9.19	377,746
Elevator (s)	41,104	1.94	79,606
Sprinklers	41,104	3.36	138,109
		Total Cost:	**$4,365,520**
		Rounded to:	**$4,400,000**
		Per Room:	**$64,706**

As previously detailed, our estimate of the replacement cost of furniture, fixtures, and equipment is $816,000.

For the purpose of estimating replacement cost for insurance purposes, only hard or direct construction costs should be reflected; therefore, certain exclusions need to be taken into consideration. An adjustment for exclusions is made to account for the portion of the construction which is not covered by a policy but which is included in the Marshall & Swift replacement cost estimate. Exclusions typically constitute 5.0% to 10.0% of the replacement cost and include items such as landscaping, parking, other yard improvements, and the foundation or sub-structure. In this analysis, a 10.0% adjustment was made to the replacement cost of the hotel to account for these exclusions. The estimated replacement cost of the personal property is then added to the adjusted replacement cost of the building. Our opinion of the replacement cost for insurance purposes is presented in the following table.

FIGURE 9-2 ESTIMATE OF REPLACEMENT COST FOR INSURANCE PURPOSES

Replacement Cost of Building:	$4,400,000
Less Exclusions (10%)	440,000
Insurable Value of Structures	$3,960,000
Plus Furniture, Fixtures, & Equipment	$816,000
Total Insurable Value:	$4,776,000
Rounded to:	**$4,800,000**
Per Room:	**$70,588**

This analysis should not be relied upon to determine actual insurance coverage, which can be properly estimated only by consultants considered experts in cost estimation and insurance underwriting. It is provided to aid in the overall decision-making process of the client/reader/user, and no representations or warranties are made by HVS regarding the accuracy of this estimate. We strongly recommend that other sources be utilized when considering replacement costs and property insurance estimates.

10. Reconciliation of Value Indications

The reconciliation, which is the last step in the appraisal process, involves summarizing and correlating the data and procedures employed throughout the analysis. The final value conclusion is arrived at after reviewing the estimates indicated by the income capitalization and sales comparison approaches. The relative significance, applicability, and defensibility of each indicated value are considered, and the greatest weight is given to that approach deemed most appropriate for the property being appraised.

The purpose of this report is to estimate the market value of the fee simple interest in the subject property; our appraisal involves a careful analysis of the property itself and the economic, demographic, political, physical, and environmental factors that influence real estate values.

Income Capitalization Approach

Our nationwide experience indicates that the procedures used in estimating market value by the income capitalization approach are comparable to those employed by the hotel investors who constitute the marketplace. For this reason, we believe that the income capitalization approach produces the most supportable value estimate, and it is given the greatest weight in our final estimate of the subject property's market value.

Sales Comparison Approach

The sales comparison approach uses actual sales of similar properties to provide an indication of the subject property's value. Although we have investigated a number of sales in an attempt to develop a range of value indications, several adjustments are necessary to render these sales prices applicable to the subject property. The adjustments, which tend to be subjective, diminish the reliability of the sales comparison approach; furthermore, typical hotel investors employ a sales comparison procedure only to establish broad value parameters.

Cost Approach

Due to the practices of typical hotel buyers and sellers in today's market, the cost approach was not employed in arriving at an "as is" market value estimate.

Value Conclusion

Based on our analysis, it is our opinion that the "as is" market value of the fee simple interest in the real and personal property of the Holiday Inn Express Hotel & Suites Emporia Northwest, as of April 6, 2015, is:

$8,400,000

EIGHT MILLION FOUR HUNDRED THOUSAND DOLLARS

This value estimate equates to $123,500 per room. The estimates of market value include the land (if applicable), the improvements, and the furniture, fixtures, and equipment. The appraisal assumes that the hotel is open and operational.

We have made no extraordinary assumptions specific to the subject property. However, several important general assumptions have been made that apply to this report. These aspects are set forth in the Assumptions and Limiting Conditions chapter of this report. We have made no assumptions of hypothetical conditions in our report.

The estimates of market value include the land, improvements, and personal property. The appraisal assumes that the hotel is open and operational.

11. Statement of Assumptions and Limiting Conditions

1. This report is to be used in whole and not in part.
2. No responsibility is assumed for matters of a legal nature, nor do we render any opinion as to title, which is assumed marketable and free of any deed restrictions and easements. The property is valued as though free and clear unless otherwise stated.
3. We assume that there are no hidden or unapparent conditions of the sub-soil or structures, such as underground storage tanks, that would render the property more or less valuable. No responsibility is assumed for these conditions or for any engineering that may be required to discover them.
4. We have not considered the presence of potentially hazardous materials such as asbestos, urea-formaldehyde-foam insulation, any form of toxic waste, polychlorinated biphenyls (PCB), pesticides, mold, or lead-based paints. The appraisers are not qualified to detect hazardous substances, and we urge the client to retain an expert in this field if desired.
5. The Americans with Disabilities Act (ADA) became effective on January 26, 1992. We have conducted no specific compliance survey to determine whether the subject property has been designed in accordance with the various detailed requirements of the ADA. It is possible that the design does not conform to the requirements of the act, and this could have an unfavorable effect on value. Because we have no direct evidence regarding this issue, our estimate of value does not consider possible non-compliance with the ADA.
6. We have made no survey of the property, and we assume no responsibility in connection with such matters. Sketches, photographs, maps, and other exhibits are included to assist the reader in visualizing the property. It is assumed that the use of the described real estate is within the boundaries of the property described, and that there is no encroachment or trespass unless noted.
7. All information, financial operating statements, estimates, and opinions obtained from parties not employed by MM&R Valuation Services, Inc. are assumed true and correct. We can assume no liability resulting from misinformation.
8. Unless noted, we assume that there are no encroachments, zoning violations, or building violations encumbering the subject property.

9. The property is assumed to be in full compliance with all applicable federal, state, local, and private codes, laws, consents, licenses, and regulations (including a liquor license where appropriate), and that all licenses, permits, certificates, franchises, and so forth can be freely renewed or transferred to a purchaser.
10. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless specified otherwise.
11. None of this material may be reproduced in any form without our written permission, and the report cannot be disseminated to the public through advertising, public relations, news, sales, or other media.
12. We are not required to give testimony or attendance in court because of this analysis without previous arrangements, and shall do so only when our standard per-diem fees and travel costs have been paid prior to the appearance.
13. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material presented in this report, it is recommended that the reader contact us.
14. We take no responsibility for any events or circumstances that take place subsequent to either the date of value or the date of our field inspection, whichever occurs first.
15. The quality of a lodging facility's on-site management has a direct effect on a property's economic viability and value. The financial forecasts presented in this analysis assume responsible ownership and competent management. Any departure from this assumption may have a significant impact on the projected operating results and the value estimate.
16. The financial analysis presented in this report is based upon assumptions, estimates, and evaluations of the market conditions in the local and national economy, which may be subject to sharp rises and declines. Over the projection period considered in our analysis, wages and other operating expenses may increase or decrease because of market volatility and economic forces outside the control of the hotel's management. We assume that the price of hotel rooms, food, beverages, and other sources of revenue to the hotel will be adjusted to offset any increases or decreases in related costs. We do not warrant that our estimates will be attained, but they have been developed based upon information obtained during the course of our market research and are intended to reflect the expectations of a typical hotel buyer as of the stated date(s) of valuation.

17. This analysis assumes continuation of all Internal Revenue Service tax code provisions as stated or interpreted on either the date of value or the date of our field inspection, whichever occurs first.

18. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity, most numbers have been rounded to the nearest tenth of a percent. Thus, these figures may be subject to small rounding errors.

19. It is agreed that our liability to the client is limited to the amount of the fee paid as liquidated damages. Our responsibility is limited to the client, and use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in our engagement letter with the client.

20. Although this analysis employs various mathematical calculations to provide value indications, the final estimate is subjective and may be influenced by our experience and other factors not specifically set forth in this report.

21. Any distribution of the total value between the land and improvements or between partial ownership interests applies only under the stated use. Moreover, separate allocations between components are not valid if this report is used in conjunction with any other analysis.

22. Our report was prepared in accordance with, and is subject to, the requirements of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) and the Uniform Standards of Professional Practice (USPAP), as provided by the Appraisal Foundation.

23. This study was prepared by MM&R Valuation Services, Inc.. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of MM&R Valuation Services, Inc. as employees, rather than as individuals.

12. Certification

The undersigned hereby certify that, to the best of our knowledge and belief:

1. the statements of fact presented in this report are true and correct;
2. the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
3. we have no (or the specified) present or prospective interest in the property that is the subject of this report and no (or the specified) personal interest with respect to the parties involved;
4. we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
5. our engagement in this assignment was not contingent upon developing or reporting predetermined results;
6. our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal;
7. our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice;
8. Jeff Pennington personally inspected the property described in this report; Daniel P. McCoy, MAI participated in the analysis and reviewed the findings, but did not personally inspect the property;
9. Jeff Pennington provided significant real property appraisal assistance to Daniel P. McCoy, MAI, and that no one other than those listed above and the undersigned prepared the analyses, conclusions, and opinions concerning the real estate that are set forth in this appraisal report;
10. Daniel P. McCoy, MAI has not performed services, as an appraiser or in any other capacity, on the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment;
11. the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code

of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute;

12. the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives; and

13. as of the date of this report, Daniel P. McCoy, MAI has completed the requirements of the continuing education program of the Appraisal Institute.

Dan McCoy

Daniel P. McCoy, MAI
Managing Director, Senior Partner
MM&R Valuation Services, Inc.
State Appraiser License (KS) G-2839

HVS

Daniel McCoy, MAI

EMPLOYMENT

2006 to present HVS CONSULTING AND VALUATION SERVICES
St. Louis, Missouri

2006 CONSUMER CREDIT COUNSELING SERVICE OF NORTHERN COLORADO
Fort Collins, Colorado

2004 – 2005 ACADIA CORPORATION
Bar Harbor, Maine

EDUCATION AND OTHER TRAINING

BS – Truman State University

Other Specialized Training Classes Completed:
Uniform Standards of Professional Appraisal Practice – 15 hours
Basic Appraisal Procedures – 30 hours
Basic Appraisal Principles – 30 hours
General Appraiser Income Approach – 60 hours
General Appraiser Market Analysis and HBU – 30 hours
General Appraiser Site Valuation and Cost Approach – 30 hours
Statistics, Modeling, and Finance – 15 hours
General Appraiser Report Writing and Case Studies – 30 hours
Business Practices and Ethics – 8 hours
General Appraiser Sales Comparison Approach – 30 hours
Advanced Sales Comparison and Cost Approaches – 40 hours
Advanced Income Capitalization – 40 hours
Report Writing and Valuation Analysis – 40 hours
Advanced Applications – 40 hours
Environmental Pollution & Mold – 2 hours
Mortgage Fraud – Protect Yourself – 7 hours

EDUCATION AND OTHER TRAINING (CONTINUED)	Foundations in Sustainability: Greening the RE – 7 hours Land and Site Evaluation – 7 hours General Demonstration Report Writing – 7 hours Fundamentals of Separating Real, Personal Property, and Intangible Business Assets – 15 hours REO and Foreclosure – 5 hours The Evolution of Finance & the Mortgage Market – 4 hours Michigan Law – 2 hours Supervising Class – 4 hours Environmental Issues for Appraisers – 5 hours Risky Business – Ways to Minimize Your Liability – 5 hours Appraisal Applications of Regression Analysis – 7 hours USPAP Updates – 2009, 2010, 2012, 2014
STATE CERTIFICATIONS	Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Mississippi, Missouri, North Dakota, Ohio, Tennessee, Virginia, Wisconsin
PROFESSIONAL AFFILIATIONS	Appraisal Institute – Designated Member (MAI)

PUBLISHED ARTICLES

HVS Journal	"In Focus: Memphis, Tennessee," September 2014
HVS Journal	"Market Intelligence Report 2013: Nashville," co-authored with Ryan Wall, October 2013
HVS Journal	"Market Intelligence Report 2013: St. Louis," May 2013
HVS Journal	"HVS Market Intelligence Report: Nashville, Tennessee," June 2011
HVS Journal	"Performance Potential of Mid-Scale Hotels: Less May Be More," October 2009
HVS Journal	"Riding out the Economic Storm," June 2009
HVS Journal	"HVS Market Intelligence Report: Kansas City," January 2008
HVS Journal	"HVS Market Intelligence Report: Downtown St. Louis," August 2007

EXAMPLES OF CORPORATE AND INSTITUTIONAL CLIENTS SERVED

1st Bank
Aareal Bank
AEW Capital Management, LP
AJ Capital Partners
Alliant Credit Union
Angelo Gordon & Co.
Anglo Irish Boston Corporation
Aparium Hotel Group
Apollo Global Management
Archon
Bank of Las Vegas
Bank of Rio Grande
Bank of the Ozarks
Baraboo National Bank
Barclays Capital
Beach Business Bank
Bear Stearns
Big House Investments
BLX
BMC Capital
Boyd & Associates
Breckenridge Manager Corp.
Business Lenders
California Bank & Trust
Capital One
CapitalSource Bank
Cathay Bank
Cecil Bank
CIBC
Ciena Capital
C-III Commercial Mortgage
Citigroup
City of Alton, Illinois
City of Centralia, Illinois
Clarion Partners
Commerce Bank
Community Financial Services
Community South
CoreFirst Bank & Trust
Countrywide
Credit Suisse
CW Capital
Dahlmann Properties
Eagle Bank & Trust
Equis Hospitality Management
Excel National Bank
Extended Stay America
Farmers National Bank
Fidelity Bank
First Cloverleaf Bank
First Community Bank
First Midwest Bank
First National Bank
First National Bank of Omaha
First State Bank
FirstBank
Forestpark Capital
Frost Bank
GE Capital
GE Franchise Finance
Geyser Holdings
Goldman Sachs
Group 369
GS Development LLC
Haven Trust Bank
Heartland Bank
Hermes Group
HFF
High Trust Bank
HK Law (Torchlight)
Holland & Knight
IRSA
JBG
JER Partners
JPMorgan Chase
Kutak Rock LLP
Ladder Capital
Latitude Management Real Estate Investors, Inc.
Lehman Brothers
LNR
Lone Star Funds
Love Funding
Lowe Enterprises
Magna Bank
MainSource Bank
MetLife
Mid-America Hotel Corporation
Midas Hospitality
Mission Oaks Bank
Moody National Companies
Neighbors Credit Union
Neptune Hospitality
Northmarq Capital
NRB of Chicago
Olive Real Estate Group
Oppenheimer
Ozark Mountain Bank
Pacific West Hotels and Resorts
Park National Bank
PMC Trust
Premier Commercial
Prime Finance
Principal Real Estate Advisors
ProHomes, LLC
Provenance Hotels
Prudential
Quorum Hotels
Ranger Properties
RBS
Redwood Mortgage
Regions Bank
RLJ
Rob Gauthier
Robert Morris Private Equity
Rochester Resorts
RockBridge Capital
Silverton Bank
Situs Companies
State Bank of Countryside
Sterling Bank
TD Banknorth
Textron Financial
The Lawrence Group
The Village at Hendrix, LLC
Torchlight
Town of Hayden
U.S. Bank
Valhal Corp.
Valuation Management Group
Value Xpress
Wells Fargo
Western State Bank
Widewaters
Williamsburg Wine
Willow Capital Group
WPM Construction
Wright Investment Properties

EXAMPLES OF PROPERTIES APPRAISED OR EVALUATED

PORTFOLIO ANALYSIS

Barclays Capital Portfolio of 14, Various Locations
Portfolio of 40 Courtyard by Marriott Properties, Various Locations
CW Capital Portfolio of 6, Various Locations
GE Commercial Portfolio of 41, Various Locations
JPMorgan Chase & Deutsche Bank Portfolio of 15, Various Locations
Prime Finance Portfolio of 5, Various Locations
Rochester Resorts Portfolio of 4 Hotels, Florida
Portfolio of 4 Extended Stay America Hotels, St. Louis
Ladder Capital Portfolio of 21, Various Locations

ALABAMA

Courtyard by Marriott, Dothan
Hampton Inn & Suites, Dothan

ALASKA

Bristol Bay Lodge, Bristol Bay
Comfort Inn, Kodiak

ARIZONA

Holiday Inn & Suites, Chandler
SpringHill Suites, Flagstaff
Dobson Ranch, Mesa
Hilton Phoenix East, Mesa
Courtyard by Marriott, Page
Kings Ransom Hotel, Sedona
Proposed Summerfield Suites, Tempe

ARKANSAS

Proposed Hotel, Conway
Proposed Comfort Inn & Suites, Jonesboro
Hilton Garden Inn, Little Rock
Holiday Inn Express, North Little Rock
Proposed Comfort Inn & Suites, North Little Rock
Embassy Suites, Rogers

CALIFORNIA

SLS Hotel, Beverly Hills
Proposed Hilton Garden Inn, Burbank
Residence Inn by Marriott, Burbank
Courtyard by Marriott, Long Beach
Belamar Hotel, Manhattan Beach
TownePlace Suites, Newark
Residence Inn by Marriott, Oceanside
Holiday Inn Express Otay Mesa, San Diego

COLORADO

Proposed Hotel, Breckenridge
Comfort Inn & Suites, Carbondale
Hyatt House, Colorado Springs
Silverleaf Suites, Eagle
Courtyard by Marriott, Glenwood Springs
Residence Inn by Marriott, Glenwood Springs
Proposed Hotel, Hayden
Courtyard by Marriott, Lakewood
Residence Inn by Marriott, Lakewood
Tyme Square Inn, Limon
Residence Inn, Westminster
Proposed Wolcott Inn, Wolcott

DISTRICT OF COLUMBIA

Courtyard Washington Navy Yard
Marriott Wardman

FLORIDA

Country Inn & Suites, Cape Canaveral
West Wind Inn, Sanibel
SpringHill Suites by Marriott, Sarasota
Hampton Inn, Tampa
Proposed Westin, St. Petersburg

GEORGIA

Meliá, Atlanta
Hotel Indigo Atlanta Airport, College Park
Embassy Suites, Kennesaw
Courtyard by Marriott, Tifton

ILLINOIS

Proposed Hotel & Conference Center, Alton
Proposed SpringHill Suites and Conference Center, Alton
Super 8, Beardstown
Baymont Inn & Suites, Bloomington
Proposed Hilton Garden Inn, Bolingbrook
Marriott Chicago Southwest, Burr Ridge
SpringHill Suites, Burr Ridge
Days Inn, Carbondale
Proposed Downtown Hotel, Centralia
Proposed Limited-Service Hotel, Centralia
Allegro, Chicago
Proposed Hampton Inn (Chicago Motor Club Conversion), Chicago
Fairfield Inn by Marriott, Collinsville
Proposed Holiday Inn Express, Edwardsville
Proposed Hotel and Conference Center, Edwardsville
Best Western, Galesburg

Holiday Inn Express, Lansing
Hyatt, Lisle
Hampton Inn, Marion
Holiday Inn, Matteson
Hampton Inn, Mt. Vernon
Carleton Hotel, Oak Park
Settle Inn & Suites, O'Fallon
Crowne Plaza O'Hare, Rosemont
Hyatt, Rosemont
Days Inn, Sheffield
Hyatt House, Warrenville
Hyatt Place, Warrenville

INDIANA

Comfort Suites, Auburn
Hampton Inn, Bloomington
Courtyard by Marriott, Evansville
Holiday Inn, Evansville
Big Splash Adventure Water Park & Resort, French Lick
Courtyard by Marriott, Goshen
Hilton, Indianapolis
Ramada Inn, Indianapolis
Hampton Inn, Marion
Days Inn, Merrillville

IOWA

Proposed Hilton Garden Inn & Conference Center, Amana
Days Inn, Davenport
Super 8, Webster City

KANSAS

Candlewood Suites, Junction City
Proposed Hotel, Kansas City
Proposed Leavenworth Hotel, Leavenworth
Crowne Plaza, Lenexa
Proposed SpringHill Suites by Marriott, Lenexa
Hampton Inn & Suites, Merriam
Hilton Garden Inn, Overland Park
Red Roof Inn, Overland Park

KENTUCKY

Hampton Inn, Covington
Proposed Hotel, Covington
Holiday Inn Express, Danville
Hyatt Place Cincinnati Airport, Florence
Comfort Suites, Louisville
Holiday Inn, Louisville
Hyatt Place Louisville East, Louisville
Proposed Fairfield Inn & Suites, Louisville
Proposed Country Inn & Suites, Madisonville
Days Inn, Mount Sterling
Best Western, Paducah
Courtyard by Marriott, Paducah
Econo Lodge, Paducah

LOUISIANA

Quality Inn, Lafayette
Holiday Inn & Suites, Lake Charles
Sleep Inn, Lake Charles
Sheraton, Metairie
Proposed Hotel Indigo, New Orleans

MARYLAND

Comfort Inn, Hunt Valley
Legacy Hotel, Rockville

MICHIGAN

Bell Tower Hotel, Ann Arbor
Campus Inn, Ann Arbor
Hilton Suites, Auburn Hills
Hyatt Place Detroit/Auburn Hills, Auburn Hills
Marriott Airport, Detroit
Marriott Southfield, Detroit
Residence Inn, East Lansing
Courtyard by Marriott, Flint
Days Inn, Flint
Holiday Inn, Flint
Super 8, Flint
Residence Inn, Grand Rapids
Holiday Inn, Kalamazoo
North Country Inn, Kalkaska
Econo Lodge, Lansing
Proposed Hyatt Place, Lansing
Hyatt Place Detroit/Livonia, Livonia
Residence Inn, Livonia
Residence Inn, Madison Heights
Comfort Suites, Southgate
Hilton, Troy
Residence Inn, Troy

MINNESOTA

Windom Family Inn, Windom
Super 8, Worthington

MISSISSIPPI

Hilton Garden Inn, Jackson

MISSOURI

Georgetown Inn, Branson
Hilton Branson Landing, Branson
Hilton Promenade, Branson
Residence Inn, Branson
Crowne Plaza, Bridgeton
Proposed Old Hinderhook Hotel, Camdenton
Hampton Inn & Suites, Chesterfield
Proposed Hyatt Place, Chesterfield
Super 8, Chillicothe
Proposed Indigo Hotel, Clayton
Hampton Inn & Suites Columbia at The University, Columbia
Holiday Inn, Columbia
Tiger Hotel, Columbia

Residence Inn by Marriott, Earth City
Comfort Inn, Hayti
Holiday Inn Aladdin, Kansas City
Proposed Marriott Marquis, Kansas City
Days Inn, Kennett
Holiday Inn Express, Kirksville
Resort at Point Arrowhead, Lake Ozark
Best Western, Mexico
Holiday Inn Express, O'Fallon
Multi-use Commercial Property, O'Fallon
Staybridge Suites, O'Fallon
Holiday Inn, Poplar Bluff
Proposed Hampton Inn, Poplar Bluff
Homewood Suites, Richmond Heights
Restaurant, Springfield
Hampton Inn, St. Charles
Hampton Inn, St. Joseph
Crowne Plaza Downtown, St. Louis
Embassy Suites, St. Louis
Hilton Downtown, St. Louis
Hilton (conversion to Le Meridien), St. Louis
Holiday Inn, St. Louis
Holiday Inn Riverport, St. Louis
Marriott at the Airport, St. Louis
Millennium Hotel, St. Louis
Proposed Boutique Hotel, St. Louis
Proposed Fairfield Inn & Suites, St. Louis
Proposed Holiday Inn, St. Louis
Sheraton City Center, St. Louis
Sheraton Hotel Clayton Plaza, St. Louis
Holiday Inn Express, Warrensburg

MONTANA

Proposed Red Lion Hotel, Polson

NEBRASKA

Hampton Inn Lincoln Airport, Lincoln
Proposed TownePlace Suites by Marriott, Lincoln
Carlisle Hotel, Omaha
Hyatt Place Omaha Downtown Old Market, Omaha

NEW JERSEY

Crowne Plaza, Jamesburg
TownePlace Suites by Marriott, Mount Laurel
Crowne Plaza, Somerset

NEW MEXICO

Hyatt Albuquerque, Albuquerque

NORTH CAROLINA

Clarion Inn Airport, Asheville
Hilton Biltmore Park, Asheville
Holiday Inn Airport, Asheville
Hampton Inn, Cape Hatteras
TownePlace Suites Charlotte Arrowood, Charlotte
Comfort Suites, Huntersville

OHIO

Comfort Inn & Suites, Carbondale
Proposed Residence Inn by Marriott, Dublin
Country Inn & Suites, Fairborn
Hyatt Place Cleveland/Independence, Independence
Hyatt Place Cincinnati Northeast, Mason
Timberlane Inn, Salem
Courtyard by Marriott, Willoughby Hills
Residence Inn by Marriott, Worthington

OKLAHOMA

Crowne Plaza, Oklahoma City

OREGON

Best Inn & Suites, Albany
DoubleTree by Hilton, Bend
DoubleTree by Hilton, Salem
Shilo Inn, Newport

PENNSYLVANIA

Clarion, DuBois
Residence Inn by Marriott Pittsburgh Airport Coraopolis, Pittsburgh

SOUTH CAROLINA

Comfort Suites, Columbia
Fairfield Inn, Orangeburg
Proposed Legacy Suites, Rock Hill

SOUTH DAKOTA

Super 8, Madison
Courtyard by Marriott, Sioux Falls
SpringHill Suites, Sioux Falls

TENNESSEE

Homewood Suites, Brentwood
Hyatt Place Nashville/Brentwood, Brentwood
Country Hearth Inn & Suites, Camden
Fairfield Inn & Suites, Chattanooga
Hilton Garden Inn, Clarksville
Baymont Inn & Suites, Jackson
Hampton Inn & Suites, Memphis
Hampton Inn Thousand Oaks, Memphis
Hyatt Place Memphis Primacy Parkway, Memphis

Memphis Airport Hotel & Conference Center, Memphis
Proposed Holiday Inn, Memphis
DoubleTree by Hilton, Nashville
Hampton Inn Rudy Circle, Nashville
Holiday Inn Express McGavock Pike, Nashville
Hotel Preston, Nashville
Hyatt Place Nashville Opryland, Nashville
Marriott Vanderbilt, Nashville
Proposed Gulch Hotel, Nashville
Proposed Hotel, Nashville
Red Roof Inn, Nashville
Renaissance Hotel, Nashville
Sheraton Music City, Nashville
Parkway Inn & Suites, Goodlettsville
Country Hearth Inn, Union City

TEXAS

Courtyard, Abilene
Holiday Inn, Amarillo
Holiday Inn Express, Brownwood
Courtyard by Marriott, Corpus Christi
Hilton Dallas Lincoln Center, Dallas
Holiday Inn, Fort Worth
Proposed Hilton Garden Inn, Frisco
Candlewood Suites Medical Center, Houston
Residence Inn by Marriott, Houston
Quality Inn & Suites, Irving
Days Inn, Laredo
Red Roof Inn, Laredo
Proposed Extended-Stay Hotel, Midland
Holiday Inn Express, South Padre Island
Courtyard by Marriott, Sugarland
Residence Inn by Marriott, Sugarland
Holiday Inn Express, Sweetwater
Comfort Suites, Tomball
Proposed Extended-Stay Hotel, The Woodlands

VIRGINIA

Alexandria Monaco, Alexandria
Morrison House, Alexandria
Proposed Residence Inn, Falls Church
Proposed Hampton Inn, Springfield
Wedmore Place, Williamsburg

WASHINGTON

DoubleTree, Vancouver
Marcus Whitman Hotel, Walla Walla

WISCONSIN

Aloft, Green Bay
Hilton Inn, Milwaukee

WYOMING

Candlewood Suites, Cheyenne

State of Kansas

Real Estate Appraisal Board

This is to certify that

Daniel P. McCoy

has complied with the provisions of the Kansas State Certified and Licensed Real Property Appraisers Act to transact business as a

Certified General Real Property Appraiser

in the State of Kansas

License #: G-2839

Effective Date: 7/1/2015

Expiration Date: 6/30/2016

Chairman