



APPRAISAL OF REAL PROPERTY

North Carolina & Georgia Hotel Portfolio

Fairfield Inn & Suites - Kingsland, GA

Fairfield Inn & Suites – Asheboro, NC

Hampton Inn – Asheboro, NC

Springhill Suites – Pinehurst, NC

IN AN APPRAISAL REPORT

As of April 24, 2014

Prepared For:

American Hotel Income Properties REIT, LP

1690-401 West Georgia Street

Vancouver, British Columbia, Canada V6B 5A1

Prepared By:

Cushman & Wakefield of North Carolina, Inc.

Valuation & Advisory

5605 Carnegie Boulevard, Suite 100

Charlotte, NC 28209

C&W File ID: 14-43502-900282-002

CONFIDENTIAL





North Carolina & Georgia Hotels Portfolio

1319 East King Avenue, Kingsland, GA

920 Executive Way, Asheboro, NC

1137 East Dixie Drive, Asheboro, NC

10024 US Highway 15/501, Pinehurst, NC



CUSHMAN & WAKEFIELD OF NORTH CAROLINA, INC.
5605 CARNEGIE BOULEVARD, SUITE 100
CHARLOTTE, NC 28209

April 28, 2014

Mr. Robert O'Neill
American Hotel Income Properties REIT, LP
1690-401 West Georgia Street
Vancouver, British Columbia, Canada 00005

Re: Appraisal of Real Property
In an Appraisal Report

Fairfield Inn & Suites – Kingsland, GA
1319 East King Avenue
Kingsland, GA 31548

Fairfield Inn & Suites - Asheboro, NC
920 Executive Way
Asheboro, NC 27203

Hampton Inn - Asheboro, NC
1137 East Dixie Drive
Asheboro, NC 27203

Springhill Suites - Pinehurst, NC
10024 US Highway 15/501
Pinehurst, NC 28374

C&W File ID: 14-43502-900282-001 - 4

Dear Mr. O'Neill:

In fulfillment of our agreement as outlined in the Letter of Engagement, we are pleased to transmit our appraisal of the above-captioned properties in an appraisal report dated April 28, 2014. The effective date of value is April 24, 2014.

This appraisal report has been prepared in compliance with the *Uniform Standards of Professional Appraisal Practice* (USPAP). In addition, the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) specifies that a Federally-regulated financial institution must be the Client in the appraiser-client relationship under the terms of an assignment agreement. To the extent the Client is governed by FIRREA, this appraisal meets all applicable requirements.

VALUE CONCLUSIONS

Based on the agreed to Scope of Work, and as a result of our analysis, we have developed an opinion that the Market Value of the fee simple estate of the above-referenced properties, subject to the assumptions and limiting conditions, certifications, extraordinary and hypothetical conditions, if any, are:

Final Value Conclusions				
Appraisal Premise	Real Property Interest	Date of Value	Value Conclusion	Per Room
Fairfield Inn & Suites - Kingsland, GA				
Market Value As-Is	fee simple	4/23/2014	\$5,000,000	\$57,471
Prospective Market Value Upon Stabilization	fee simple	4/23/2016	\$5,700,000	\$69,512
Fairfield Inn & Suites - Asheboro, NC				
Market Value As-Is	fee simple	4/23/2014	\$5,800,000	\$66,667
Prospective Market Value Upon Stabilization	fee simple	4/23/2016	\$6,500,000	\$74,713
Hampton Inn - Asheboro, NC				
Market Value As-Is	fee simple	4/23/2014	\$10,400,000	\$93,694
Prospective Market Value Upon Stabilization	fee simple	4/23/2016	\$11,500,000	\$103,604
Springhill Suites - Pinehurst, NC				
Market Value As-Is	fee simple	4/23/2014	\$10,200,000	\$95,327
Prospective Market Value Upon Stabilization	fee simple	4/23/2016	\$10,800,000	\$100,935

The opinions of value include the land, the improvements thereto, and the contributory value of the furniture, fixtures and equipment. The appraisers assume that the hotels will be, and shall remain, open and operational.

ALLOCATION OF MARKET VALUE COMPONENTS

We have allocated the market value of the subject property into Real Property and Personal Property on an as is basis as follows:

Allocation of Property Components - As Is (as of April 24, 2014)					
Property	Location	Real Property	FF&E	Business	Total
Fairfield Inn & Suites	Kingsland, GA	\$4,630,000	\$370,000	\$0	\$5,000,000
Fairfield Inn & Suites	Asheboro, NC	\$5,410,000	\$390,000	\$0	\$5,800,000
Hampton Inn	Asheboro, NC	\$9,900,000	\$500,000	\$0	\$10,400,000
Springhill Suites	Pinehurst, NC	\$9,720,000	\$480,000	\$0	\$10,200,000

The analysis contained in this appraisal is based upon assumptions and estimates that are subject to uncertainty and variation. These estimates are often based on data obtained in interviews with third parties, and such data are not always completely reliable. In addition, we make assumptions as to the future behavior of consumers and the general economy, which are highly uncertain. However, it is inevitable that some assumptions will not materialize and unanticipated events may occur that will cause actual achieved operating results to differ from the financial analyses contained in this report and these differences may be material. Therefore, while our analysis was conscientiously prepared on the basis of our experience and the data available, we make no warranty that the conclusions presented will, in fact, be achieved. Additionally, we have not been engaged to evaluate the effectiveness of management and we are not responsible for future marketing efforts and other management actions upon which actual results may depend.

We did not ascertain the legal, engineering, and regulatory requirements applicable to the properties, including zoning and other state and local government regulations, permits and licenses. No effort has been made to determine the possible impact on the properties of present or future federal, state or local legislation, including any environmental or ecological matters or interpretations thereof. With respect to the market demand analysis, our work did not include analysis of the potential impact of any significant rise or decline in local or general economic conditions.

We believe, based on the assumptions employed in our cash flow, as well as our selection of investment parameters for the subject properties, that the value conclusions represents a market price achievable within 6 to 12 months exposure prior to the date of value.

We take no responsibility for any events, conditions, or circumstances affecting the market that exists subsequent to the last day of our fieldwork, April 24, 2014.

The value opinion in this report is qualified by certain assumptions, limiting conditions, certifications, and definitions. We particularly call your attention to the extraordinary assumptions and hypothetical conditions listed below.

EXTRAORDINARY ASSUMPTIONS

For a definition of Extraordinary Assumptions please see the Glossary of Terms & Definitions. The use of extraordinary assumptions, if any, might have affected the assignment results.

This appraisal does not employ any extraordinary assumptions.

HYPOTHETICAL CONDITIONS

For a definition of Hypothetical Conditions please see the Glossary of Terms & Definitions. The use of hypothetical conditions, if any, might have affected the assignment results.

This appraisal does not employ any hypothetical conditions.

This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits, and Addenda.

Respectfully submitted,

CUSHMAN & WAKEFIELD OF NORTH CAROLINA, INC.



Tommy Crozier, MAI, CCIM
Senior Director – Hospitality & Gaming
Group
NC State-Certified General Real Estate
Appraiser License No. A5318
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Appraiser License No. 340706
tommy.crozier@cushwake.com
(704) 916-4444 Office Direct
(704) 916-4445 Fax

CLIENT SATISFACTION SURVEY

As part of our quality monitoring campaign, attached is a short survey pertaining to this appraisal report and the service that you received. Would you please take a few minutes to complete the survey to help us identify the things you liked and did not like?

Each of your responses will be catalogued and reviewed by members of our national Quality Control Committee, and appropriate actions will be taken where necessary. Your feedback is critical to our effort to continuously improve our service to you, and is sincerely appreciated.

To access the questionnaire, please click on the link here:

[Http://www.surveymonkey.com/s.aspx?sm= 2bZUxc1p1j1DWj6n_2fsw1KQ_3d_3d&c=14-43502-900282-002](http://www.surveymonkey.com/s.aspx?sm=2bZUxc1p1j1DWj6n_2fsw1KQ_3d_3d&c=14-43502-900282-002)

The survey is hosted by Surveymonkey.com, an experienced survey software provider. Alternatively, simply print the survey attached in the Addenda of this report and fax it to (716) 852-0890.

Summary of Salient Facts and Conclusions

The following is an executive summary of the information that we present in more detail in the report.

Summary of Salient Facts and Conclusions (as of April 24, 2014)											
Property	Location	No. of Rooms	Year Opened	Acres	Building Size (Square Ft.)	Interest Appraised	Market Value As-Is	Market Value Per Room	IRR	TCR	Yr. 1 OAR (Implied)
Fairfield Inn & Suites	Kingsland, GA	82	2008	1.74	41,740	fee simple	\$5,000,000	\$60,976	11.50%	9.50%	9.17%
Fairfield Inn & Suites	Asheboro, NC	87	2009	3.34	45,000	fee simple	\$5,800,000	\$66,667	11.50%	9.50%	8.74%
Hampton Inn	Asheboro, NC	111	1995	2.83	38,950	fee simple	\$10,400,000	\$93,694	11.75%	9.50%	9.19%
Springhill Suites	Pinehurst, NC	107	1999	2.76	61,858	Fee simple	\$10,200,000	\$95,327	11.00%	9.50%	9.06%

EXTRAORDINARY ASSUMPTIONS

For a definition of Extraordinary Assumptions please see the Glossary of Terms & Definitions. The use of extraordinary assumptions, if any, might have affected the assignment results.

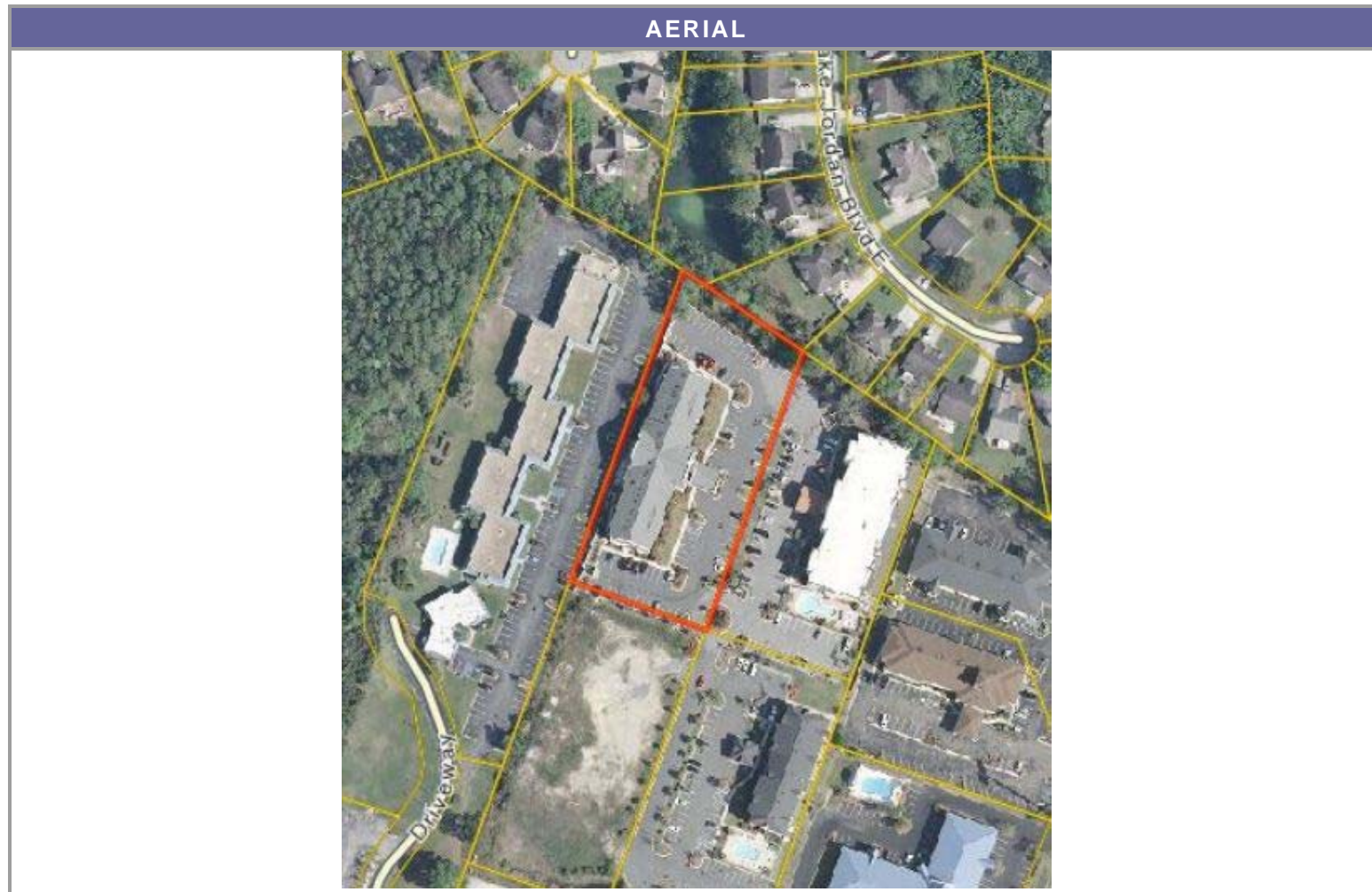
This appraisal does not employ any extraordinary assumptions.

HYPOTHETICAL CONDITIONS

For a definition of Hypothetical Conditions please see the Glossary of Terms & Definitions. The use of hypothetical conditions, if any, might have affected the assignment results.

This appraisal does not employ any hypothetical conditions.

Property Photographs – Fairfield Inn & Suites - Kingsland, GA

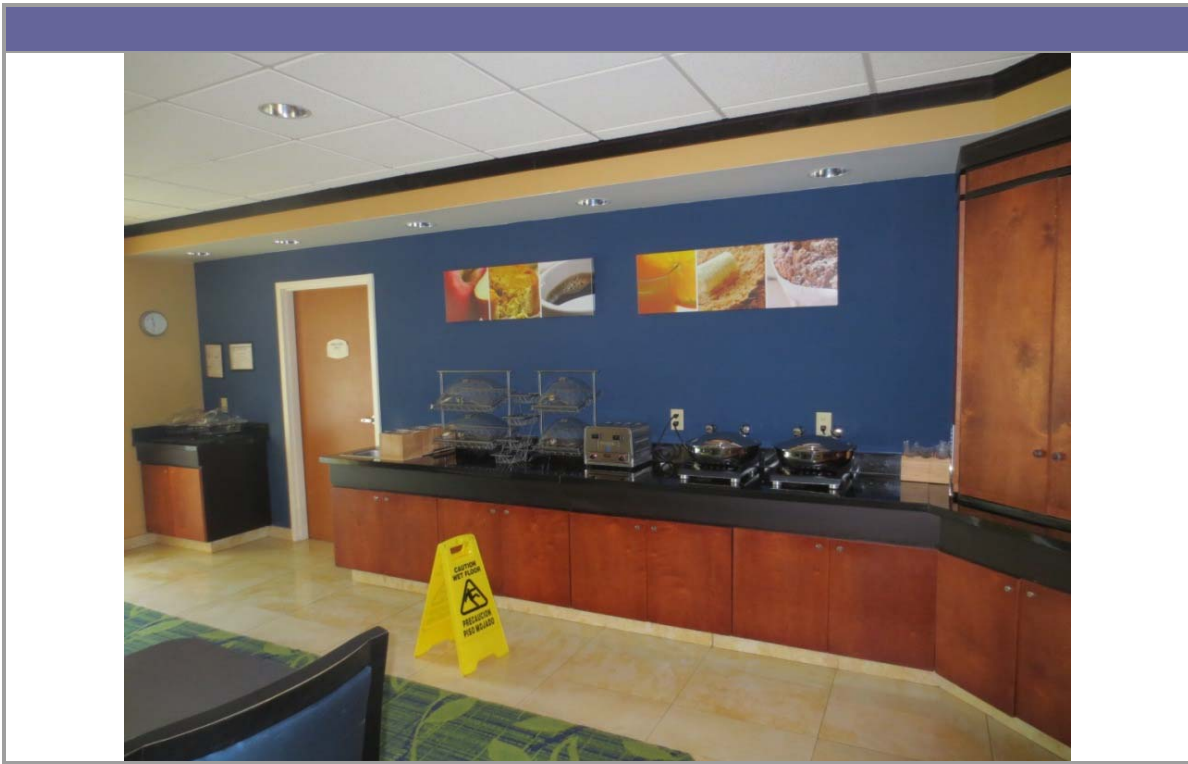




View of Exterior



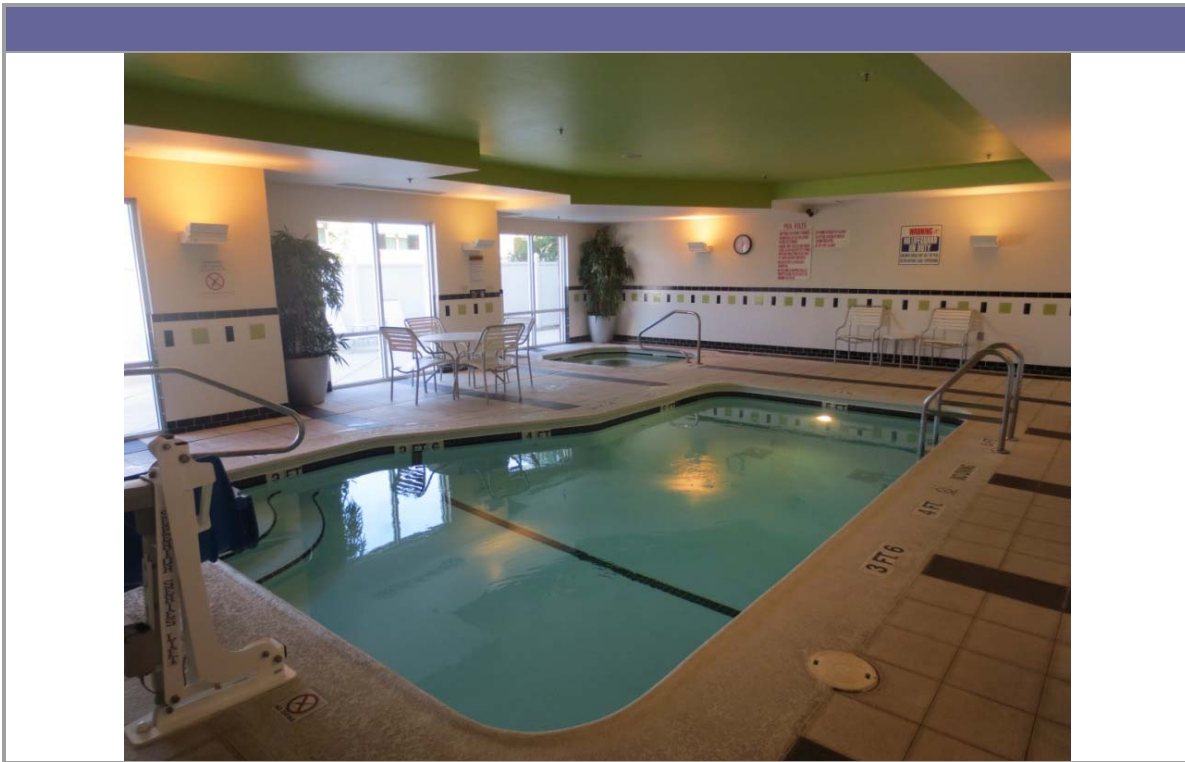
Lobby



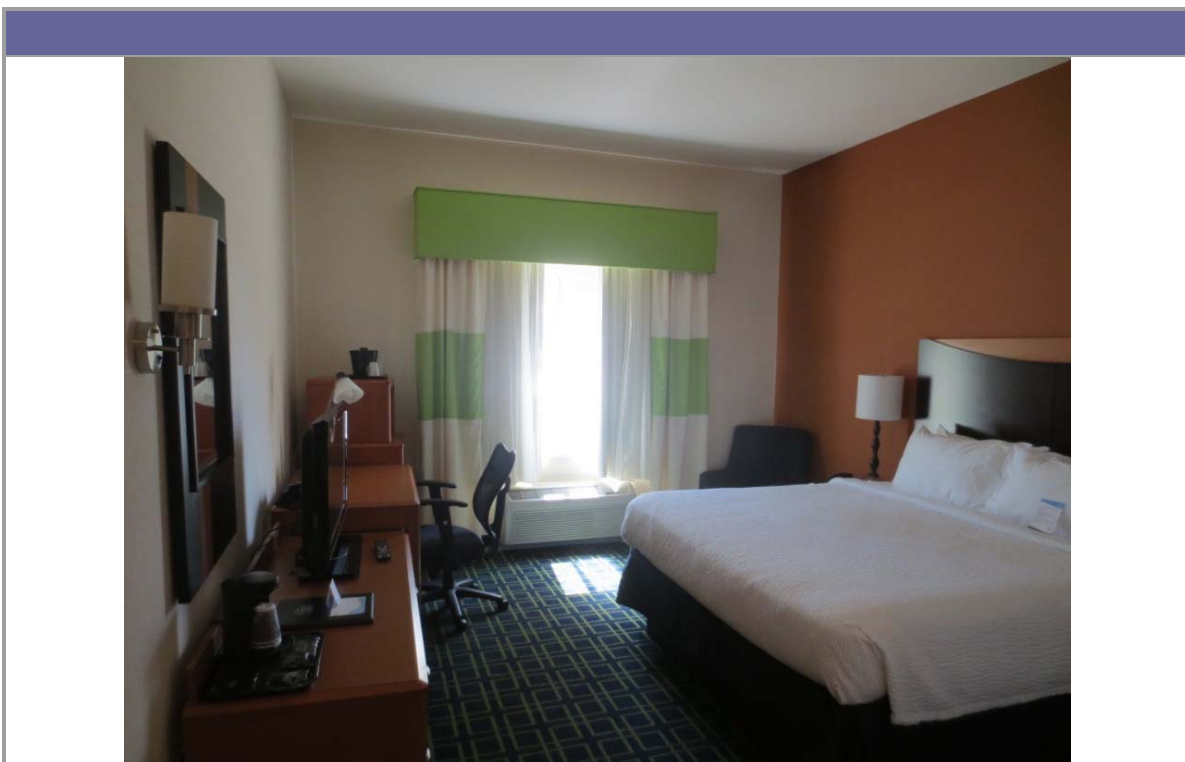
Breakfast area



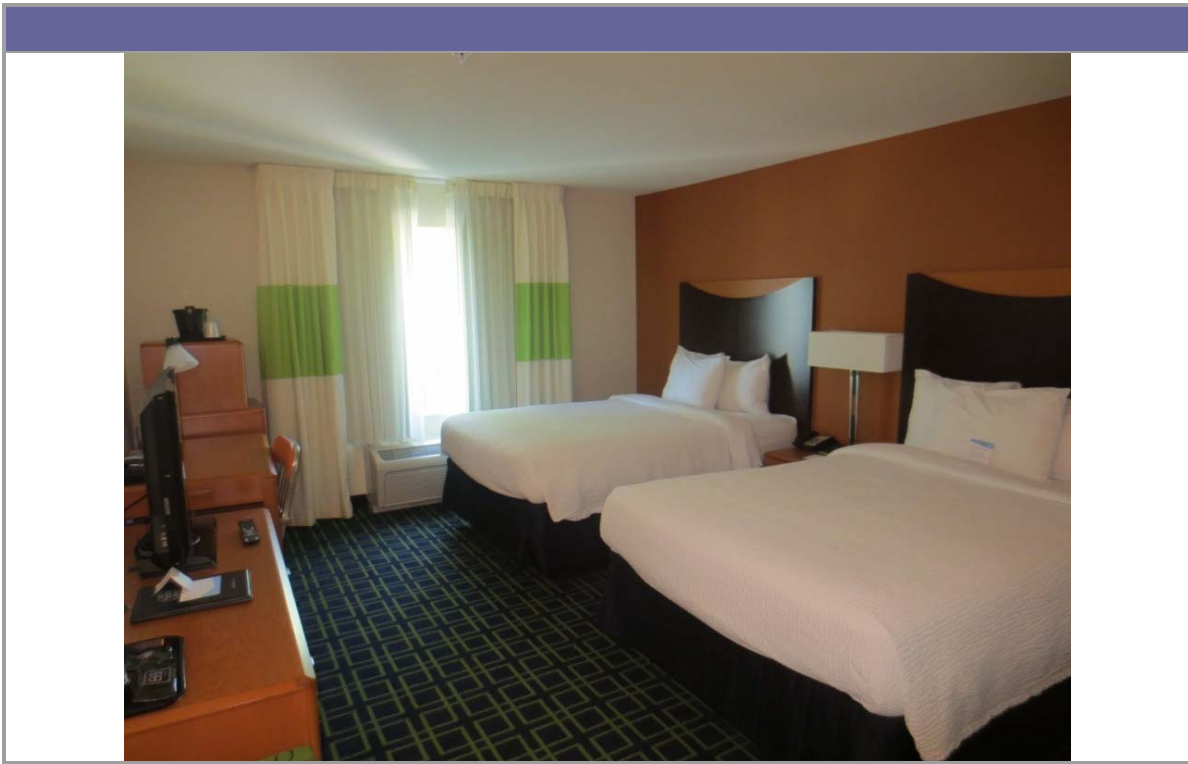
Fitness room



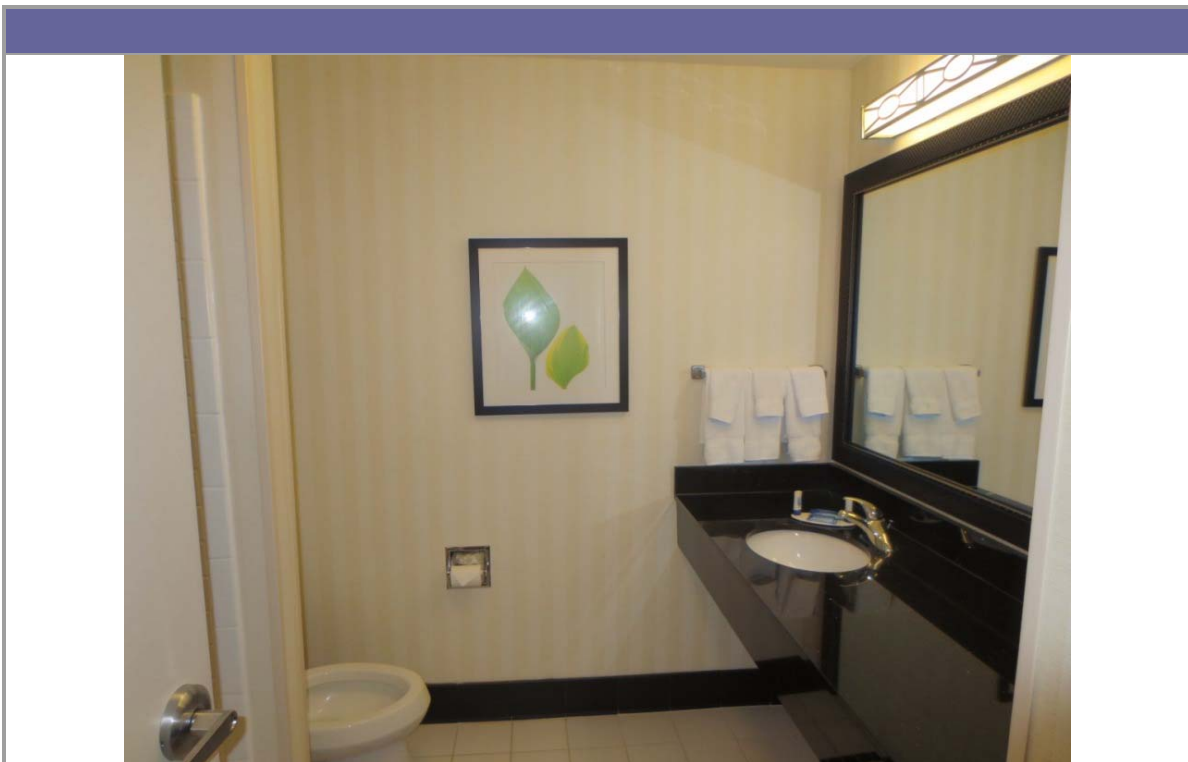
Indoor Pool & Whirlpool



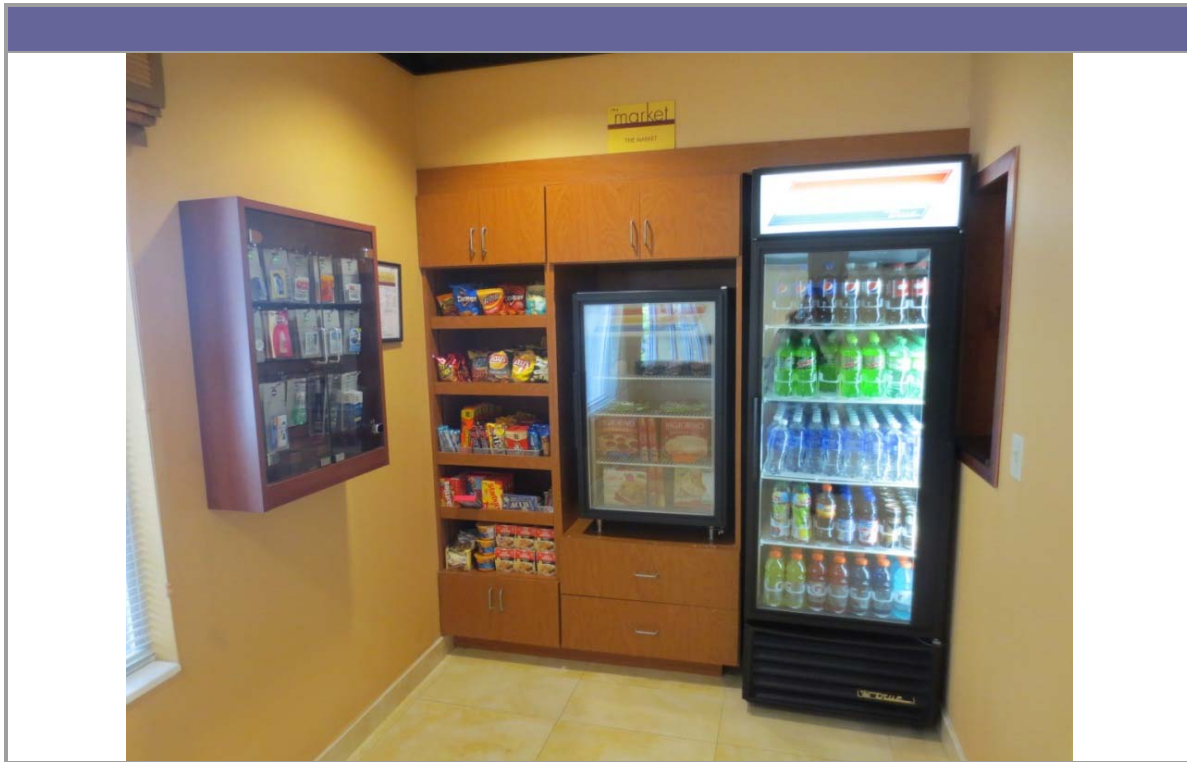
Typical Guestroom



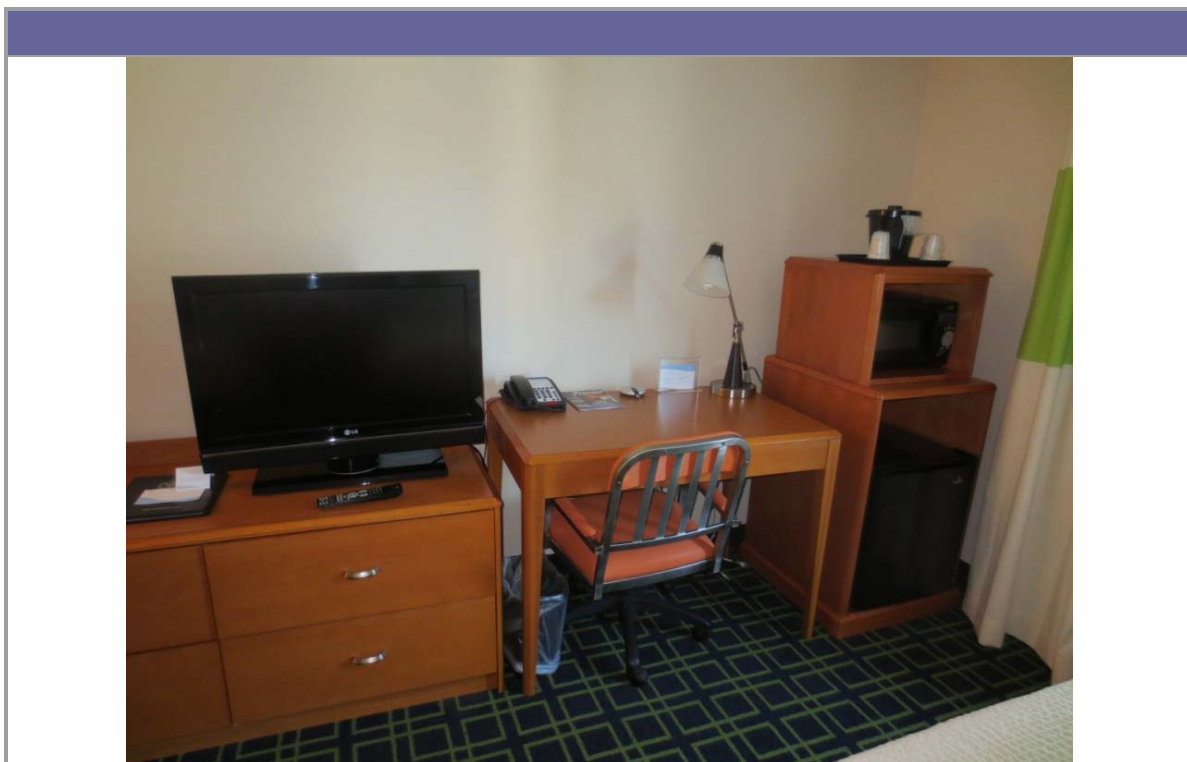
Typical Guestroom



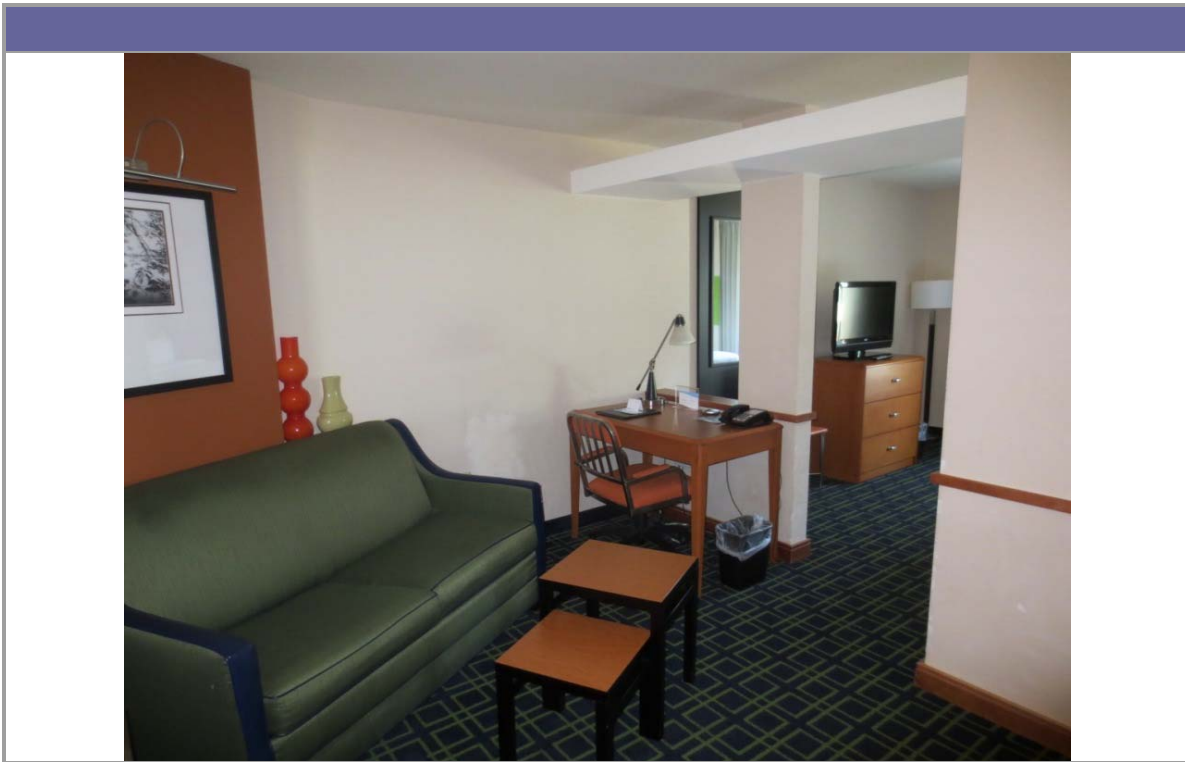
Typical Guest Bathroom



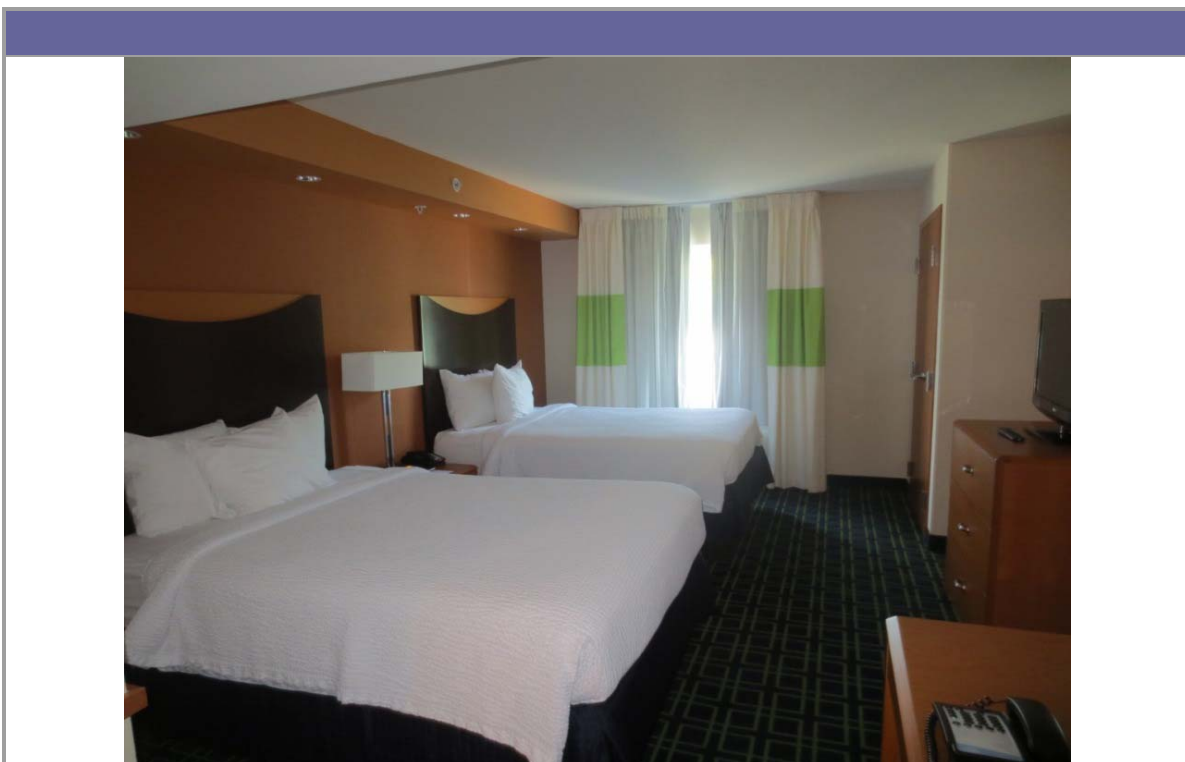
Sundry Shop



Typical Guestroom



Typical Guest Suite



Typical Guestroom



View of Street Frontage



View of Street Frontage

Property Photographs – Fairfield Inn & Suites - Asheboro, NC





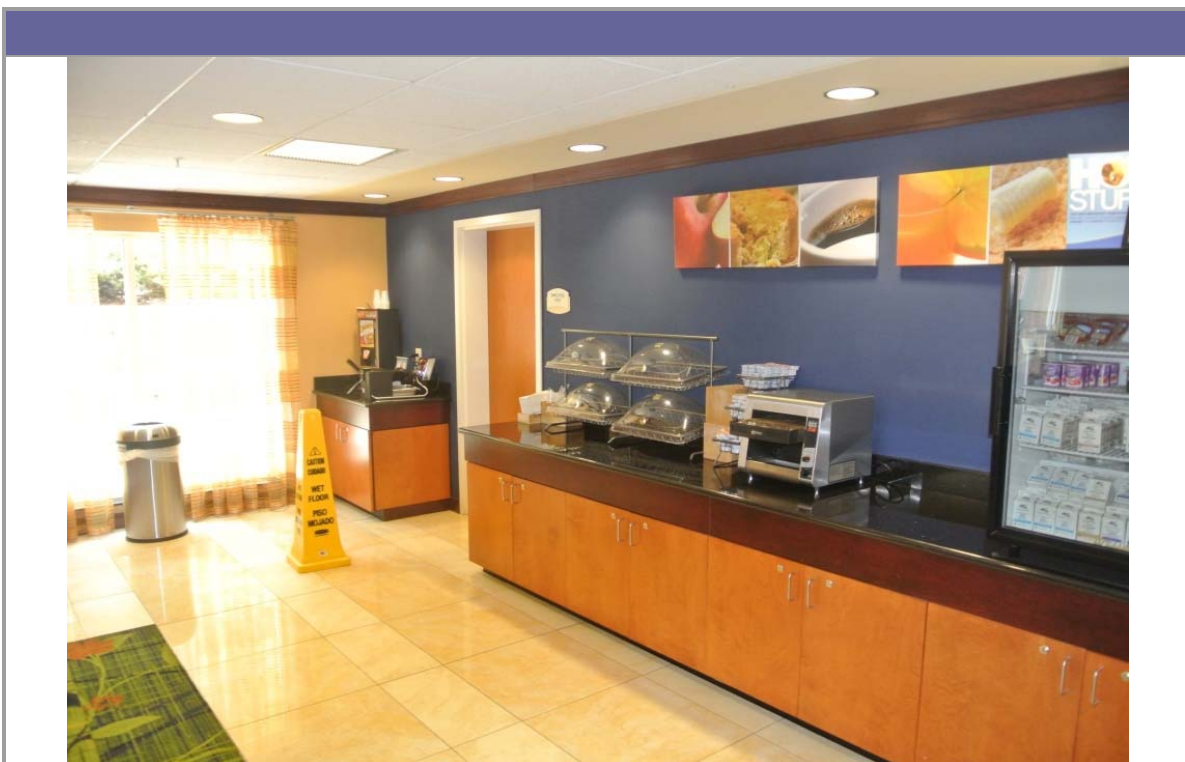
View of Exterior



View of Lobby



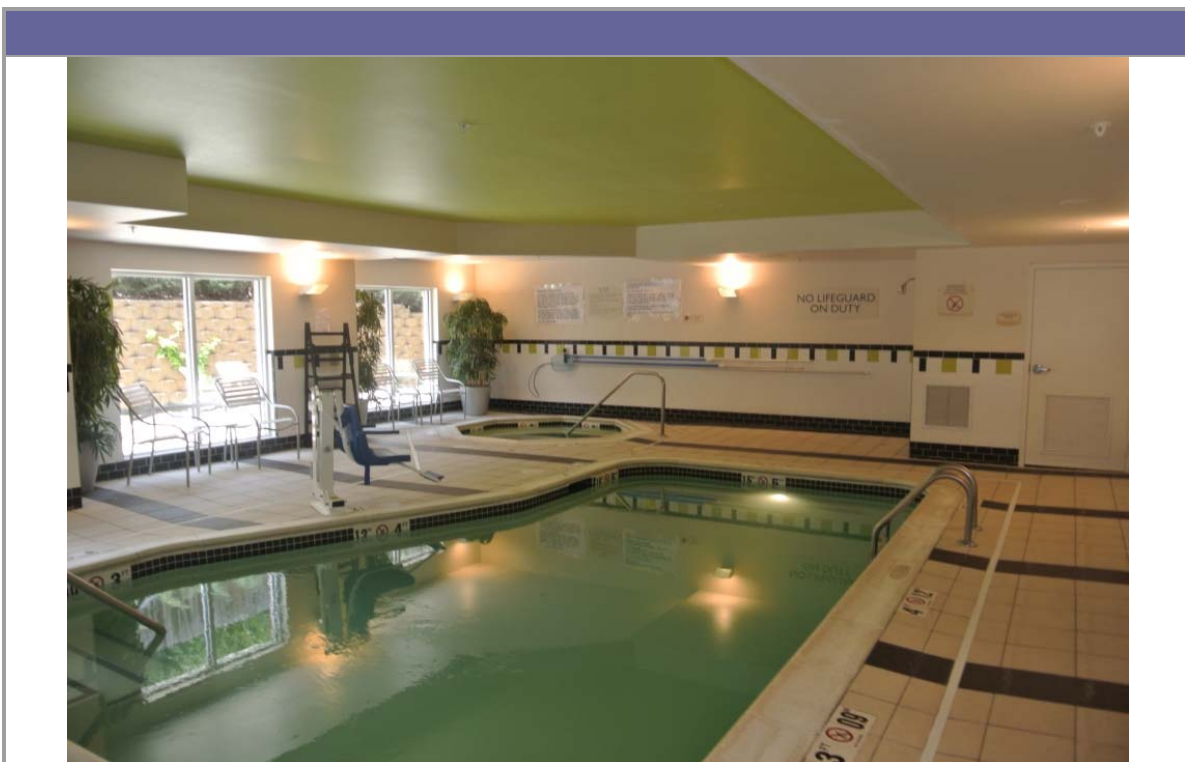
Sundry Shop



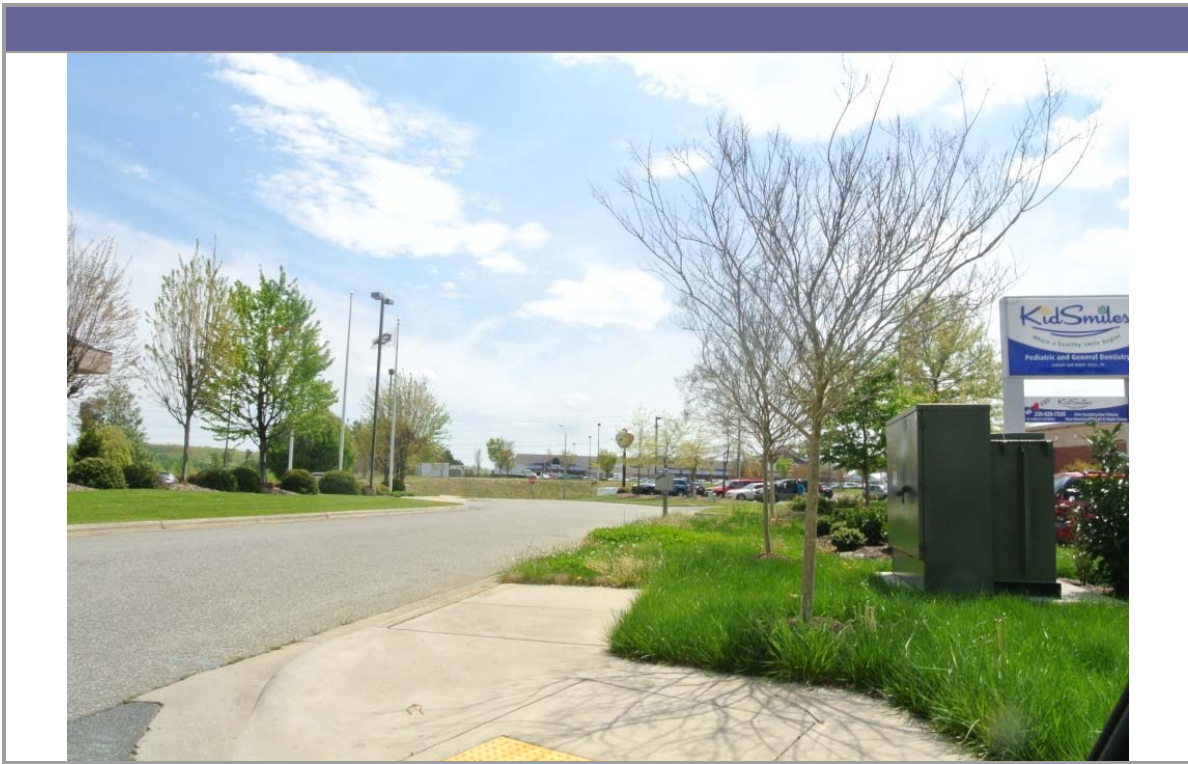
Breakfast Area



Fitness Center



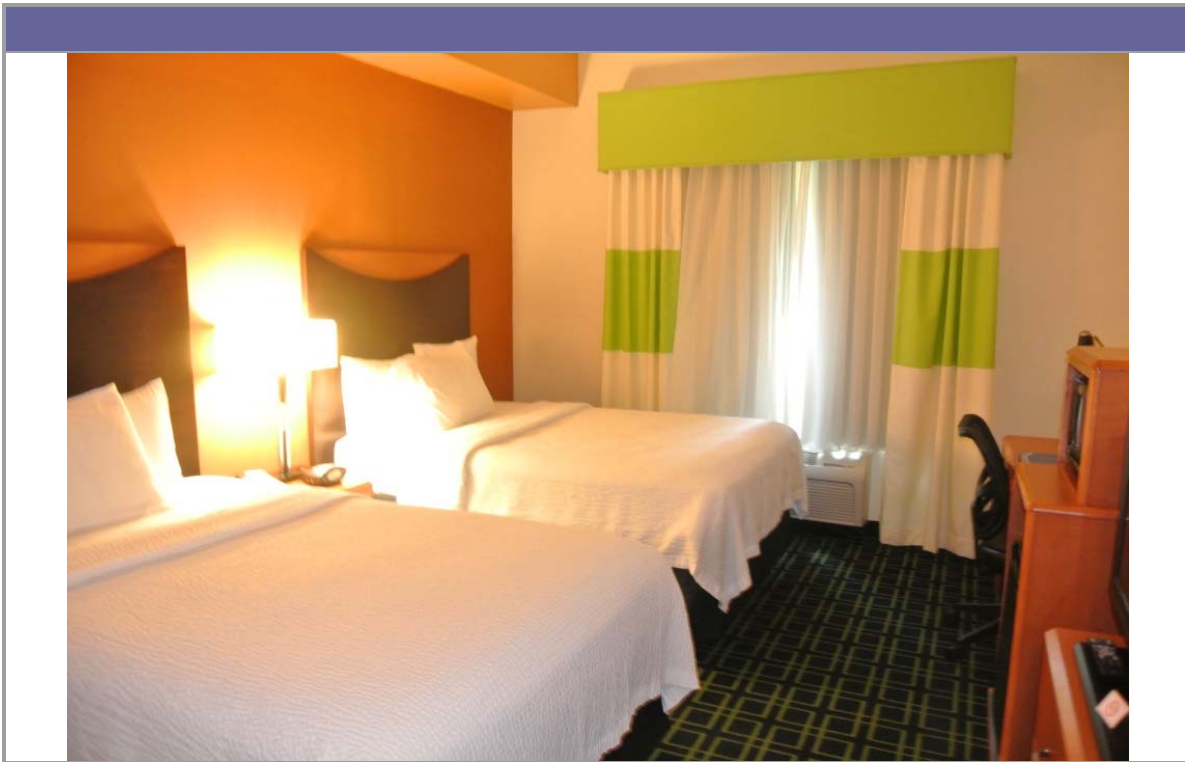
Indoor Pool & Whirlpool



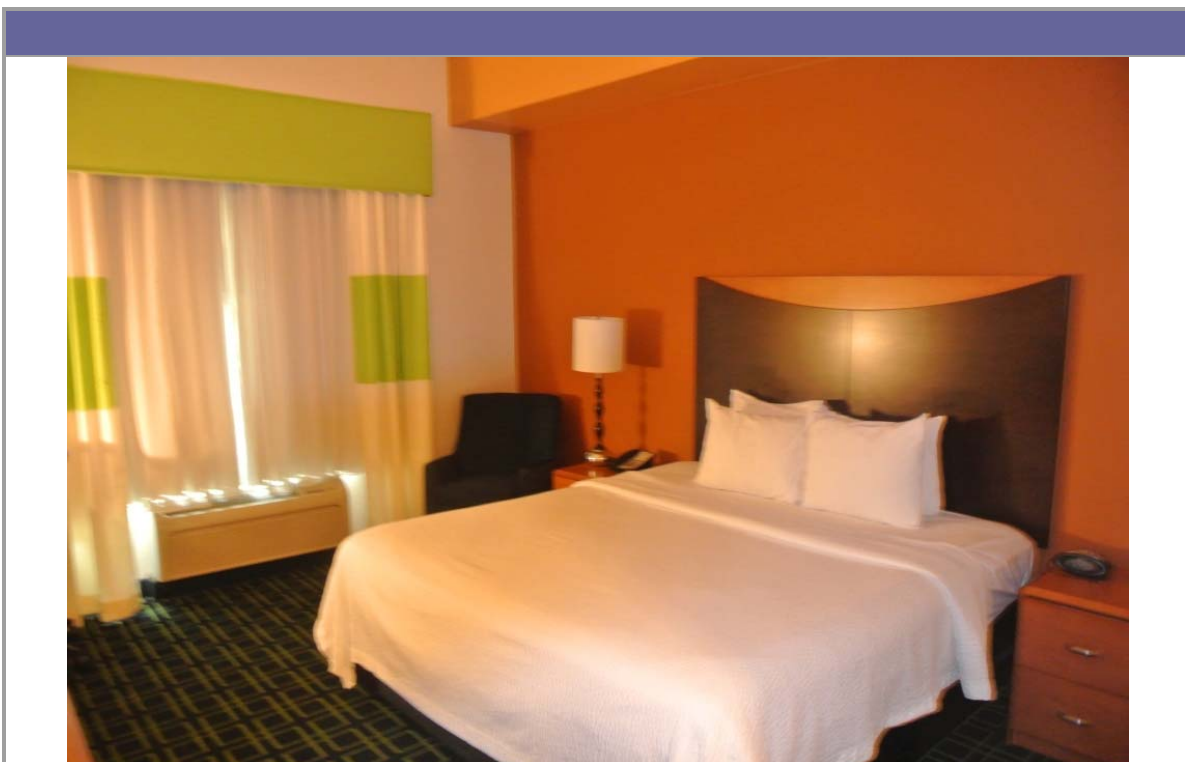
View of Street Frontage



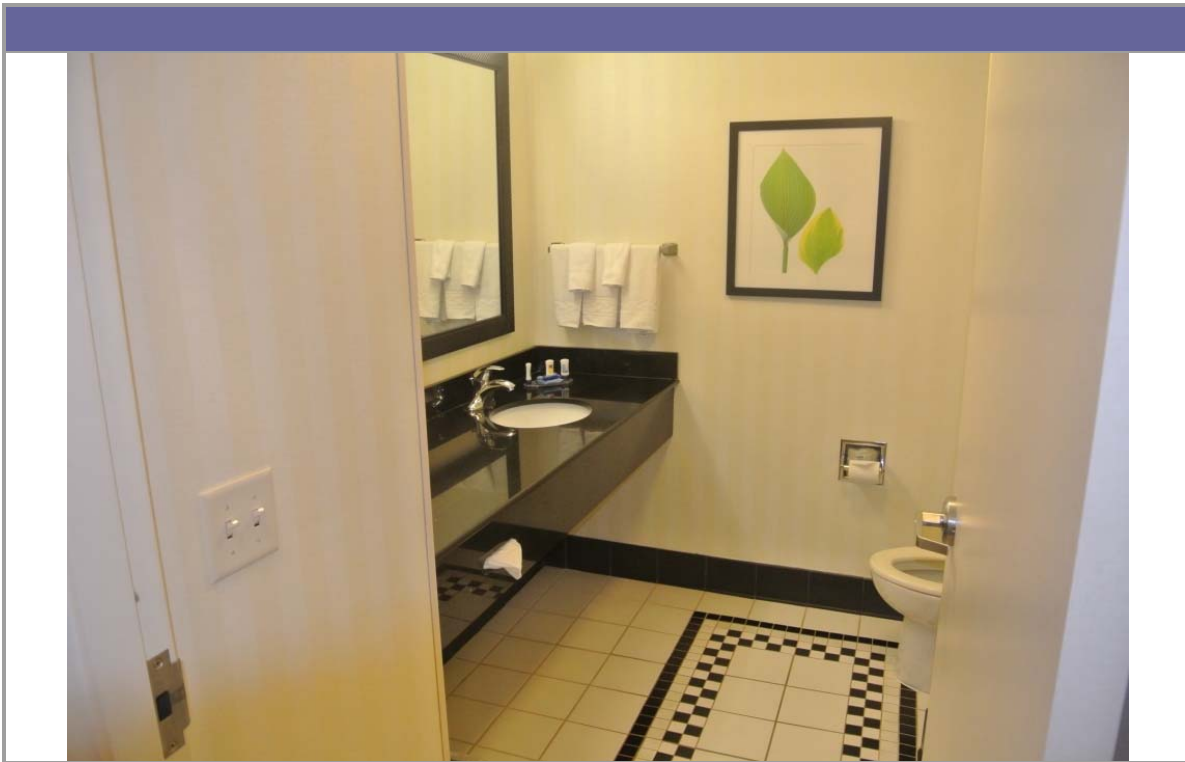
View of Street Frontage



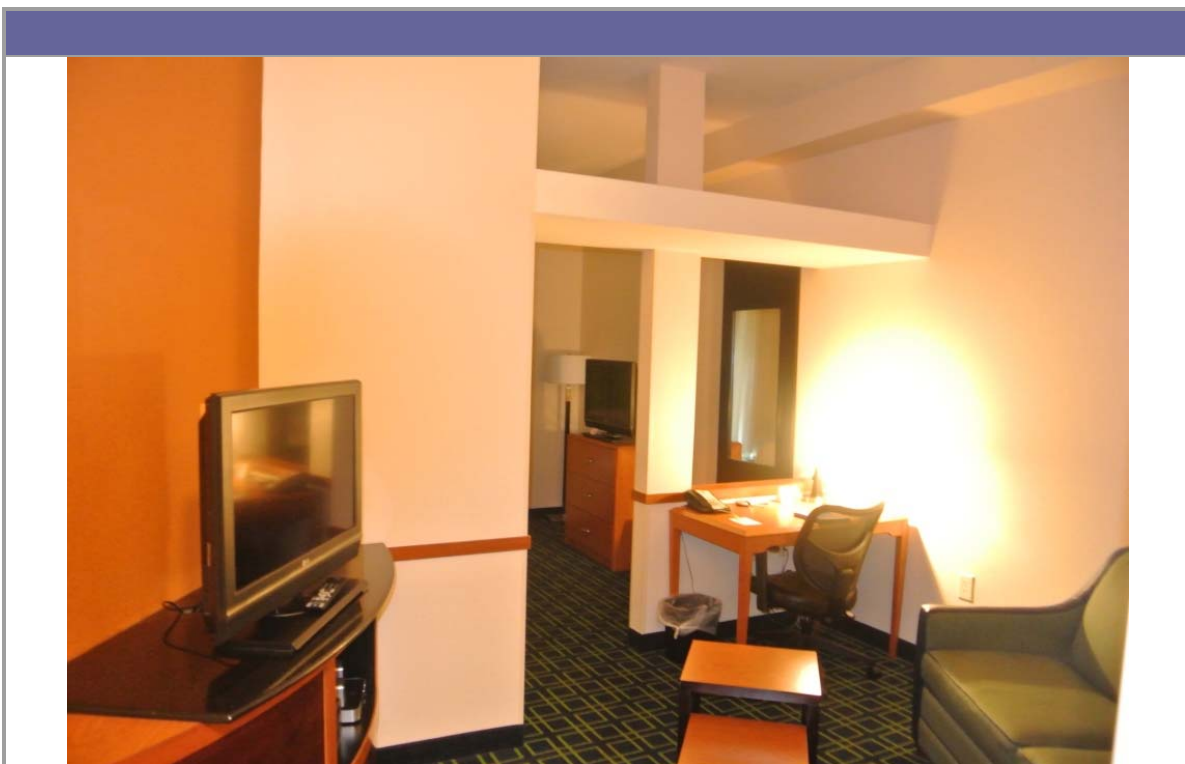
Typical Guestroom



Typical Guestroom



Typical Guest Bathroom



Typical Guestroom



Typical Guestroom



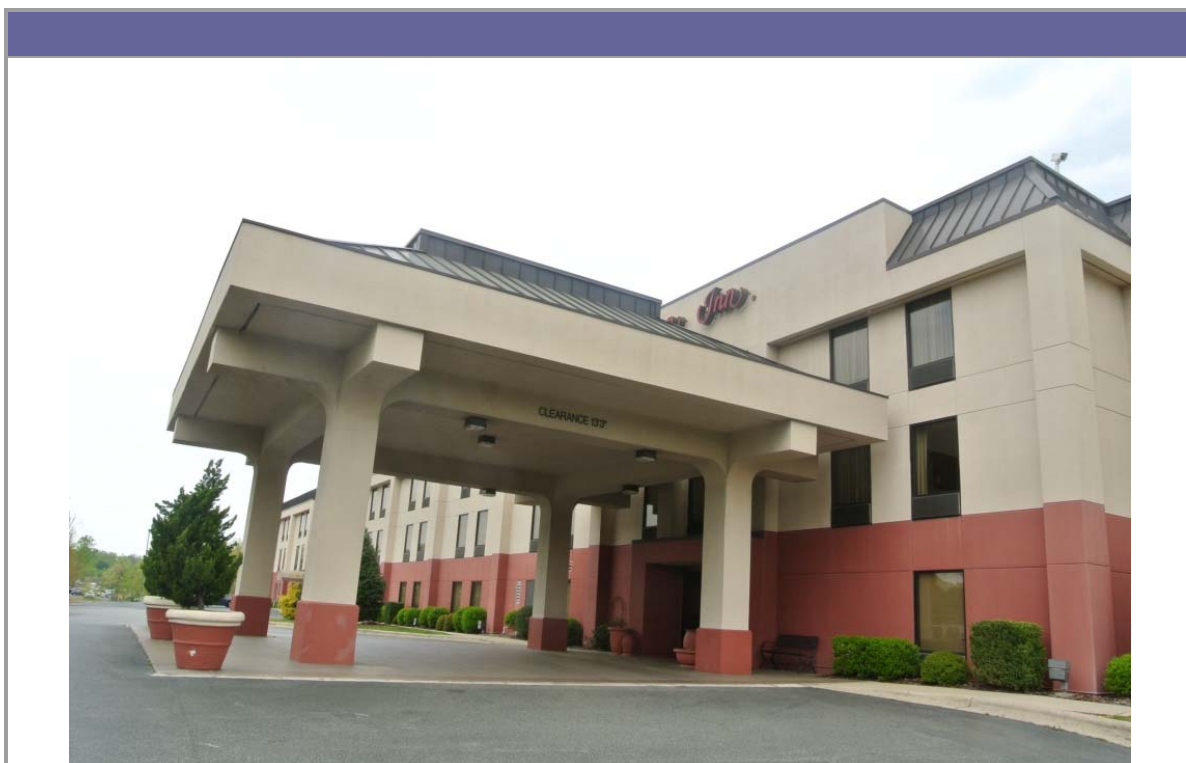
View of Signage

Property Photographs – Hampton Inn - Asheboro, NC





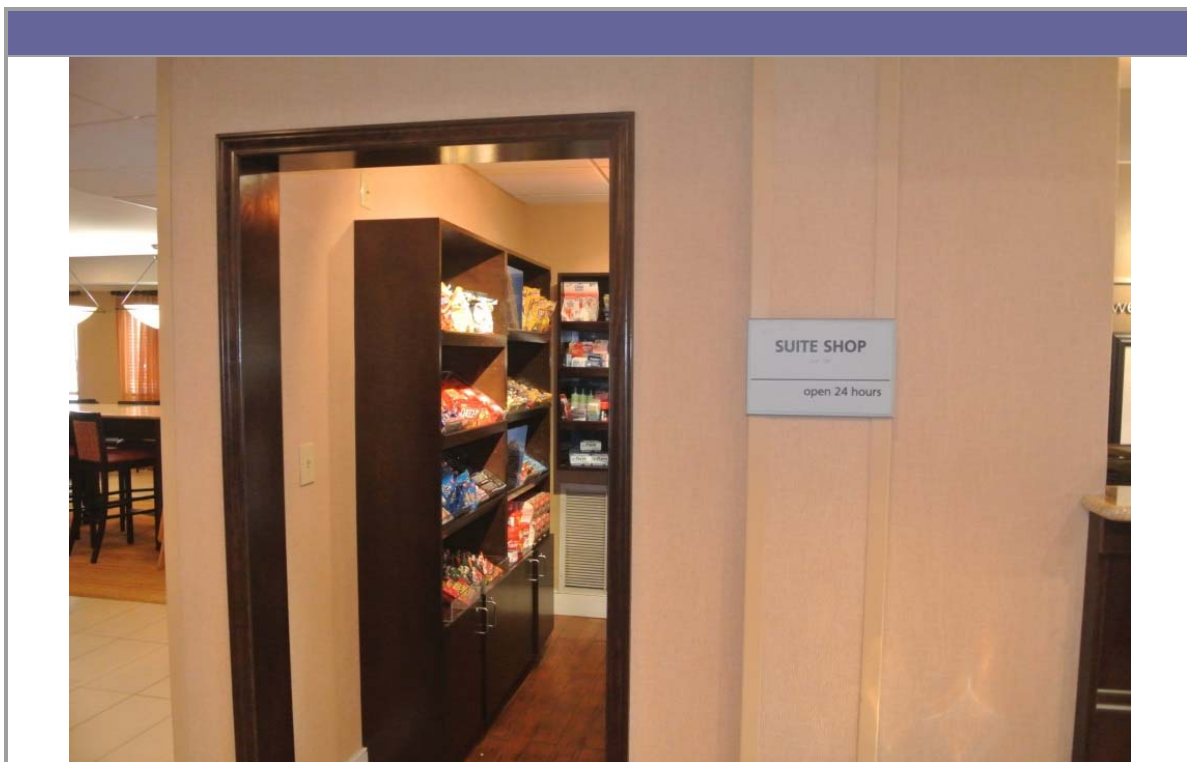
View of Exterior



View of Exterior



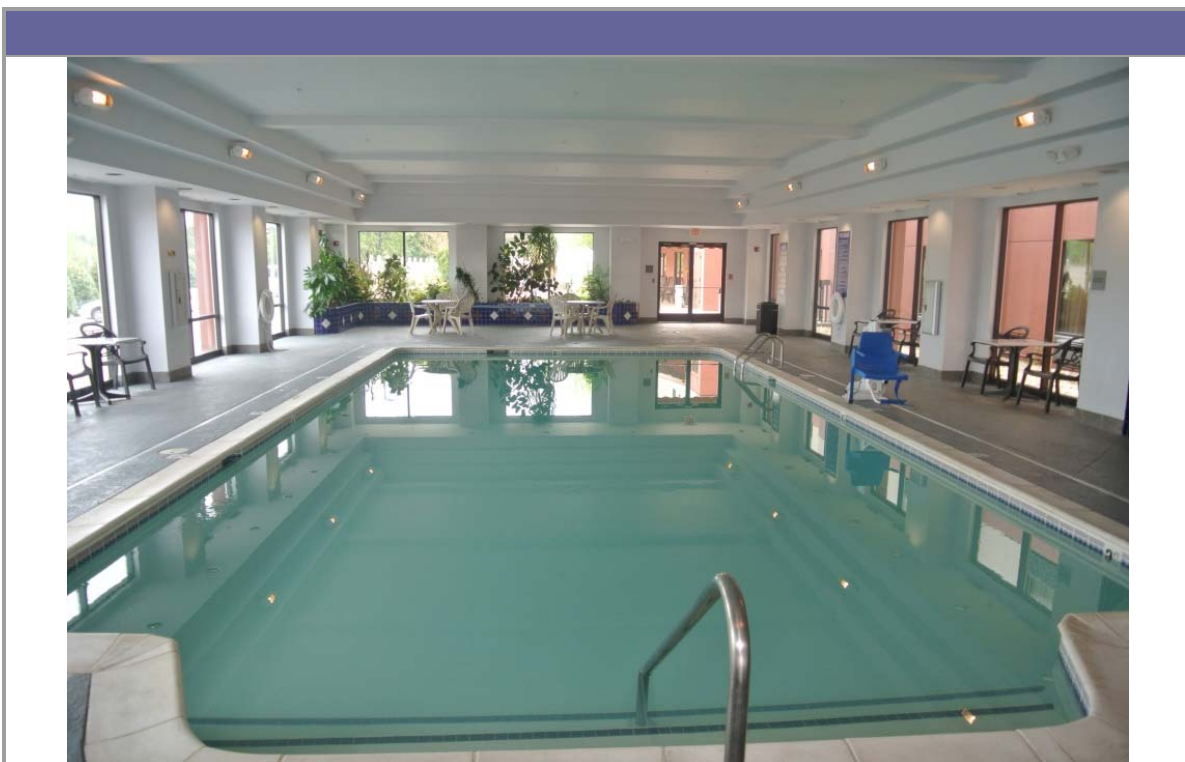
View of Lobby



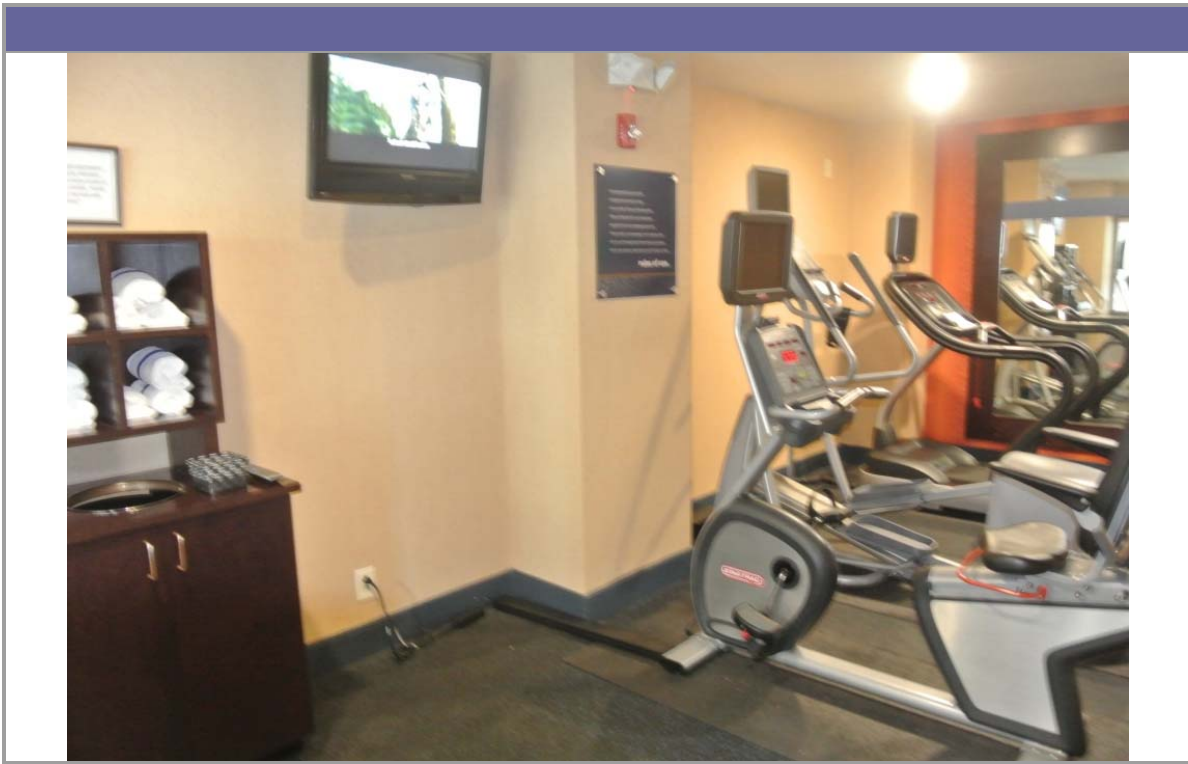
Suite Shop



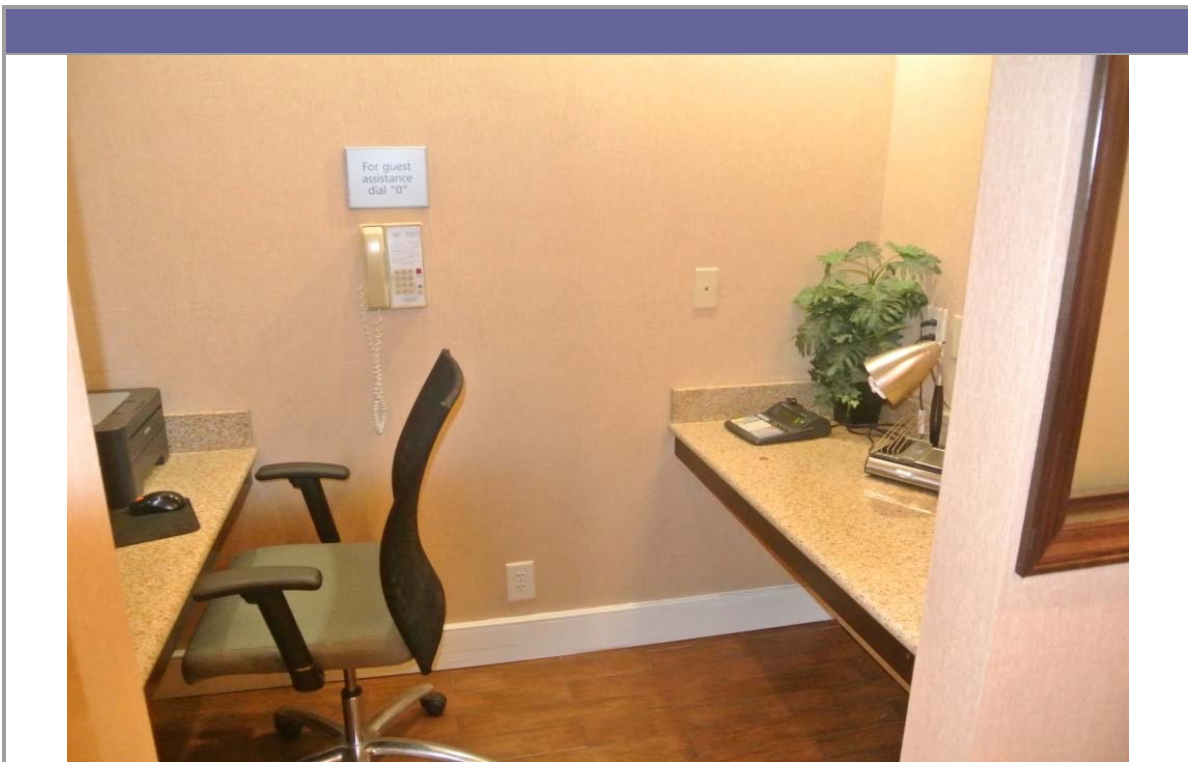
Breakfast Area



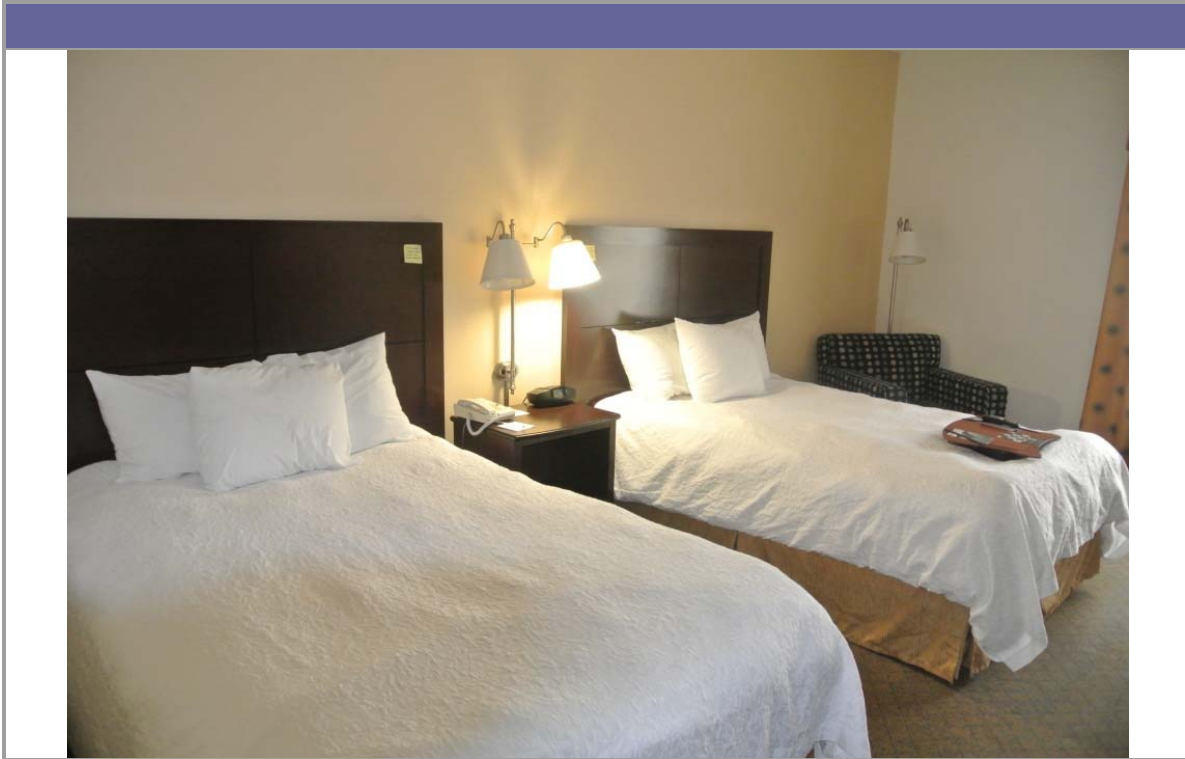
Indoor Pool



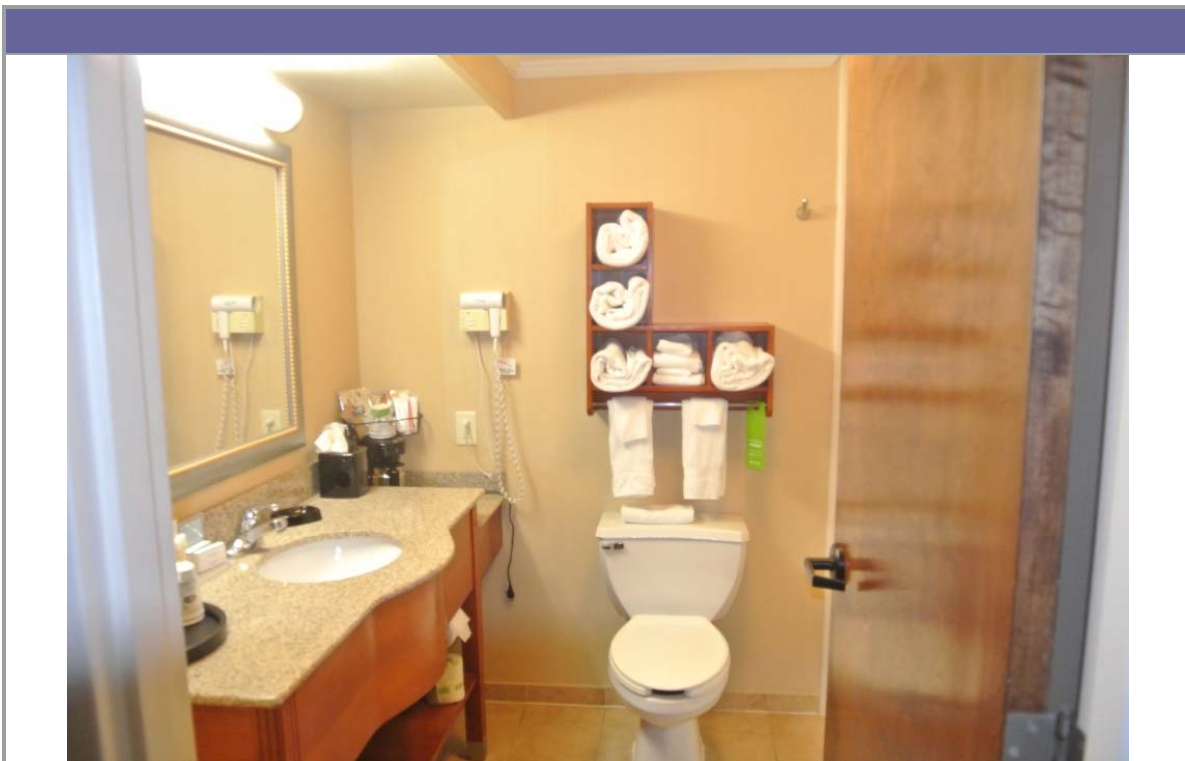
Fitness room



Business Center



Typical Guestroom



Typical Guest Bathroom



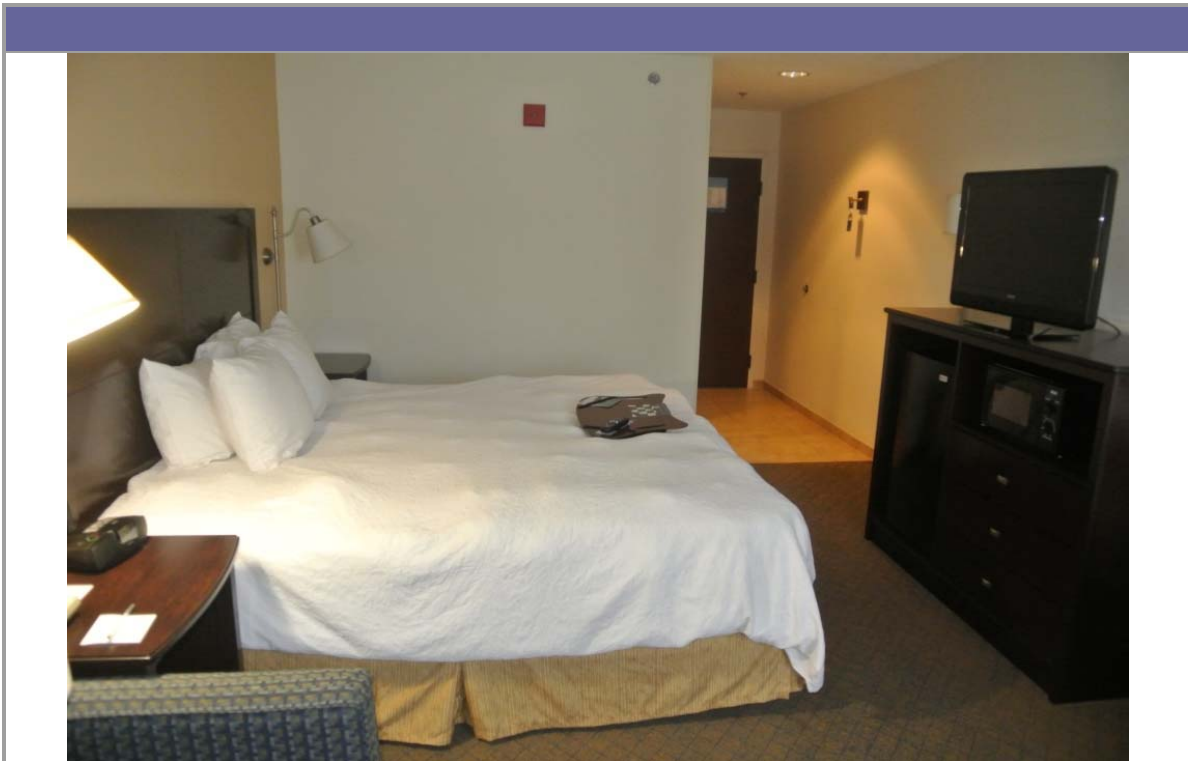
Typical Guestroom



Typical Guestroom

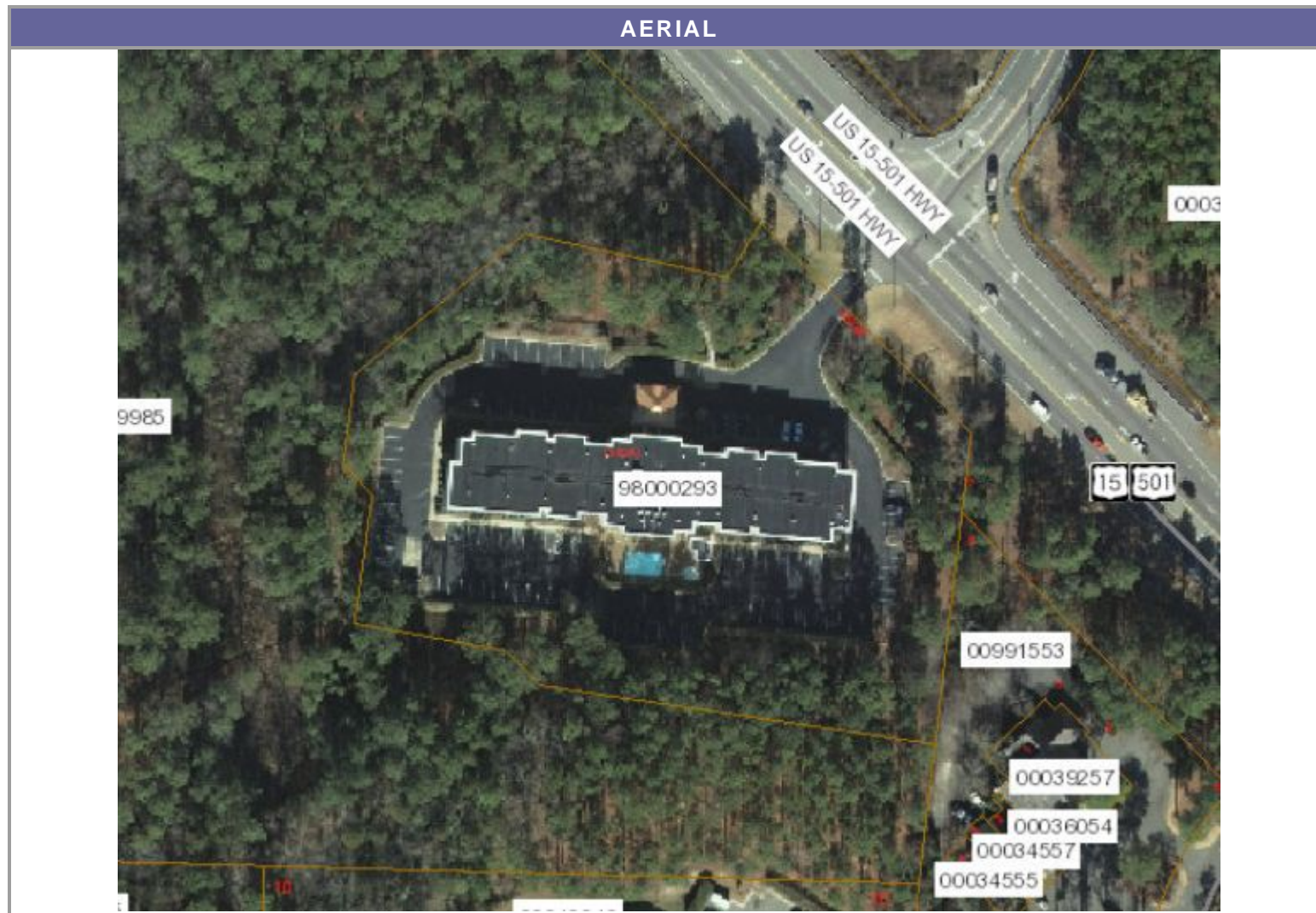


Guest Laundry



Typical Guestroom

Property Photographs – Springhill Suites - Pinehurst, NC

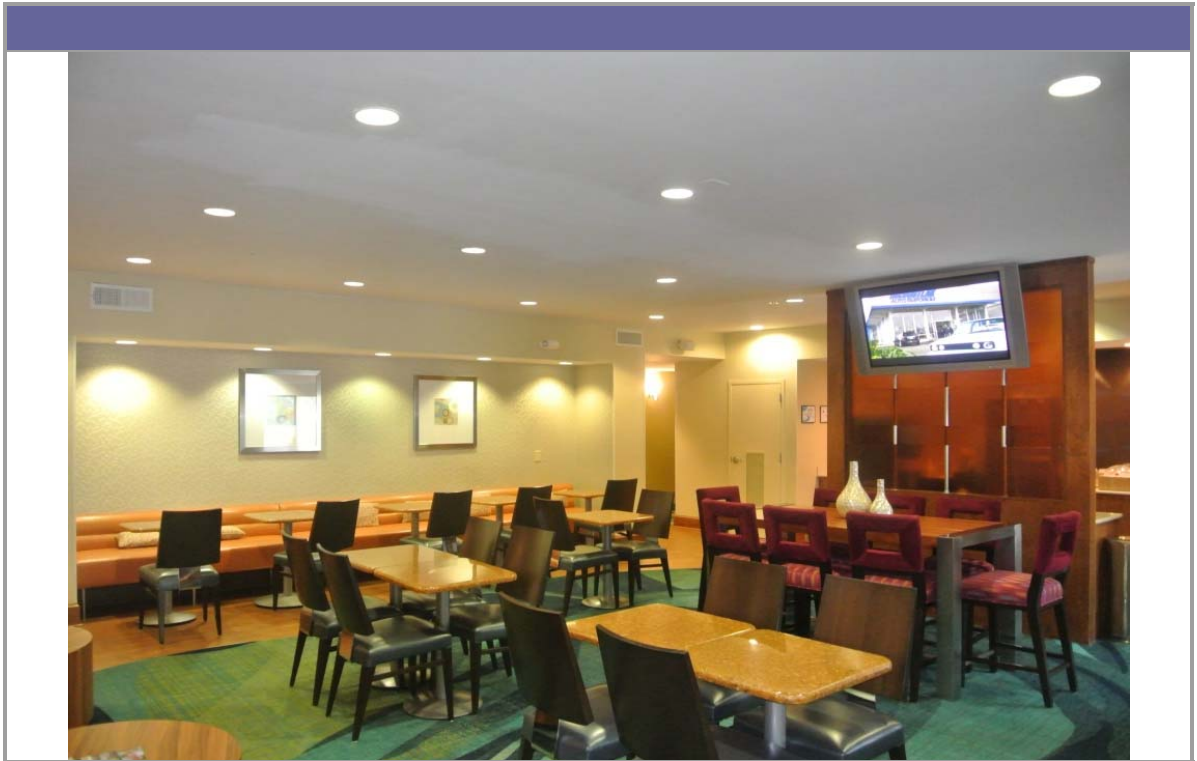




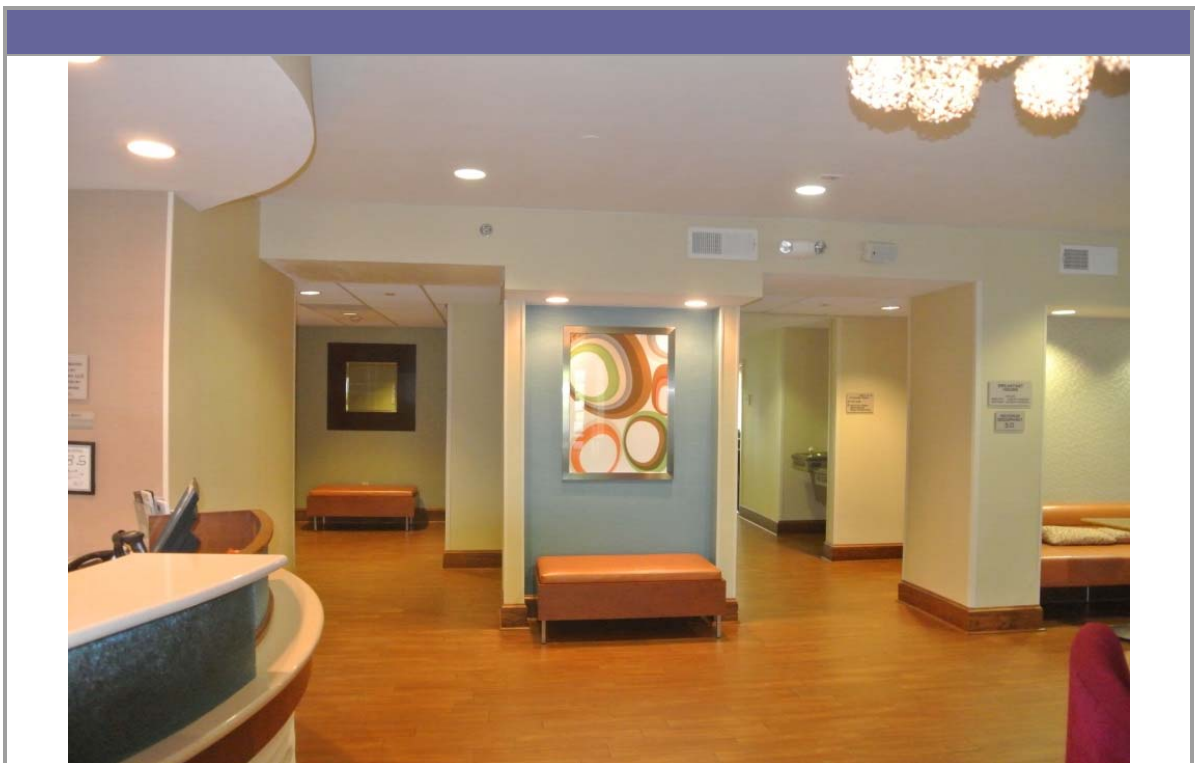
View of Exterior



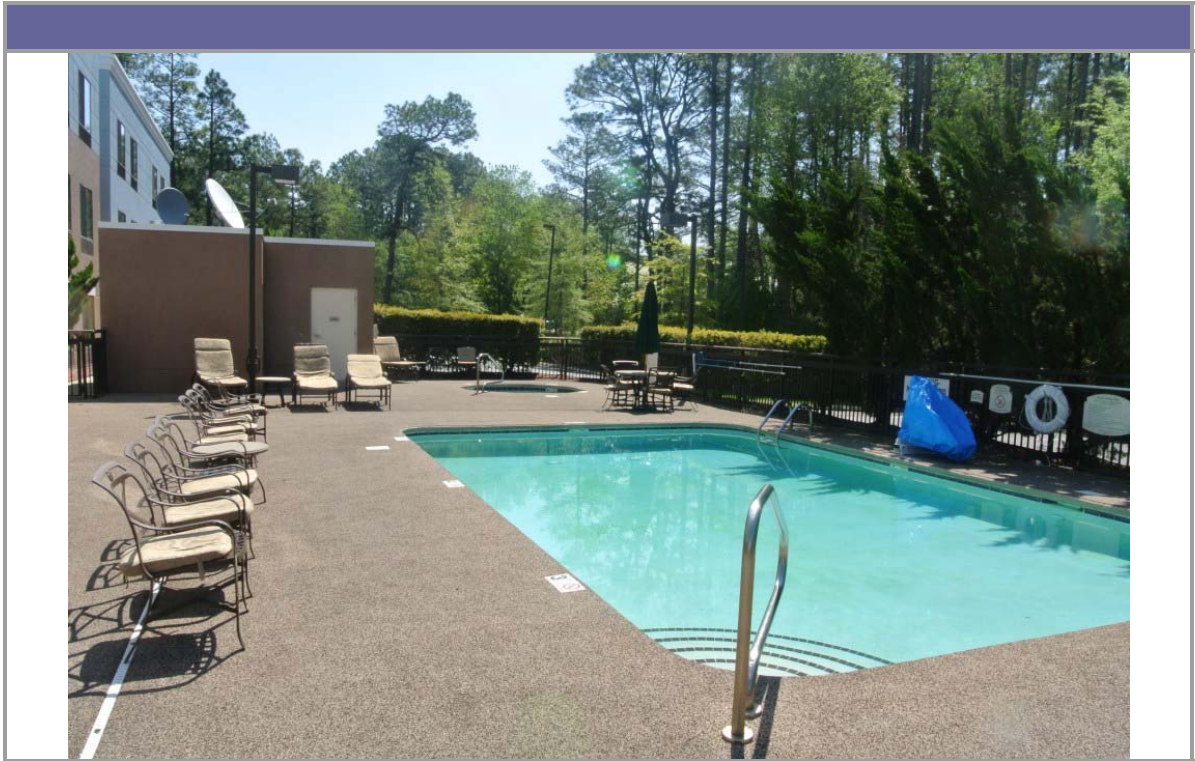
View of Exterior



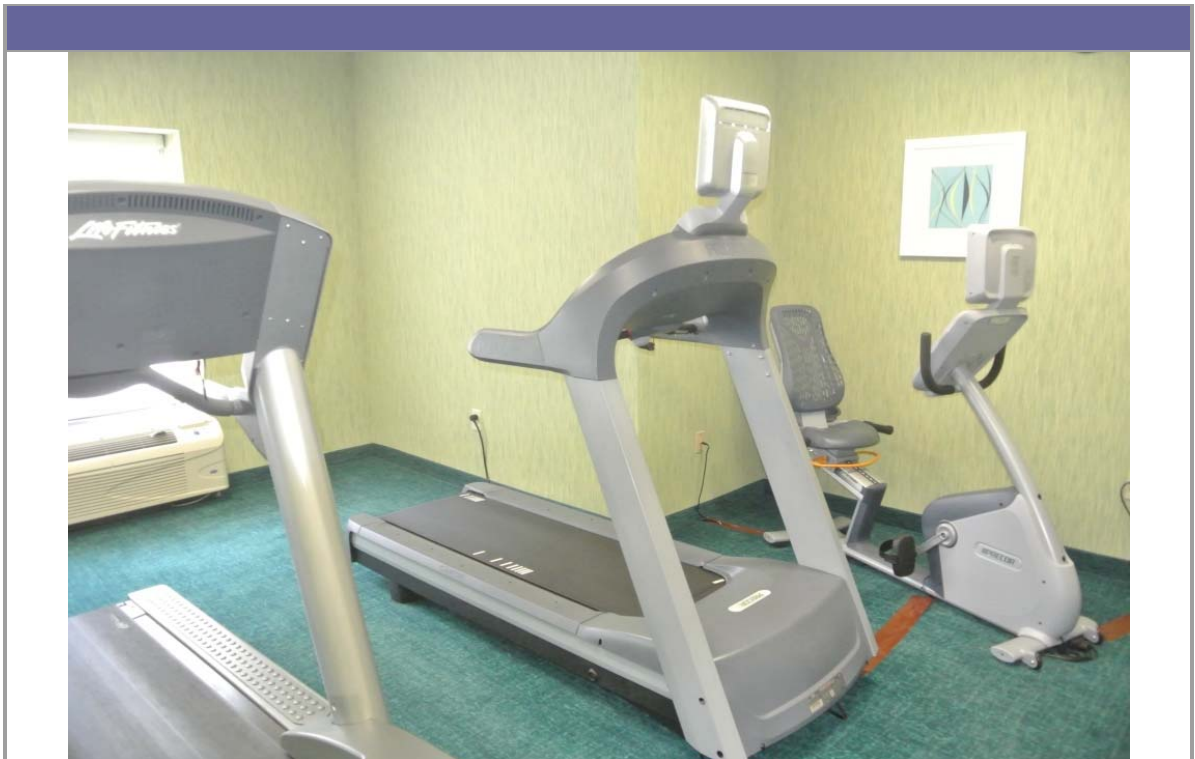
Breakfast Area



Lobby



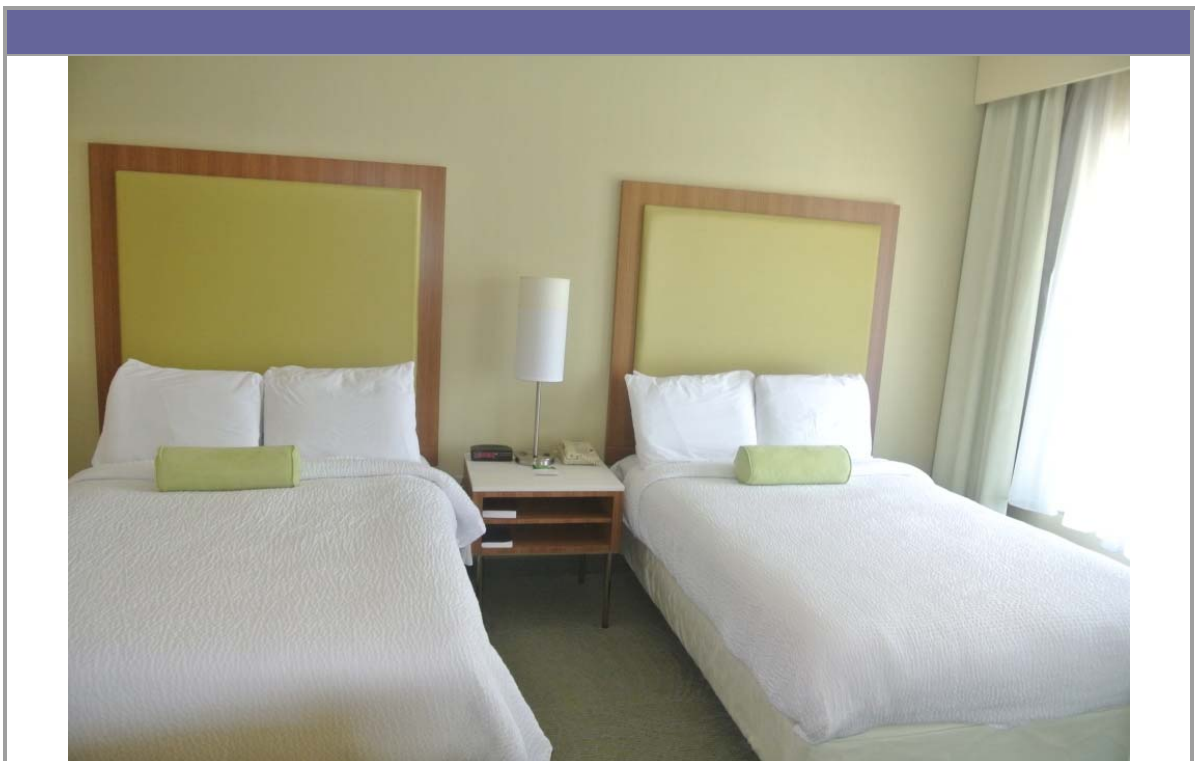
Outdoor Pool



Fitness Center



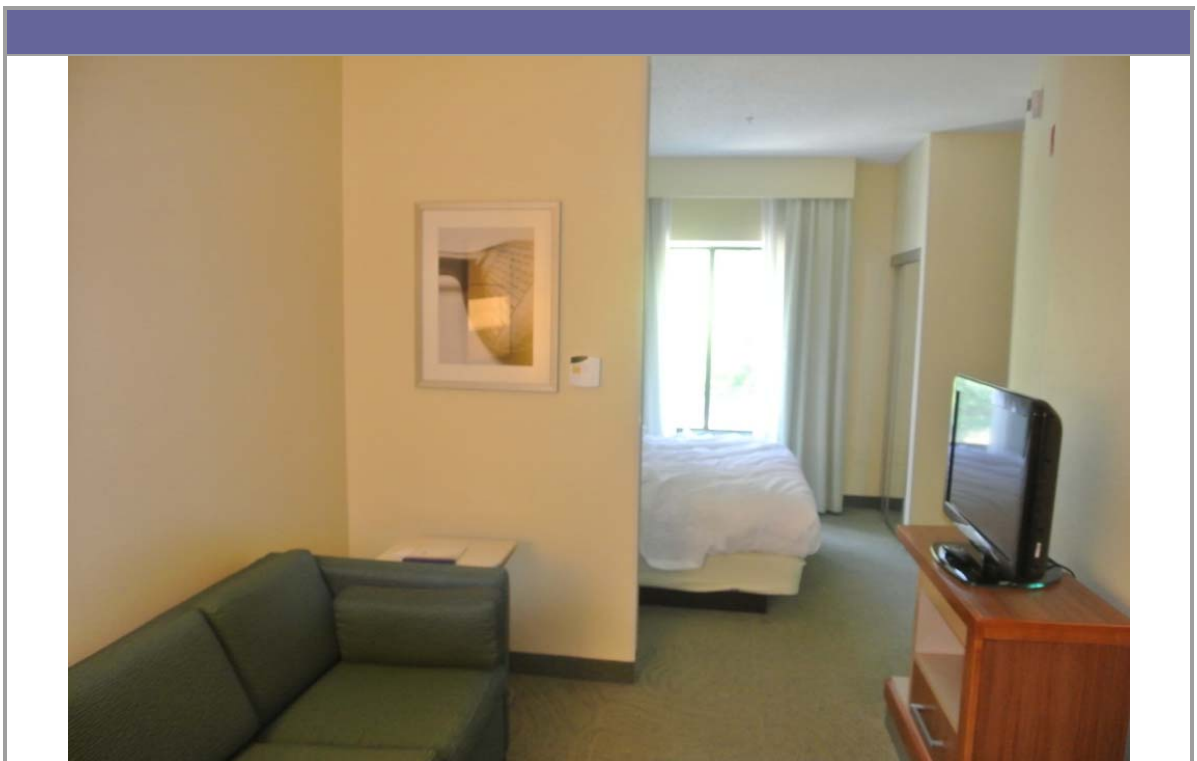
Meeting Space



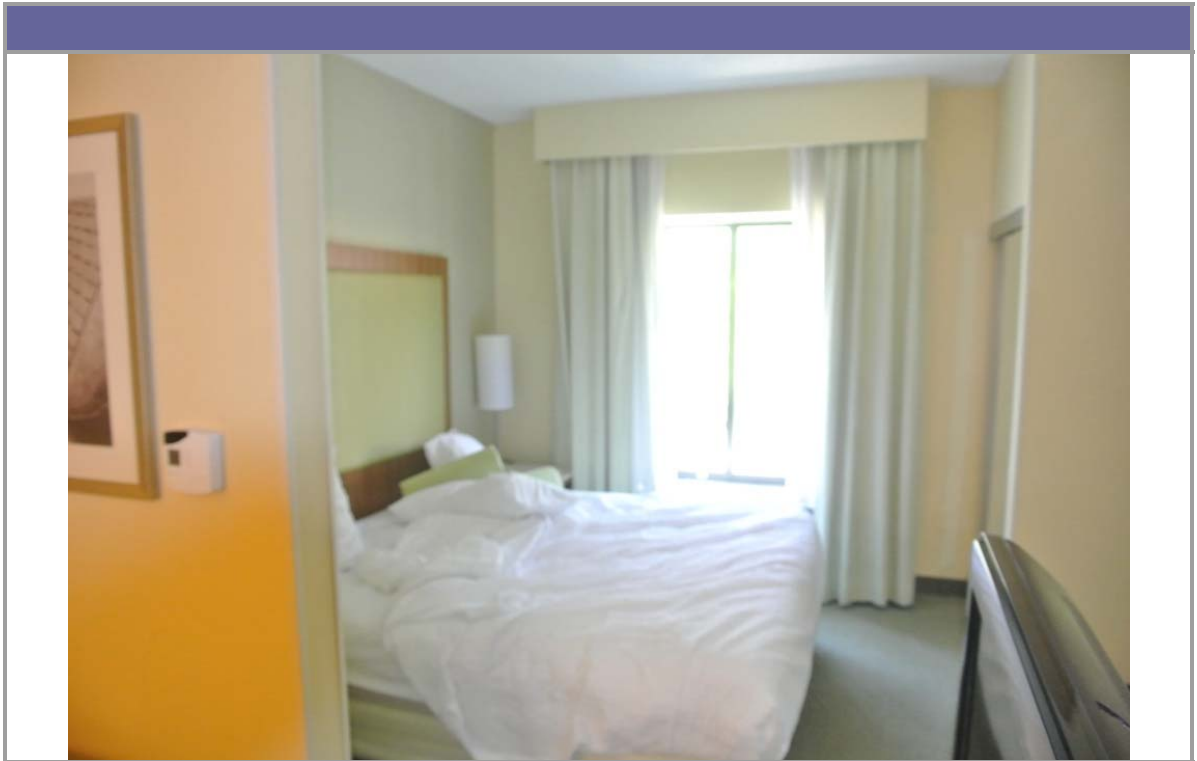
Typical Guestroom



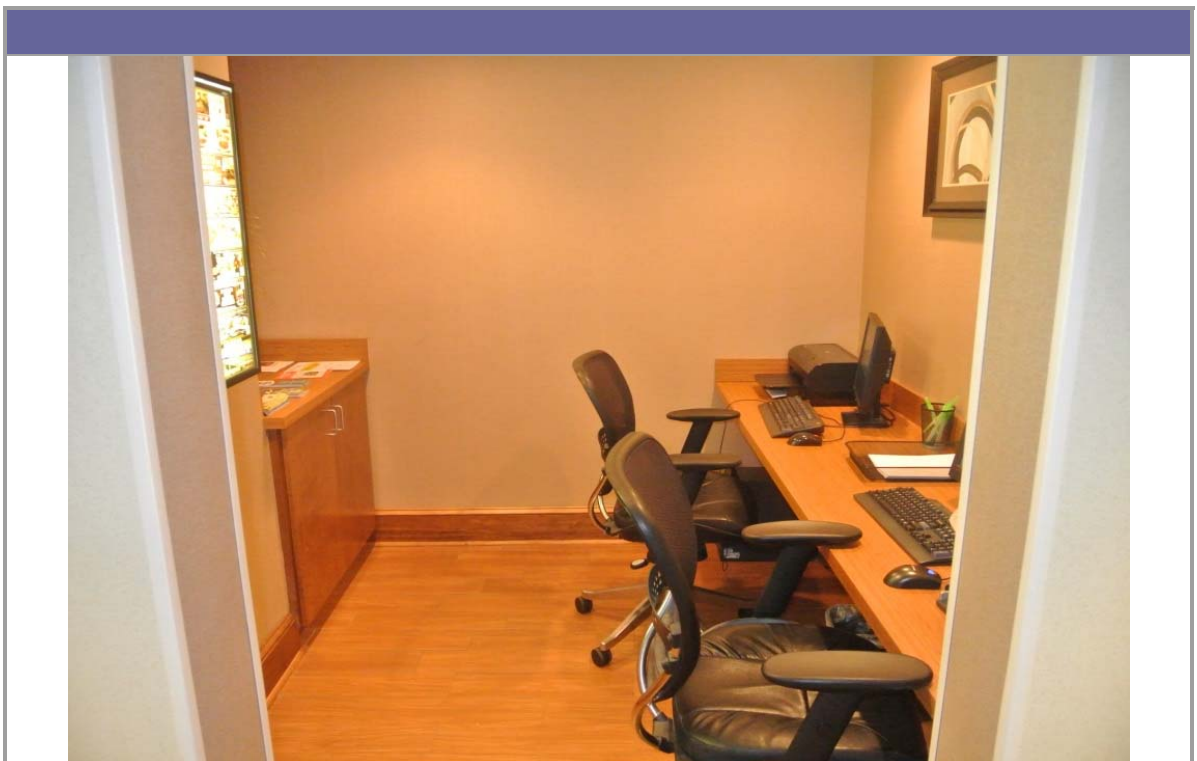
Guest Bathroom



Typical Guestroom



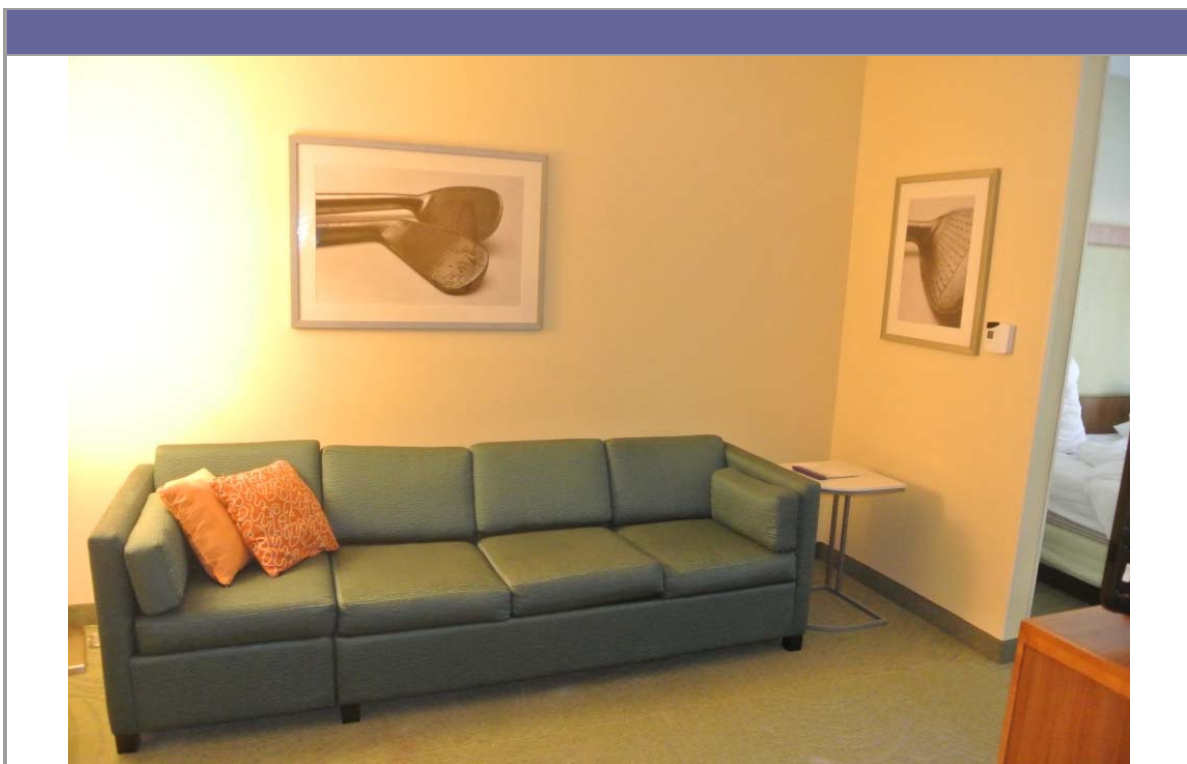
Typical Guestroom



Business Center



Typical Guestroom



Typical Guestroom



View of Street Frontage



View of Street Frontage

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Introduction

SCOPE OF WORK

This appraisal, presented in an appraisal report, is intended to comply with the reporting requirements set forth under the USPAP for a appraisal report appraisal report. In addition, the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) specifies that a Federally-regulated financial institution must be the Client in the appraiser-client relationship under the terms of an assignment agreement. To the extent the Client is governed by FIRREA, this appraisal meets all applicable requirements.

The scope of this appraisal required collecting primary and secondary data relative to the subject properties. The depth of the analysis is intended to be appropriate in relation to the significance of the appraisal issues as presented herein. The data have been analyzed and confirmed with sources believed to be reliable, in the normal course of business, leading to the value conclusions set forth in this report.

This appraisal was prepared without limitation of scope and involved thorough collection, checking and analysis of economic data, sales data, competitive market data and other information required in the appraisal process. The appraisal will consider the three standard approaches to value: Income Capitalization, Sales Comparison, and Cost. 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 rational of typical buyers. When appropriate the Sales Comparison and Cost Approaches are used to test the reasonableness of the results indicated by the income capitalization approach.

In this analysis, we relied on the Income Capitalization Approach to value and utilized the Sales Comparison Approach as a test of reasonableness.

REPORT OPTION DESCRIPTION

USPAP identifies two written report options: Appraisal Report and Restricted Appraisal Report. This document is prepared as an Appraisal Report in accordance with USPAP guidelines. The terms “describe,” “summarize,” and “state” connote different levels of detail, with “describe” as the most comprehensive approach and “state” as the least detailed. As such, the following provides specific descriptions about the level of detail and explanation included within the report:

- States the real estate and/or personal property that is the subject of the appraisal, including physical, economic, and other characteristics that are relevant
- States the type and definition of value and its source
- Describes the Scope of Work used to develop the appraisal
- States the information analyzed, the appraisal methods used, and the reasoning supporting the analyses and opinions; explains the exclusion of any valuation approaches
- States the use of the property as of the valuation date
- States the rationale for the Highest and Best Use opinion

IDENTIFICATION OF PROPERTIES

Property Name & Location: Fairfield Inn & Suites - Kingsland, GA
1319 East King Avenue
Kingsland, GA 31548

Fairfield Inn & Suites - Asheboro, NC
920 Executive Way
Kingsland, GA 31548

Hampton Inn - Asheboro, NC
1137 East Dixie Drive
Asheboro, NC 27203

Springhill Suites - Pinehurst, NC
10024 US Highway 15/501
Pinehurst, NC 28374

Assessor's Parcel Number:

Assessor's Parcel Information		
Property	Location	Assessor's Parcel Number
Fairfield Inn & Suites	Kingsland, GA	107 003A
Fairfield Inn & Suites	Asheboro, NC	7760490124
Hampton Inn	Asheboro, NC	7760494180
Springhill Suites	Pinehurst, NC	98000293; 7974

Legal Description: The legal descriptions were requested but not provided.

PROPERTY OWNERSHIP AND RECENT HISTORY

Current Ownership:

Ownership Information		
Property	Location	Ownership (Seller)
Fairfield Inn & Suites	Kingsland, GA	Krishna Kingsland Properties, Inc.
Fairfield Inn & Suites	Asheboro, NC	Hotels at Executive Way, LLC
Hampton Inn	Asheboro, NC	Asheboro Hospitality, LLC
Springhill Suites	Pinehurst, NC	B P R Pinehurst, LLC

Sale History: To the best of our knowledge, the properties have not transferred within the past three years.

Current Disposition: To the best of our knowledge, the properties are under contract by our client, American Hotel Income Properties REIT LP, for a purchase price of ±\$30,500,000. Our value estimate is slightly above the contract price, partially due to the fact that the hotels were not exposed to a typical marketing process.

DATES OF INSPECTION AND VALUATION

Date of Valuation: April 24, 2014

Date of Inspection: April 24, 2014

Property inspection was performed by: Tommy Crozier, MAI, CCIM

INTENDED USE AND USERS OF THE APPRAISAL

Intended Use: This appraisal is intended to provide an opinion of the Market Value of the fee simple interest in the properties for the use of the client in connection with financing related matters pertaining to the acquisition of the above captioned hotel facilities. This report is not intended for any other use.

Intended User: This appraisal report was prepared for the exclusive use of American Hotel Income Properties REIT LP. Use of this report by others is not intended by the appraiser.

QUALITY CONTROL

Cushman & Wakefield of North Carolina, Inc. has an internal Quality Control Oversight Program. This Program mandates a “second read” of all appraisals. Assignments prepared and signed solely by designated members (MAIs) are read by another MAI who is not participating in the assignment. Assignments prepared, in whole or in part, by non-designated appraisers require MAI participation, Quality Control Oversight, and signature.

For this assignment, Quality Control Oversight was provided by Brian M. Johnson, MAI.

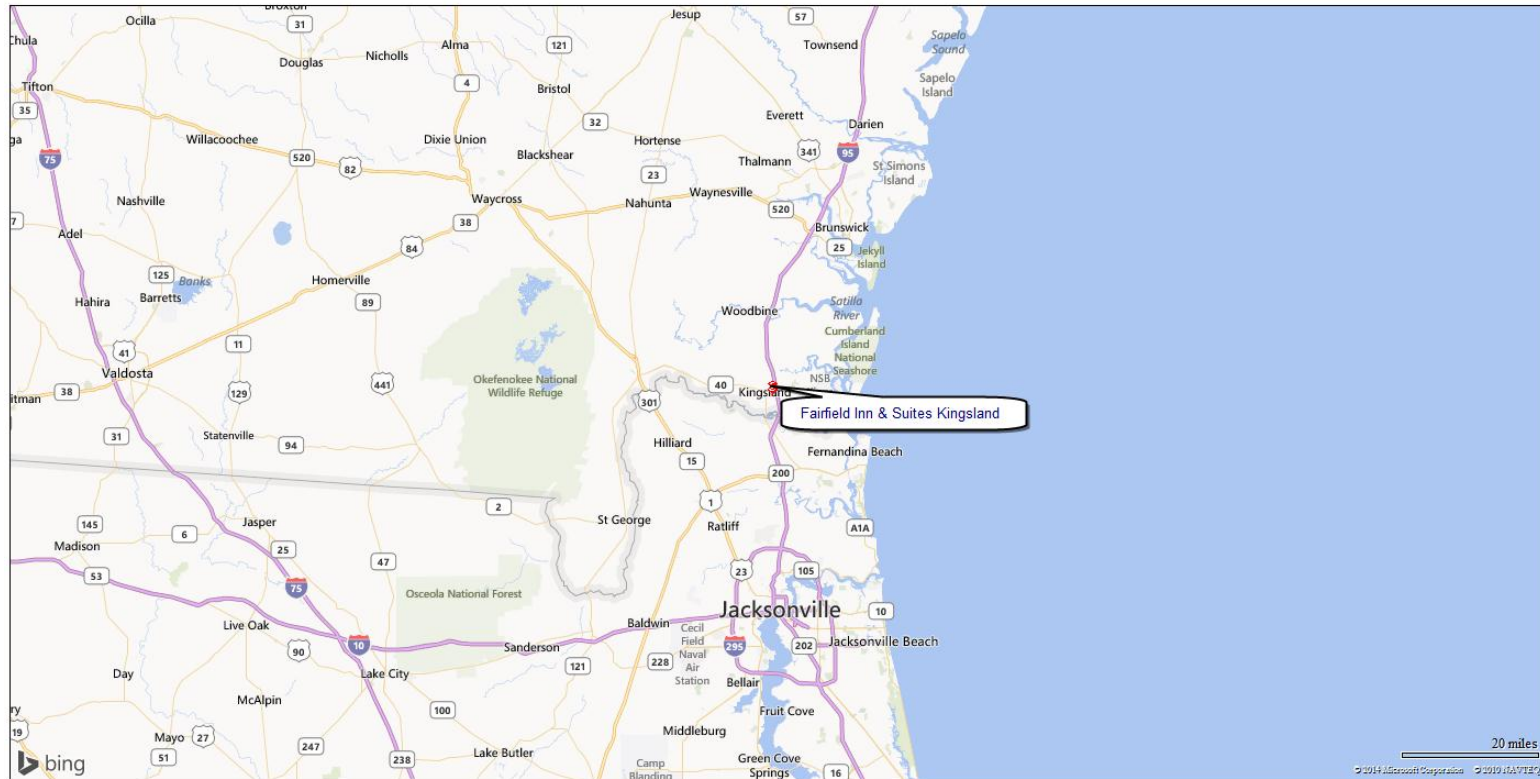
OPERATIONAL ASSUMPTIONS

For the purposes of this report, we assumed that the subject properties will be operated as limited service, chain-affiliated hotels with a supporting reservation system. We further assumed that the subject properties will be operated by competent and experienced management familiar with the operation of limited service hotels in the United States, and more specifically; Kingsland, Georgia and Pinehurst and Asheboro, North Carolina. For the purpose of this appraisal, we assumed that the subject properties could be sold free and clear of a management contract, and that the existing franchise affiliations would remain.

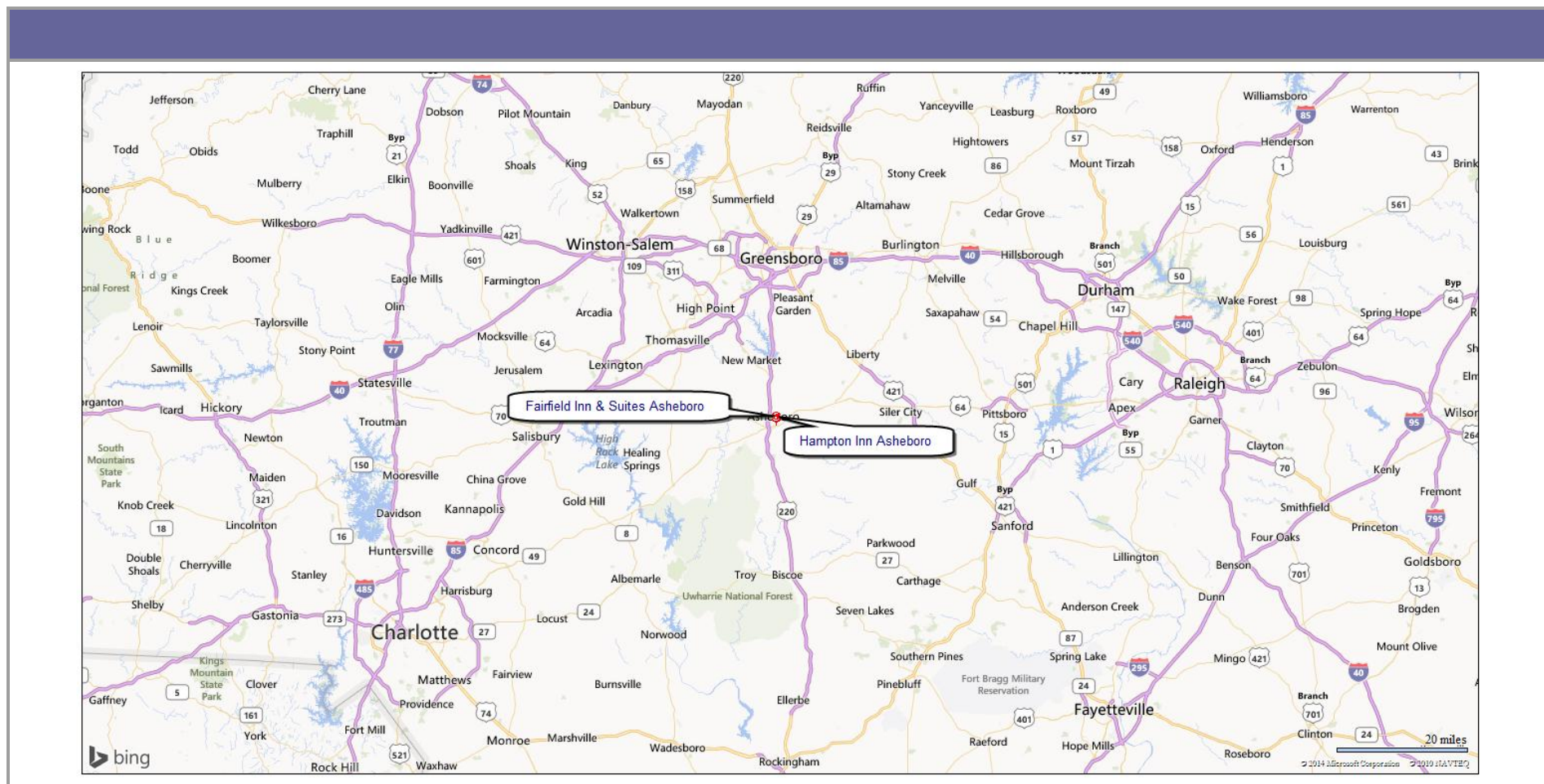
PROPERTY RIGHTS APPRAISED

The interest appraised is the fee simple estate, including the contributory value of the furniture, fixtures and equipment. The appraisers assume that the hotels will be, and shall remain, open and operational.

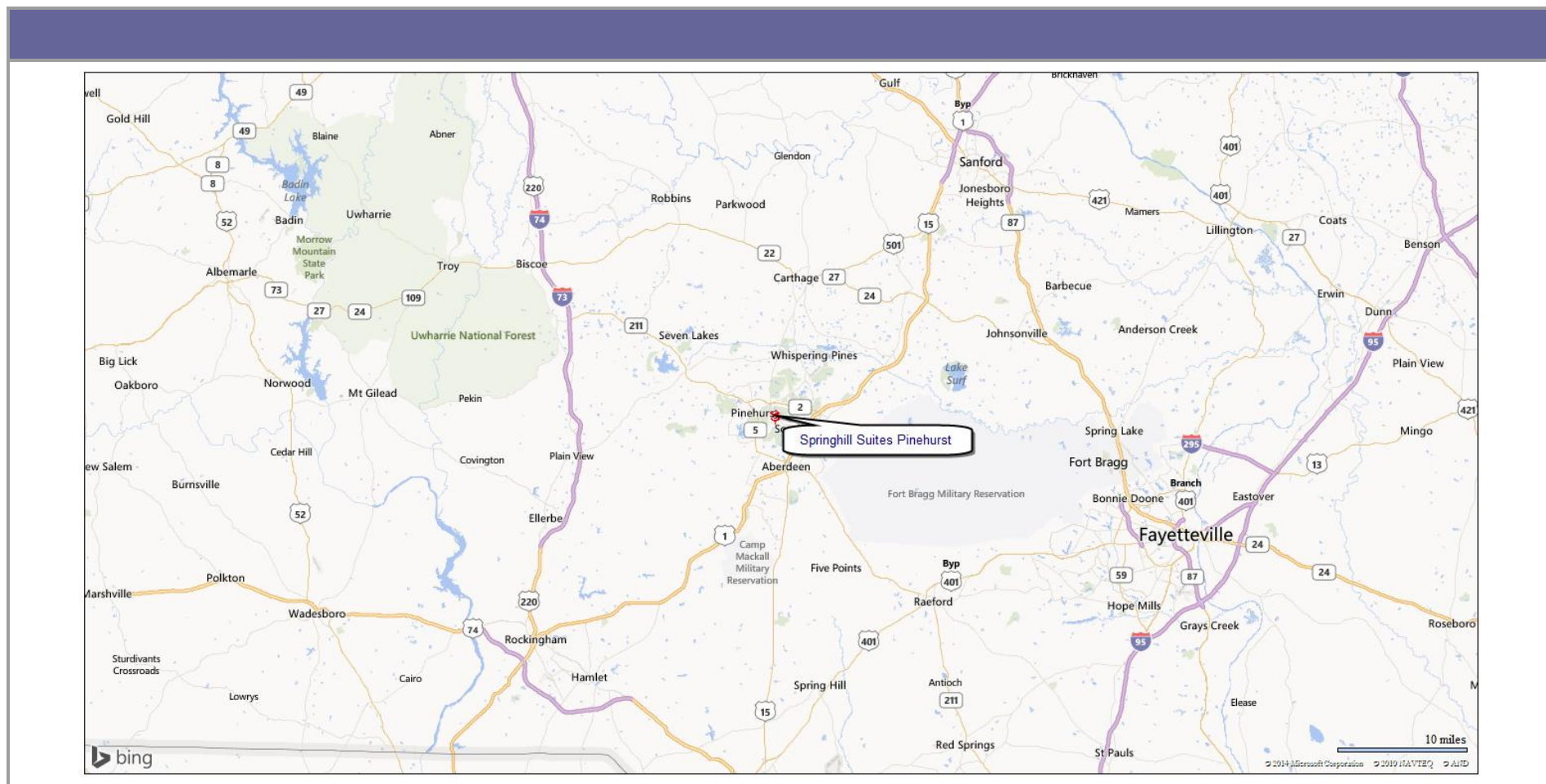
Regional Map - Kingsland



Regional Map -Asheboro



Regional Map – Pinehurst



REGIONAL ANALYSIS

PIEDMONT TRIAD REGIONAL ANALYSIS

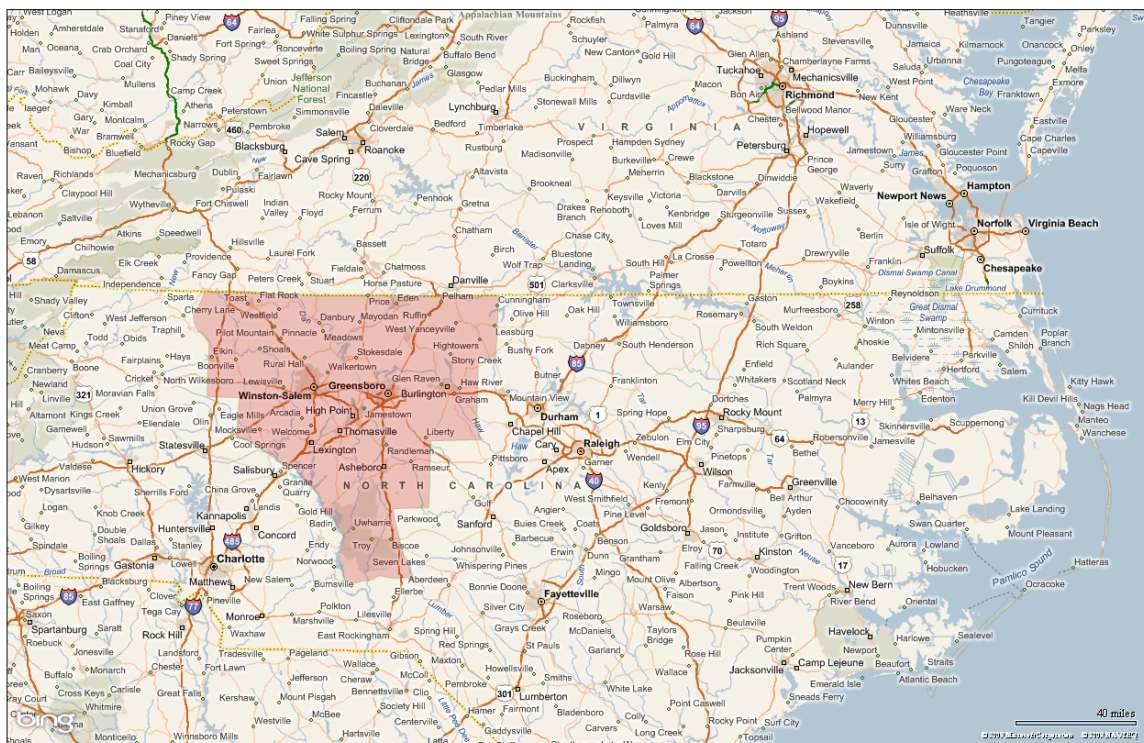
PIEDMONT TRIAD

Following is an overview of the North Carolina Piedmont Triad, focusing on such topics as population, households, employment, economy, transportation and educational and health care services.

MARKET DEFINITION

Commonly referred to as the Piedmont-Triad (or the Triad or North Carolina Triad) region is the Greensboro-Winston-Salem-High Point Designated Market Area (DMA). Twelve counties surrounding the cities of Greensboro, Winston-Salem and High Point that make up the DMA are Alamance, Caswell, Davie, Davidson, Forsyth, Guilford, Montgomery, Randolph, Rockingham, Stokes, Surry, and Yadkin Counties. Connected by Interstates 40, 85, 73 and 74, the region has a long-standing reputation as one of the primary manufacturing and transportation hubs in the southeastern United States. The Piedmont-Triad has an estimated population of 1,766,627 people.

A map showing the Triad (shaded in red) in relation to major metropolitan areas in North Carolina and Virginia follows:



POPULATION

The following table illustrates the population of the Piedmont Triad and the State of North Carolina since 2000. A population estimate for the year 2018 is also included.

Population Trends and Forecasts					
Area	Population			Compound Annual Percentage Change	
	2000	2013	2018	2000-2013	2013-2018
Piedmont Triad	1,560,685	1,766,627	1,822,905	1.0%	0.6%
State of North Carolina	8,048,567	9,796,616	10,250,803	1.7%	0.9%

Source: Claritas, Inc.

As illustrated in the chart, the population of the Piedmont-Triad region increased about 1.0 percent each year from 2000 through 2013. Although this was on par with the nation's population growth rate, it trailed the state of North Carolina's annual population growth rate by about 70 basis points over the same time. Claritas, Inc. expects this trend to continue through 2018, forecasting the population of the Piedmont Triad region to increase 0.6 percent each year. This will be about 30 basis points lower than the state and national population growth rates during the same time.

HOUSEHOLDS

Household formation is an important component of demographic analysis that helps identify changing patterns or shifts within the population. A household consists of all people occupying a single housing unit, thus providing significant sociological information about the region. Household formation also has a significant influence on demand for real estate. Households, combined with effective purchasing power, provide the basic demand for housing units and household needs, thereby transforming needs into effective demand for real estate improvements.

The following table illustrates the number of households in the Piedmont Triad and the state of North Carolina since 2000. An estimate for number of households in the year 2018 is also included.

Household Trends and Forecasts					
Area	Households			Compound Annual Percentage Change	
	2000	2013	2018	2000-2013	2013-2018
Piedmont Triad	622,045	710,034	734,120	1.1%	0.7%
State of North Carolina	3,131,624	3,852,814	4,038,737	1.8%	1.0%

Source: Claritas, Inc.

Like the population, the number of households in the Piedmont-Triad region increased 1.1 percent each year from 2000 to 2013. Similarly, the state's household formation rate outpaced the region's household formation rate by 70 basis points during the same time, growing 1.8 percent each year. The number of persons per household within the MSA in 2013 is 2.43, which is marginally below the state average of 2.48 persons per household.

ECONOMY

The Piedmont-Triad's economy can be described in terms of three primary employment groups, based on the most recent data available from the Bureau of Labor Statistics:

1. Trade, Transportation, and Utilities industry accounts for 19.9 percent of employment;
2. Education and Health Services: comprises 16.8 percent of all employment;
3. Professional and Business Services: represents 14.4 percent of all employment.

EDUCATION AND HEALTH SERVICES

The Education and Health Services industry has the region's second largest employment share of 16.8 percent and it is one of the primary economic drivers in the Piedmont-Triad area. However, reform in the healthcare industry associated with the Affordable Care Act is creating obstacles for the industry. Most notably, policy changes have left some hospitals strapped for cash, resulting in layoffs of some high paid healthcare positions. Even so, the industry will continue to be a vital part of the region's economy over the long-term, as several large education and health care companies are firmly rooted in the region.

TECHNOLOGY AND BIOTECHNOLOGY

The Armed Forces Institute for Regenerative Medicine is funding an \$85.0 million project to be co-lead by Wake Forest University Baptist Medical Center in collaboration with Rutgers University. The Wake Forest Institute for Regenerative Medicine will be designing therapies focused on burn repair, wound treatment, and limb reconstruction. In addition to creating jobs in the biotechnology field, the Institute also has plans to construct a manufacturing facility in the Triad that would produce healthcare devices developed at the Institute. What's more, Forsyth Technical Community College will open a Center for Emerging Technologies in late 2014. The center will have a student population of 1,200 students and underscores the region's commitment to the biotechnology industry.

MANUFACTURING

Historically, the Piedmont-Triad region has been known as a hub for manufacturing companies. However, the decline in "old-line" manufacturing nationally over the past twenty years is clearly having an impact on the region. From 2002 to 2012, manufacturing employment in the Piedmont-Triad DMA declined from 107,374 employees to 72,214 employees. This equated to an annual contraction rate of 3.9 percent, which is about 10 basis points higher than the national average. On the positive side, the most recent employment numbers released in the second quarter of 2013 show that region's Manufacturing employment increased by 0.9 percent from the same time last year. The increase was driven by investment from a variety of notable companies such as Lenovo, Gildan Active wear, and Newell Rubbermaid among others.

TRANSPORTATION

The Trade, Transportation, and Utilities industry has the largest employment share in the region at 19.9 percent. This is 80 basis points higher than the industry's employment share of 19.1 percent nationally. Of this, approximately 23.8 percent of the industry's employment is a part of the Transportation and Warehousing subsector. FedEx Express opened a new hub for operations in June 2009 at Piedmont Triad International Airport. This has had a significant impact on the region and it is expected to have an economic impact of roughly \$1.7 billion over the next ten years. Additionally, FedEx Ground began operations at its 400,000-square foot sort facility in Southeast Guilford County in 2011, which created 500 full- and part-time employees. By 2021, the total employment at the sort facility could reach 1,200-1,400 people.

EMPLOYMENT SITUATION

The following are major employment and economic announcements over the past 12 months:

- **Wal-Mart Stores** will build a 450,000-square foot, perishable grocery distribution center in Alamance County that will be finished in 2016. The \$100.0 million distribution center will create over 450 jobs paying an hourly wage of \$17.0 per hour.
- **Gildan Activewear Inc.**, a Canadian sportswear company, will build a 500,000-square-foot yarn-spinning facility in Davie County that will add 290 more jobs by the end of 2015. This will increase the company's existing workforce of 630 employees in the region, which are located at its facilities in Eden and Mebane.
- **Custom Nonwoven Inc.**, a global producer of polyester fiber, will build a manufacturing facility in Davidson County. The \$12.8 million investment will create 72 jobs in the region over the next three years.
- **Newall Rubbermaid** is expanding its presence in High Point, as it will add 75 jobs to its customer service operations. The company already employs 170 people in the region and expects to add the new positions to its current facilities.
- **FFF Enterprises**, A vaccine making company commonly known as Project Gift, is evaluating plans to building a 100,000 square foot facility at the Triad Business Park in Kernsville. The investment would create about 31 new jobs over three years and the plant would likely serve the eastern half of the United States.
- **Sturm Ruger & Company**, a Connecticut based gun manufacturer, announced it would invest \$26.0 million to build a new plant in Rockingham County. The investment will create 473 jobs. After considering existing facilities for expansion, the county secured Ruger's investment by offering a \$943,000 incentive package to be paid over 14 years.
- **Kayser-Roth Corporation**, the Greensboro-based sock and hosiery manufacturer, will expand its operation in Asheboro and Burlington by investing up to \$28.0 million to create 100 jobs in the Triad region. The jobs will support production of the company's signature No nonsense leg wear brand.
- **Willow Tex LLC**, a textile manufacturer and distributor, will locate a new facility in Surry County. The company plans to create 37 jobs and invest \$6.1 million during the next three years in Mount Airy.
- **Ellwood Advanced Components**, a manufacturer of turbine blades, will expand its operations in Forsyth County. The company plans to create 55 jobs and invest \$33 million over the next five years in Rural Hall.
- **Herbalife**, a NYSE-listed company that manufactures and markets nutrition products, will establish a manufacturing facility in Winston-Salem. The company plans to create 493 jobs over the next three years and invest approximately \$130 million in the purchase and complete retrofitting of an existing facility.

- **Kalo Foods LLC**, a baker of gluten-free food products announced it would relocate its operations to Rockingham County. The company, created in 2011 to market a unique line of gourmet food, offers gluten-free products including artisan pizzas, piecrusts, and brownies, among others.
- **Lenovo**, one of the world's largest personal computer vendors, announced it would begin manufacturing computers in Guilford County in 2013. Although the new manufacturing line will be located in Lenovo's existing facility, the company expects the investment to add about 115 new jobs to the area.

EMPLOYMENT BY SECTOR AND TOP EMPLOYERS

The following tables provide a breakdown of non-agricultural employment by sector for the region, as well as the top employers in the region, as of second quarter 2013 (the most recent data available):

Top Industries Piedmont Triad		
Industry	Employment	Share of Employment
<i>Total Employment</i>	538,945	--
Trade, Transportation & Utilities	107,495	19.9%
Education and Health Services	90,561	16.8%
Professional and Business Services	77,508	14.4%
Manufacturing	72,845	13.5%
Government	67,144	12.5%
Leisure and Hospitality	53,269	9.9%
Financial Activities	29,200	5.4%
Natural Resources, Mining & Construction	20,233	3.8%
Other Services	13,720	2.5%
Information	6,970	1.3%

Source: Bureau of Labor Statistics, Current Employment Statistics, 2nd Quarter 2013

Largest Employers Piedmont Triad		
Company	Employees	Type
Wake Forest University/Baptist Medical Center	13,430	Education and Health Services
Wal-Mart	11,800	Retail Trade
Novant Health	9,378	Education and Health Services
Target Corp.	8,820	Retail Trade
Lowes Food Stores Inc.	8,521	Headquarters/Retail Trade
Cone Health	7,776	Education and Health Services
Wachovia, a Wells Fargo Co.	3,350	Financial Activities
Lowes Home Improvement	3,320	Retail Trade
Laboratory Corp of America	3,200	Laboratory Testing
Reynolds American Inc.	3,000	Manufacturing

Sources: Piedmont Triad Partnership, Moody's Economy.com

UNEMPLOYMENT

The unemployment rate in the Greensboro-High Point-Winston-Salem DMA is typically in line with the state and national unemployment rates. The latest regional data shows that this trend continued in 2013, as the region closed out November 2013 (most recent data available) with an unemployment rate of 6.9 percent. At the same time, the state and national unemployment rates were 6.9 percent and 6.6 percent, respectively. Over the past twelve months, the region's unemployment rate declined 230 basis points, driven by a moderate increase in employment coinciding with a modest decline in the labor force.

Local, state and national unemployment rates, not seasonally adjusted, for November 2013 and November 2012 are provided on the table below:

Unemployment Rates (not seasonally adjusted)		
Location	Nov-13	Nov-12
United States	6.6%	7.6%
State of North Carolina	6.9%	9.1%
Greensboro-High Point-Winston Salem	6.9%	9.2%

Source: Bureau of Labor Statistics (November 2013)

TRANSPORTATION

Air transportation is provided to and from the region via Piedmont Triad International Airport, located in northwest Guilford County in the Interstate 40 - Interstate 85 corridor. The airport is serviced by six regional, domestic, and international carriers, with 58 non-stop flights each day. Non-stop destinations include Atlanta, Boston, Charlotte, Chicago, Dallas, Miami, New York, Philadelphia, and Washington, D.C.

Passenger railway service, provided by Amtrak, is available from Burlington, Greensboro and High Point, and offers service to Raleigh, Charlotte, Atlanta, New Orleans, New York, Philadelphia, Baltimore and other major metropolitan areas.

Vehicular accessibility to and from the Piedmont Triad is excellent, with Interstates 40, 85, 73, and 74 running through the Triad.

There is also intercity bus transportation offered by Greyhound in Greensboro, High Point, and Winston-Salem. Local bus service is available on 30 fixed routes in Forsyth County, and High Point offers service on 12 fixed routes daily.

EDUCATION

Twelve public school districts serve the Piedmont Triad region, with a cumulative student enrollment of approximately 250,300. There are 91 elementary and secondary private schools currently serving the area. Eleven colleges and universities granting Bachelor's degrees or higher are located in the Piedmont Triad, including the University of North Carolina-Greensboro, and Wake Forest University, in Winston-Salem. The area is also served by nine branches of the North Carolina Community College System, with twenty-six campuses and centers located throughout the region. Total enrollment in all institutions of higher learning in the region is approximately 100,000.

HEALTH CARE

The availability of health care services in the Triad is excellent. There are twenty hospitals located in the region, with approximately 5,000 beds. The largest hospitals are both located in Winston-Salem: Forsyth Medical Center,

with 921 beds; and the 1,154-bed Wake Forest University/Baptist Medical Center, which is a nationally recognized leader in cardiac care, cancer treatment, and home to one of the top children's hospitals in the country, Brenner Children's Hospital.

CONCLUSION

The Piedmont-Triad region's economic recovery trailed the state and national recoveries during 2013. The ongoing reform in the healthcare industry hampered its economic and employment growth throughout the year. On the positive side, the region's Transportation and Warehousing sector's employment growth was strong enough to shoulder some of the burden left by the Healthcare industry. Additionally, the region's manufacturing industry made some strides, as companies such as Lenovo, Rubbermaid, and Gildan all created, or announce they would create, new jobs in the area. Going forward, the Piedmont-Triad region's outlook remains cautious, as further transformation in the Manufacturing industry and ongoing reform in healthcare will continue to be a drag on the region. Additionally, the region's subpar demographic traits will continue to make it difficult for the region to attract companies in the service sector, as they continue to invest in neighboring areas such as Charlotte and Raleigh. Therefore, Moody's Economy.com expects the region's economic recovery to continue to trail the recovery in the state and national economies over the extended future.

FAYETTEVILLE - LUMBERTON - LAURINBURG COMBINED STATISTICAL AREA

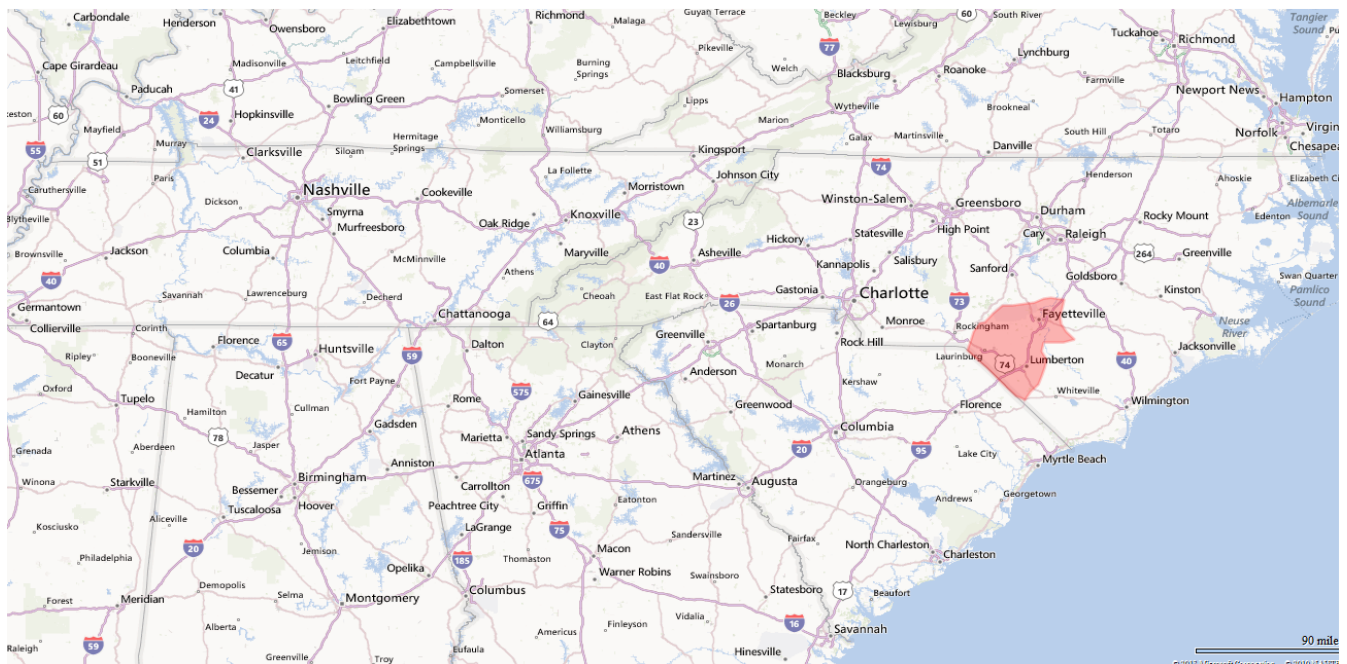
The following report is an overview of the Fayetteville-Lumberton-Laurinburg, NC Combined Statistical Area (CSA), focusing on such topics as population, households, employment, economy, transportation, and educational and health care services.

MARKET DEFINITION

The Fayetteville-Lumberton-Laurinburg CSA is comprised of Cumberland, Hoke, Robeson and Scotland Counties, which encompass approximately 2,322 square miles of land in the south-central area of North Carolina. The CSA is located approximately 95 miles from the Atlantic Ocean and 60 miles south of Raleigh. The area has the advantage of being bisected by Interstate 95, the major north-south highway that connects Florida with the northeast and New England. The major cities of New York, Atlanta, Philadelphia and Pittsburgh are within a 500-mile radius (less than one day's drive time), while Miami, Boston and Chicago are all within approximately 650 miles.

Fayetteville is a key center for trade and industry in the state of North Carolina, largely due to the presence of the Fort Bragg military installation. The installation, which has a \$1.0 billion yearly payroll, has approximately 57,000 military personnel, 14,500 civilians, and 25,000 family members. It is estimated that the military base has a total economic impact of nearly \$13.0 billion each year on the surrounding ten-county area.

A map displaying the Fayetteville CSA's location (shaded in red) in relation to other major markets in the southeast is shown below:



POPULATION

The following table illustrates the population of the Fayetteville-Laurinburg-Lumberton CSA and the state of North Carolina since 2000. A population estimate for the year 2019 is also included:

Population Trends and Forecasts					
Area	Population			Compound Annual Percentage Change	
	2000	2014	2019	2000-2014	2014-2019
Fayetteville-Lumberton-Laurinburg CSA	495,934	558,225	586,254	0.9%	1.0%
State of North Carolina	8,049,331	9,894,333	10,369,588	1.6%	1.0%

Source: Claritas, Inc.

As illustrated in the table, the region experienced moderate population growth between 2000 and 2014. While the CSA's growth rate was in line with national growth, it was still 70 basis points below the state's annual growth rate over the same period. The region's population growth rate is projected to remain steady over the next five years, increasing at annual rate of 1.0 percent. This is equal to the state's projected annual growth rate through 2019.

HOUSEHOLDS

Household formation is an important component of demographic analysis that helps to identify changing patterns or shifts within the population. A household consists of all people occupying a single housing unit, thus providing significant sociological information about the region. Household formation also has a significant influence on demand for real estate. Households, combined with effective purchasing power, provide the basic demand for housing units and household needs, thereby transforming needs into effective demand for real estate improvements.

Household Trends and Forecasts					
Area	Households			Compound Annual Percentage Change	
	2000	2014	2019	2000-2014	2014-2019
Fayetteville-Lumberton-Laurinburg CSA	175,802	211,379	223,696	1.4%	1.2%
State of North Carolina	3,132,039	3,895,324	4,090,231	1.7%	1.0%

Source: Claritas, Inc.

Like the population trend, the number of households in the region since 2000 increased at a slower rate than the state's annual household formation rate. However, this trend will be reversed over the next five years, as the household formation rate for the Fayetteville-Laurinburg-Lumberton CSA is expected to be 1.2 percent annually, outpacing the state's household formation rate by 20 basis points.

ECONOMY

Aside from the strong military presence, the Fayetteville-Laurinburg-Lumberton CSA's economy can be described in terms of three primary employment groups, based on the most recent data available from the Bureau of Labor Statistics:

1. Education and Health Services represents 28.6 percent of all employment;
2. Retail Trade comprises 13.0 percent of employment; and
3. Leisure and Hospitality Services represents 11.4 percent of all employment.

FORT BRAGG AND BRAC

The Fort Bragg and Pope Army Airfield military installations have a major impact on the region's economy, 57,000 military personnel, 14,500 civilians, and 25,000 family members. It is estimated the military base has a total economic impact of nearly \$13.0 billion each year on the surrounding ten-county area. Additionally, moves mandated by the Base Realignment and Closure Commission (BRAC) continue to bring new people to the area. Although totals have not been tallied as of March 2014, approximately 4,000 new active duty military jobs, 2,140 military civilian jobs and almost 3,000 government contractor jobs were expected to be moved to the region by the end of 2013, which could boost the economic impact by approximately \$6.4 billion.

TARGET INDUSTRIES

Despite the relative economic stability provided by Fort Bragg, officials in the surrounding areas are actively seeking to diversify the region's economy and the lingering possibility of deep budget cuts to the Department of Defense has brought economic diversification to the front of officials' agenda. Thus, aggressive incentives such as tax credits, capital investment credits, and business retention benefits are all tools used to attract new investment to the region. The central location, coupled with the proximity of Interstate 95, make the region an attractive location for customer call centers, distribution hubs and manufacturing plants.

EMPLOYMENT BY SECTOR AND TOP EMPLOYERS

The following charts provide a breakdown of all employment by sector for the region as well as the top employers in the region.

Civilian Employment Distribution Fayetteville-Laurinburg-Lumberton CSA		
Industry	Employment	Share of Employment
<i>Total Employment</i>	<i>175,004</i>	<i>--</i>
Education and Health Services	49,995	28.6%
Retail Trade	22,807	13.0%
Leisure and Hospitality Services	20,004	11.4%
Manufacturing	19,525	11.2%
Public Administration*	18,167	10.4%
Professional and Business Services	16,617	9.5%
Mining, Logging, and Construction	7,200	4.1%
Financial Activities	6,628	3.8%
Transportation, Warehousing, and Utilities	6,413	3.7%
Other Services	3,805	2.2%

Source: North Carolina Employment Security Commission (3rd Quarter 2013)

*Excludes Education and Health Services

Largest Employers		
Name	Employment No./Range	Industry
Fort Bragg (Civilian Employment)	14,500	Public Administration
Cumberland County Schools	6,450	Education Services
Cape Fear Valley Health System	5,800	Health Services
Robeson County Schools	3,000	Education Services
Southeastern Health	2,000	Health Services
Scotland Health	1,050	Health Services
Hoke County Schools	1,000	Education Services
Walmart	1,000+	Retail Trade
Goodyear Tire and Rubber Inc.	1,000+	Manufacturing
House of Raeford, Inc.	1,000+	Manufacturing

Sources: North Carolina Department of Public Instruction,
Employment Security Commission of North Carolina, Company Websites,
and Cushman & Wakefield Valuation & Advisory

*Ranges provided where actual figures were unavailable

UNEMPLOYMENT

The unemployment rate in the Fayetteville-Laurinburg-Lumberton CSA has typically sat well above the state and national unemployment rates, primarily because of the high unemployment in Robeson County. The CSA's unemployment rate declined 260 basis points between year-end 2012 and year-end 2013, to 8.5 percent. However, this decline is due to a shrinking labor pool, as approximately 7,200 left the workforce, and 300 fewer people were employed at year-end 2013 than at year-end 2012. Going forward, the unemployment rate will likely remain elevated above state and U.S. levels, as slow economic growth will continue to keep hiring efforts in check.

The regional, state and national unemployment rates for December 2013 and December 2012 are provided on the chart below.

Unemployment Rates (not seasonally adjusted)		
Location	Dec-13	Dec-12
United States	6.5%	7.8%
State of North Carolina	6.6%	9.4%
Fayetteville-Laurinburg-Lumberton CSA	8.5%	11.1%

Source: Bureau of Labor Statistics

TRANSPORTATION

Air transportation is provided to and from the region via Fayetteville Regional Airport, which was renovated for major jet traffic in 1985. It has two runways (7,200 feet and 4,800 feet) and is serviced by two main airlines: US Airways Express, with daily service to its Charlotte, NC hub and ASA, the Delta Connection, with daily service to its Atlanta hub as well as Washington, D.C. The Raleigh-Durham International Airport is located approximately 75 miles from the region, with nine major airlines and 17 regional carriers offering flights to 36 destinations, including Chicago, Houston, London, Miami, New York, Philadelphia, and Washington, D.C.

CSX, Norfolk Southern, Aberdeen and Rockfish freight rail lines serve the Fayetteville-Laurinburg-Lumberton CSA. In addition, Amtrak passenger rail is available in the City of Fayetteville.

Vehicular accessibility to and from the area is excellent. The proximity to major highways in the area (including the national north-south connector Interstate 95, and access to four other Interstate highways within a 90-minute drive) has spawned a growing land transportation industry, with over 20 trucking companies based in the City of Fayetteville, alone.

EDUCATION

The CSA is made up of four schools districts, one for each county. Not surprisingly, the largest of the four school districts is Cumberland County, as it includes the city of Fayetteville. The school district has an approximate enrollment of 61,000 students. The next closest is the Robeson County school district with an approximate enrollment of 24,000 students.

Multiple colleges and universities granting Bachelor's degrees or higher are located in the Fayetteville CSA, including Fayetteville State University and the University of North Carolina at Pembroke. Additionally, six colleges and universities with home campuses outside of the region have branch campuses located at either Fort Bragg or Pope Air Force Base.

HEALTH CARE

The availability of health care services in the region is excellent. Fayetteville is home to the Cape Fear Valley Health System, the eleventh-largest hospital system in the state. It is comprised of four primary health care facilities and just announced that it will build a new 65-bed facility in the northern portion of Cumberland County. The system's largest facility is the Cape Fear Valley Medical Center, a 394-bed hospital that houses a heart center and a cancer center. Additional facilities include the 112-bed Highsmith-Rainey Memorial Hospital, the 78-bed Southeastern Regional Rehabilitative Center, and the 32-bed Behavioral Health Care psychiatric hospital, which offers both in-patient and out-patient mental health services.

Other hospitals that serve the area are the Southeastern Healthcare System in Lumberton and Scotland Healthcare System in Laurinburg.

CONCLUSION

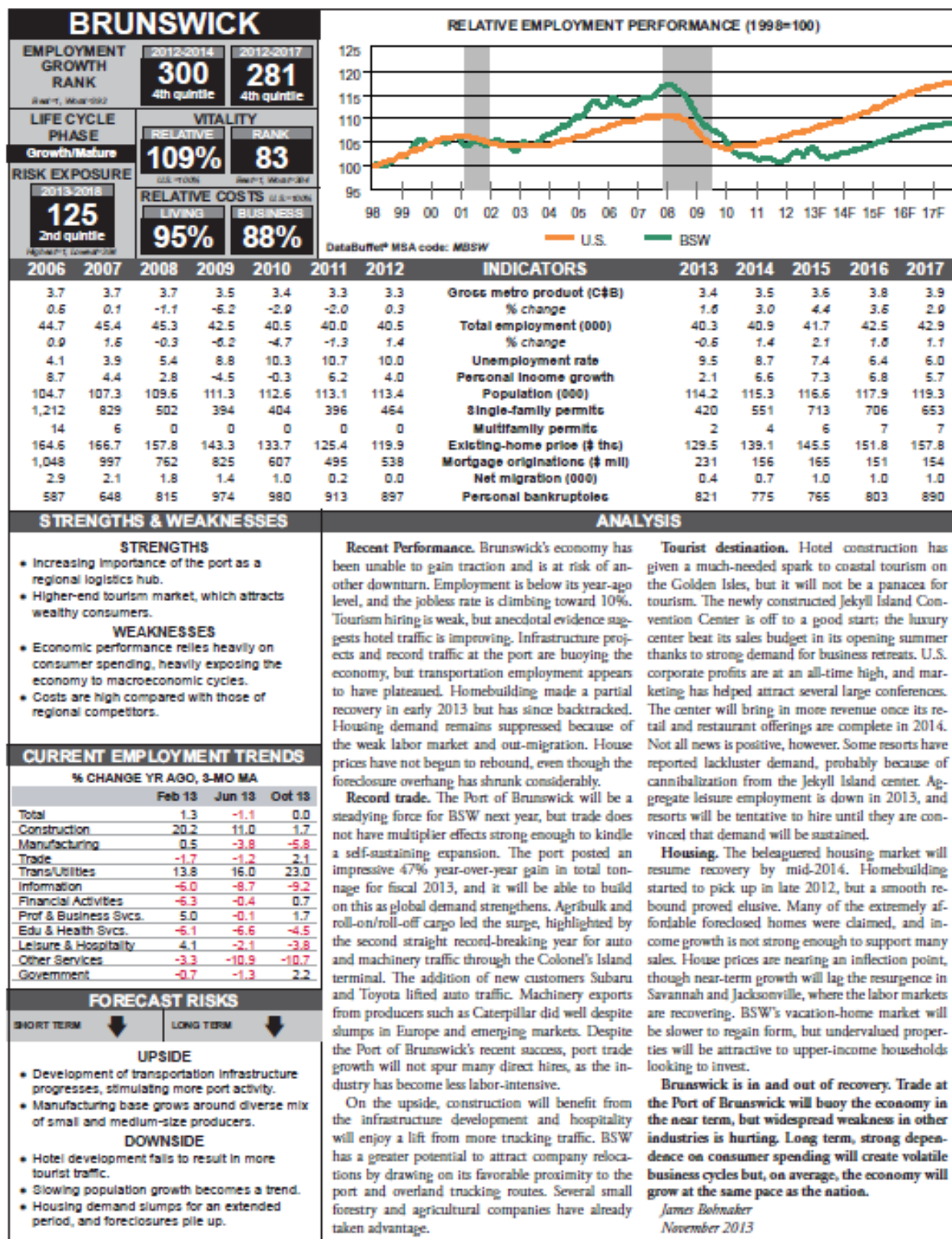
After a disappointing finish to 2012, the Fayetteville-Laurinburg-Lumberton CSA's economy looked to be headed back towards recovery during the first half of 2013 but faltered late in the year. The economic impact of the partial federal shutdown in the Fall is still reverberating through the CSA, but bipartisan agreement on a spending deal in January 2014 could have positive effects on Fayetteville and the surrounding area in the coming years. The spending bill will reverse some budget cuts and raise federal workers' pay. This is a boon to an area with little industry diversification and low-paying private-sector jobs in the service industries. Long term, the area's dependence on the public sector for employment opportunities exposes it to regular fluctuations, and the CSA will likely fall behind the U.S. in both income and job growth over the forecast horizon.

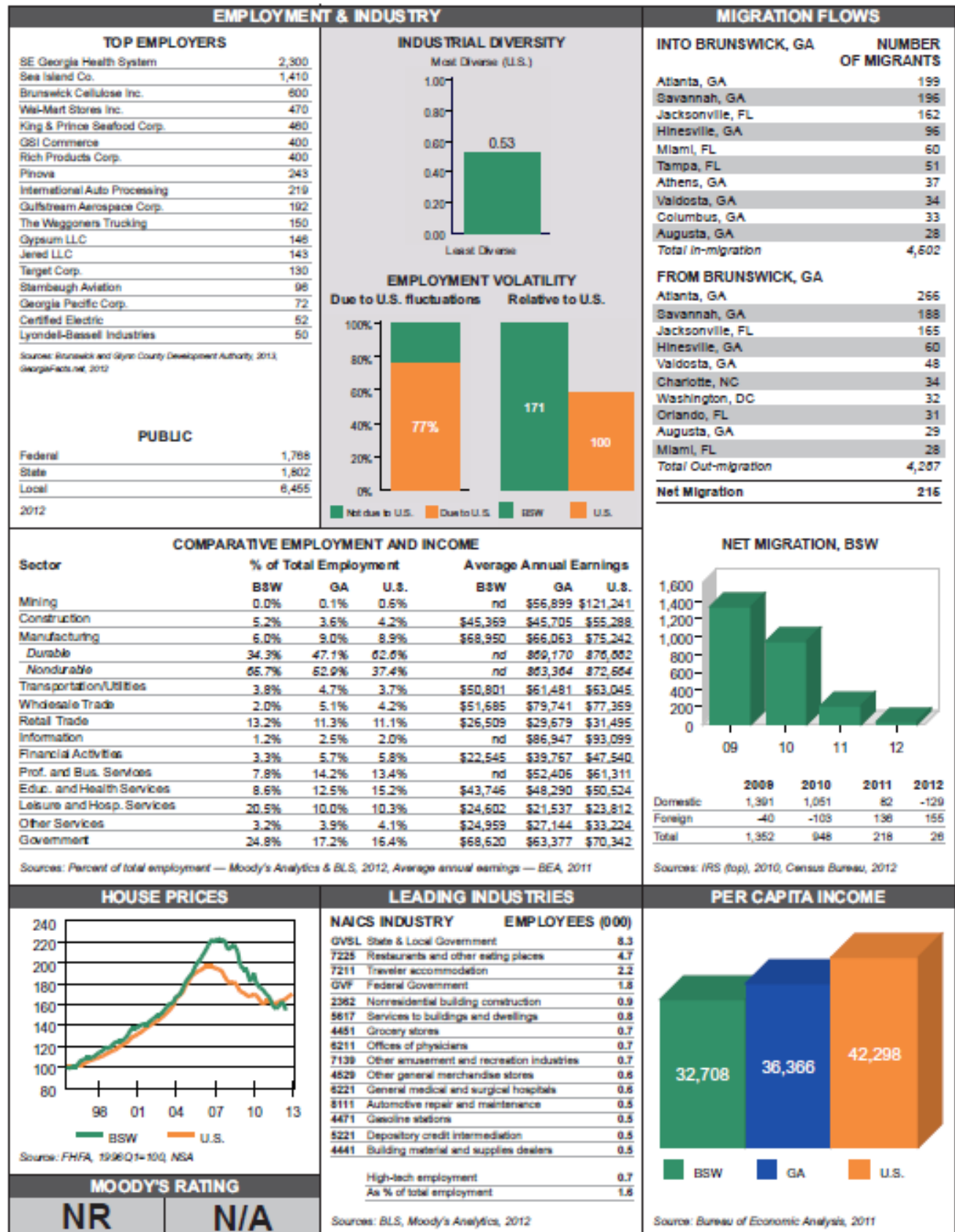
ECONOMIC & DEMOGRAPHIC PROFILE

The following profile of the Brunswick MSA was provided by Moody's Economy.com. Economy.com's core assets of proprietary editorial and research content as well as economic and financial databases are a source of information on national and regional economies, industries, financial markets, and demographics.

Economy.com's approach to the analysis of the U.S. economy consists of building a large-scale, simultaneous-equation econometric model, which they simulate and adjust with local market information, creating a model of the U.S. macro economy that is both top-down and bottom-up. In this model, those variables that are national in nature are modeled nationally while those that are regional in nature are modeled regionally. Interest rates, prices, and business investment are modeled as national variables; key sectors such as labor markets (employment, labor force), demographics (population, households, and migration), and construction activity (housing starts and sales) are modeled regionally and then aggregated to national totals. This approach allows local information to influence the macroeconomic outlook. Therefore, changes in fiscal policy at the national level (changes in tax rates, for example) are translated into their corresponding effects on state economies. At the same time, the growth patterns of large states, such as California, New York, and Texas, play a major role in shaping the national outlook.

In addition, on a regional basis, the modeling system is explicitly linked to other states through migration flows and unemployment rates. Economy.com's model structure also takes into account migration between states.

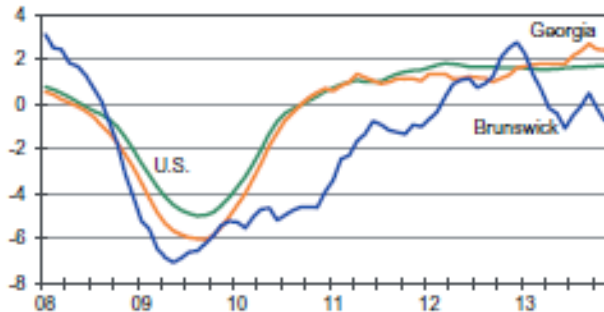




BRUNSWICK

Brunswick Takes Another Step Back...

Employment, % change yr ago, 3-mo MA



Sources: BLS, Moody's Analytics

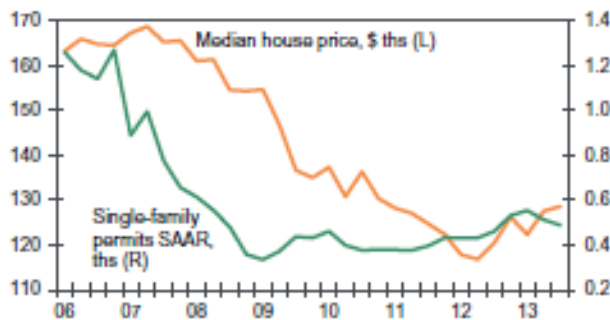
...As Manufacturing Goes From Bad to Worse

% change yr ago



Sources: BLS, Moody's Analytics

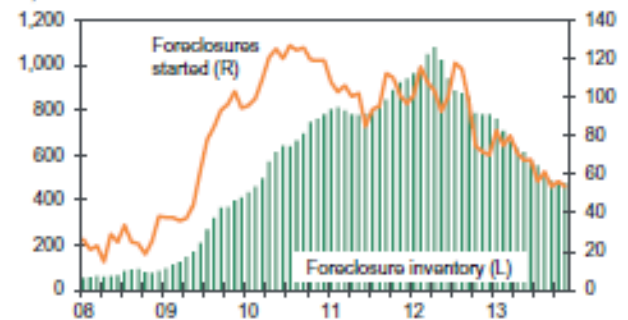
Homebuilding Not Yet in Full Swing



Sources: Census Bureau, NAR, Moody's Analytics

Foreclosure Backlog Has Eased Considerably

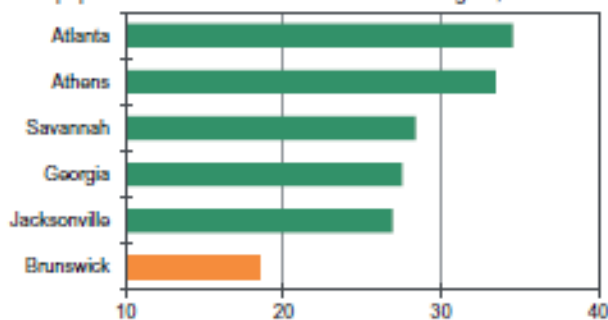
#, 3-mo MA



Sources: RealtyTrac, Moody's Analytics

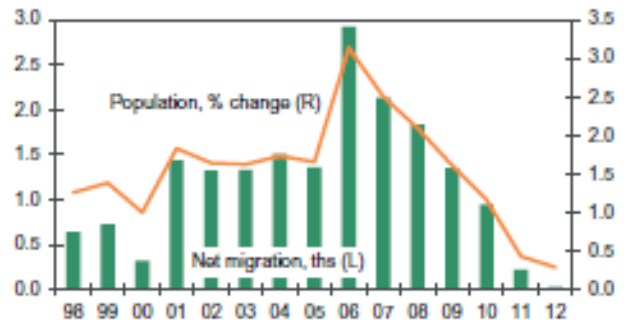
Tourism Requires Few College Grads

% of population 25 and older with a bachelor's degree, 2011



Sources: Census Bureau, Moody's Analytics

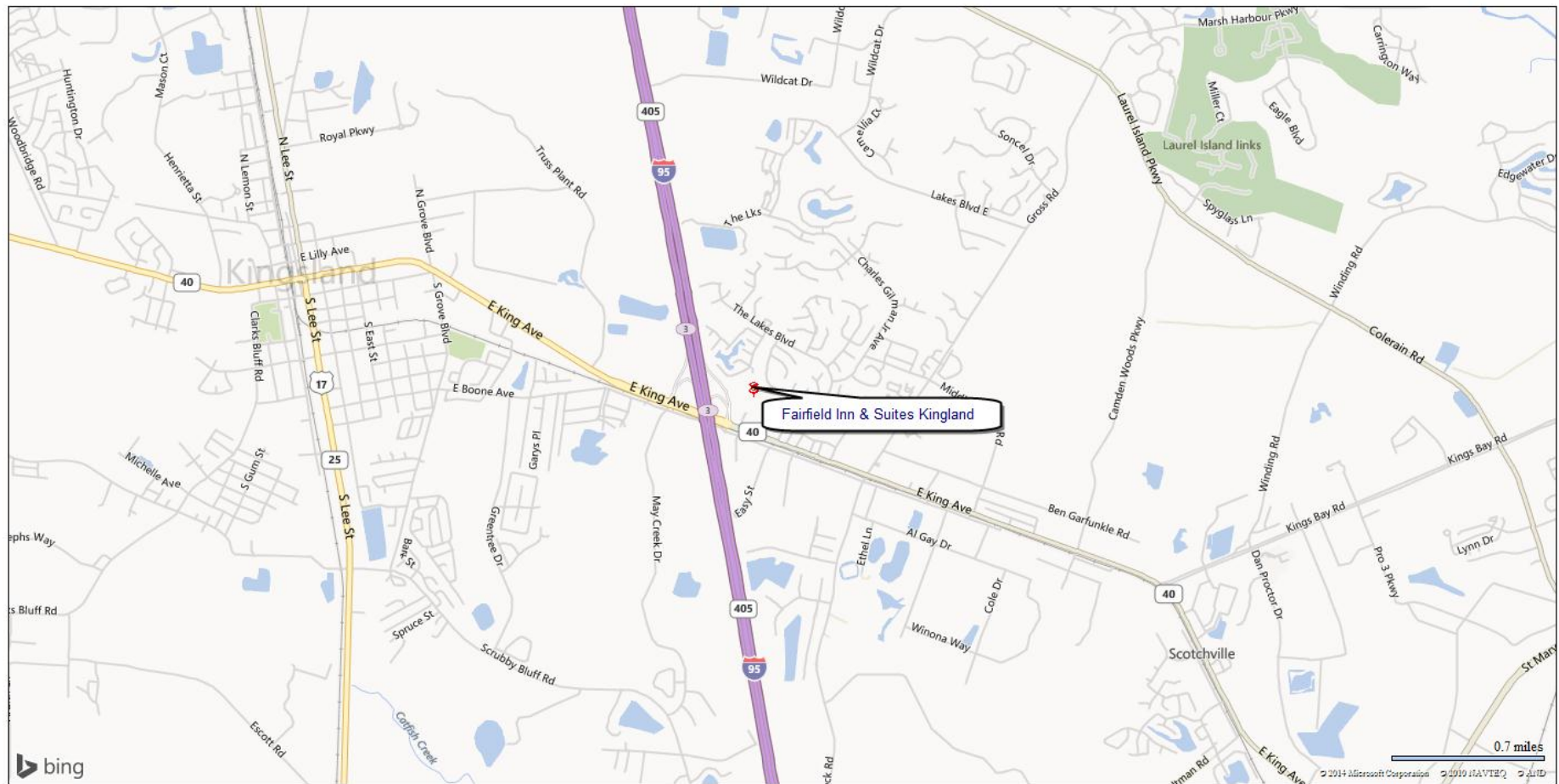
Out-Migration Will Slow as Recovery Firms



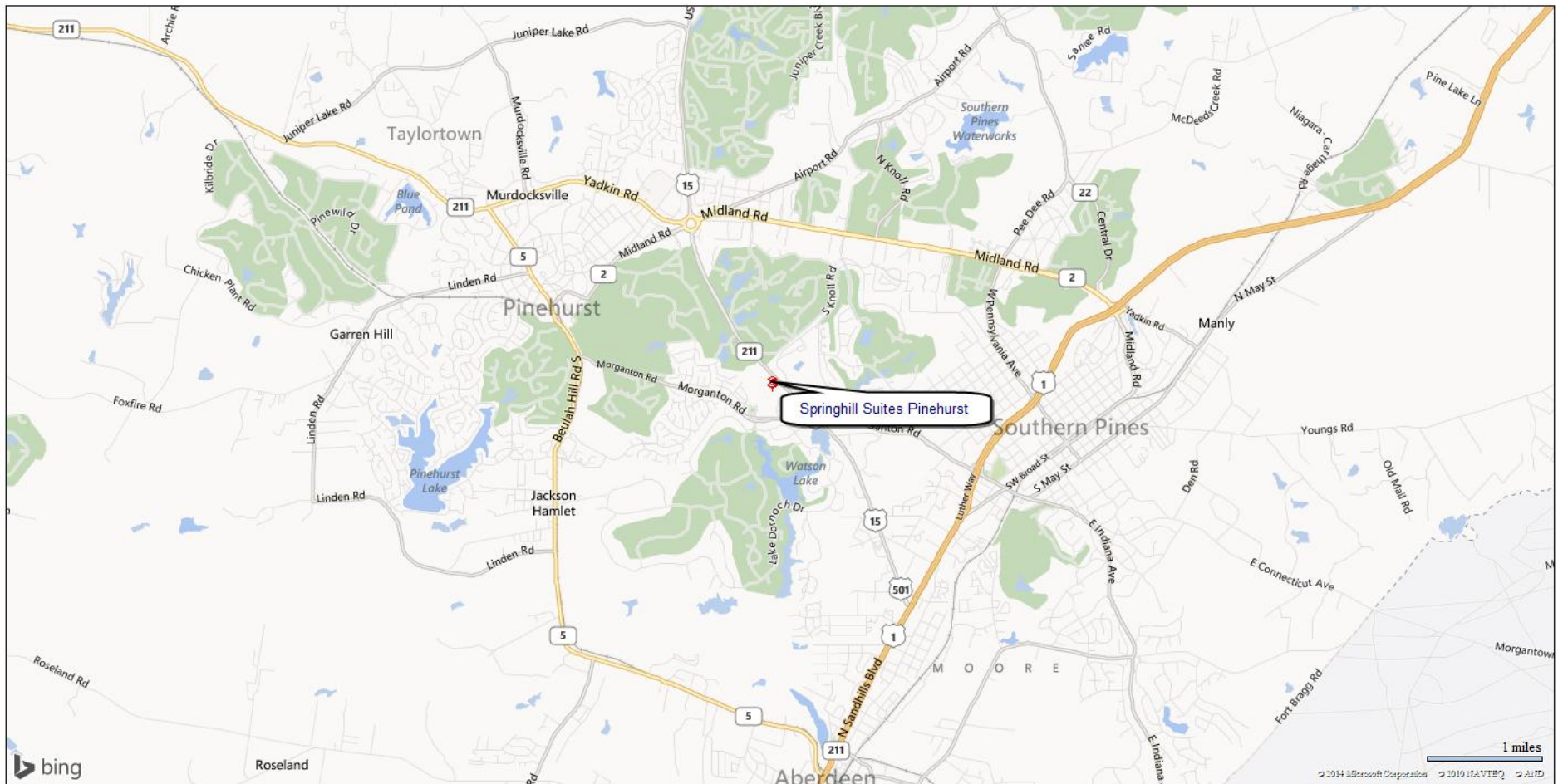
Sources: Census Bureau, Moody's Analytics

Local Area Map

KINGSLAND



PINEHURST



Local Area Analysis

LOCATION

FAIRFIELD INN & SUITES KINGSLAND

This hotel is located in the northeast quadrant of Interstate 95 and East King Avenue. The immediate area around the hotel is typical of a highway location with retail, fast food restaurants, and lodging facilities. There is a heavy concentration of newer single-family residential homes directly north of the subject property. Soncel at the Lakes is a new, 1,400 acre residential community that is just north of the subject and still developing. The hotel is located approximately two miles east of downtown Kingsland and approximately 12 miles west of the Georgia coast. The Naval Submarine Base Kings Bay is located approximately 7.0 miles east of the subject property. The Submarine Base is the U.S. Atlantic Fleet's home port for U.S. Navy Fleet ballistic missile nuclear submarines armed with Trident missile nuclear weapons. This submarine base covers about 16,000 acres of land, of which 4,000 acres are protected wetlands. Kingsland is a small town with almost all of the commercial development located along King Avenue and Lee Street. Interstate 95 is the largest demand generator for the subject's immediate area. Kingsland is approximately 26 miles south of Brunswick, Georgia and approximately 30 miles north of Jacksonville, Florida. Kingsland is also only three miles north of the Florida border.

FAIRFIELD INN & SUITES AND HAMPTON INN ASHEBORO

The Fairfield Inn & Suites is located along the west side of Executive Way, just north of East Dixie Drive. The Hampton Inn is adjacent to the Fairfield Inn & Suites, and it is located along the east side of Executive Way and north side of East Dixie Drive. The hotels are located approximately 1.5 miles southeast of Downtown Asheboro and approximately 2.2 miles east of Interstate 73/74. Both hotels have supporting land uses in proximity, mostly consisting of restaurants, retail, lodging and single-family residential. Asheboro is a small city with a majority of the commercial development located along Dixie Drive and Fayetteville Street. Randolph Mall is located approximately 0.5 miles northeast of the subject hotels. Tenants of Randolph Mall include American Eagle, Belk, JCPenney, Sears, Kay Jeweler and Sage Sports. The North Carolina Zoological Park is located approximately 5.0 miles south of the subject property. At over 2,000 acres, it is the largest walk-through zoo in the world, and one of only two state-owned zoos in the United States. The NC Zoo has over 1,600 animals from more than 250 species primarily representing Africa and North America. The zoo is open 364 days a year and receives more than 700,000 visitors annually. Some of the major employers in the area include: Black & Decker, Georgia Pacific Corporation and Goodyear Tire.

SPRINGHILL SUITES PINEHURST

This hotel is located along the west side of U.S. 15/501. Land uses in proximity to the subject include retail, office, golf courses and single-family residential. Pinecrest Plaza is a large retail community center located approximately 0.25 miles east of the subject. The open shopping mall covers an area of 250,000 square feet and has 32 stores. Some of the tenants include Belk, Bath & Body Works, Food Lion, Michaels, Pier 1 Imports and Rite Aid. Golf is the main demand generator for the Pinehurst area. Pinehurst is a historic and premier golf destination with Pinehurst Resort being the most famous. Pinehurst Resort operates eight courses, with Pinehurst No. 2 being the most popular. Several PGA tournaments have been held at this course, and it is the home of the U.S. Open in June 2014 for men and women. Fort Bragg Military Reservation is located approximately six miles southeast of the subject property. Fort Bragg and Fayetteville are located approximately 30 miles east of Fayetteville. Fort Bragg is the largest United States Army installation, located in Cumberland, Hoke, Harnett and Moore counties, North Carolina, mostly in Fayetteville but also partly in the town of Spring Lake. It was also a census-designated place in the 2010 Census, during which a population of 39,457 was identified. The fort is

named for Confederate general Braxton Bragg. It covers over 251 square miles. It is the home of the US Army airborne forces and Special Forces, as well as U.S. Army Forces Command and U.S. Army Reserve Command.

ACCESS - KINGSLAND

Local area accessibility is generally good, relying on the following transportation arteries:

- Regional:** Regional access is provided by Interstate 95, which travels north-south and provides access along the entire east coast. GA Highway 40 travels east-west and provides regional access from the Georgia Coast to GA Highway 301.
- Local:** The primary local arteries through Kingsland are King Avenue and Lee Street. The subject is located along the north side of East King Avenue. King Avenue travels east-west and provides access to Interstate 95 and downtown Kingsland. Lee Street travels north-south and runs through downtown Kingsland.

ACCESS - ASHEBORO

Local area accessibility is generally good, relying on the following transportation arteries:

- Local:** Local access is provided by Dixie Drive/NC Highway 64, Fayetteville Street, and Salisbury Street. The subject hotels are located along the north side of East Dixie Drive. Dixie Drive travels northeast-southwest and provides access to Interstate 73/74 and Fayetteville Street to the west. Fayetteville Street travels north-south and runs through Downtown Asheboro. Salisbury Street travels east-west and runs through Downtown Asheboro.
- Regional:** The subject hotels are located along the north side of NC Highway 64, which travels east-west through Asheboro and the region. NC Highway 64 provides access to NC Highway 421 and Raleigh to the east and Interstate 85 to the west. Interstate 73/74 travels north-south through Asheboro and the region. It provides access to Greensboro to the north and NC Highway 74 to the south.

ACCESS - PINEHURST

Local area accessibility is average, relying on the following transportation arteries:

- Local:** The subject is located along the west side of U.S. 15/501. This thoroughfare travels north-south through east Pinehurst and south Southern Pines. Morganton Road is approximately 0.4 miles southeast of the subject property. Morganton Road travels east-west and connects Pinehurst and Southern Pines.
- Regional:** U.S. 15/501 travels north-south through Pinehurst and the region, providing access to NC Highway 74 to the south and access to Durham

to the north. NC Highway 1 is located approximately 1.9 miles southeast of the subject property. NC Highway 1 provides access to NC highway 74 to the south and Raleigh to the north. Interstate 95 is located approximately 33 miles east of Pinehurst, and it provides access along the entire eastern coast. Interstate 73/74 is located approximately 16 miles northwest of Pinehurst, and it provides access from Greensboro to southern North Carolina.

SPECIAL HAZARDS OR ADVERSE INFLUENCES

We are not aware of any atypical or unusual detrimental influences, such as landfills, flooding, air pollution or chemical factories or storage in the immediate neighborhood of the subject properties.

CONCLUSION

The Fairfield Inn & Suites in Kingsland is well positioned along a major Interstate (I-95), with a mixture of supporting commercial and residential land uses in the immediate area. The Asheboro hotels are located along a major thoroughfare, East Dixie Drive, with supporting land uses in proximity. Interstate 73/74 and NC Highway 64 both travel through Asheboro. The Springhill Suites in Pinehurst is well positioned between Pinehurst and Southern Pines. There are supporting land uses around the hotel, and the Pinehurst area is a premier golf destination.

Property Analysis

SITE DESCRIPTION

Locations:	<p>Fairfield Inn & Suites - Kingsland, GA 1319 East King Avenue Kingsland, GA 31548</p> <p>Fairfield Inn & Suites - Asheboro, NC 920 Executive Way Kingsland, GA 31548</p> <p>Hampton Inn - Asheboro, NC 1137 East Dixie Drive Asheboro, NC 27203</p> <p>Springhill Suites - Pinehurst, NC 10024 US Highway 15/501 Pinehurst, NC 28374</p>
Shape:	Irregular
Topography:	Level at street grade
Total Land Area:	<p>±1.74 acres / ±141,740 square feet (Fairfield Inn & Suites - Kingsland, GA)</p> <p>±3.34 acres / ±45,000 square feet (Fairfield Inn & Suites - Asheboro, NC)</p> <p>±2.83 acres / ±38,950 square feet (Hampton Inn - Asheboro, NC)</p> <p>±2.76 acres / ±61,858 square feet (Springhill Suites - Pinehurst, NC)</p>
Excess Land:	No. Note that the Fairfield Asheboro does contain some surplus land on the front and rear of the site; however, the shape and size does not appear to be developable or marketable as excess land.
Frontage:	The subject properties have average frontage.
Access:	The subject properties have good access.
Visibility:	The subject properties have average visibility.
Soil Conditions:	We were not given a soil report to review. However, we assume that the soil's load-bearing capacity is sufficient to support the existing structures. We did not observe any evidence to the contrary during our physical inspection of the properties. Drainage appears to be adequate.
Utilities:	All utilities are available to the subject properties.
Site Improvements:	The sites improvements include asphalt paved parking areas, curbing, signage, landscaping, yard lighting and drainage.

Land Use Restrictions:	An authoritative report of title was not provided or reviewed. To the appraiser's knowledge, there are no easements, encroachments or restrictions that would adversely affect the utilization of the sites. However, a title search is recommended for final determination of any such adverse conditions.
Flood Zone:	The subject properties are located in flood zone X.
FEMA Map & Date:	13039C0395F (Fairfield Inn & Suites - Kingsland, GA) 3710776000J (Fairfield Inn & Suites - Asheboro, NC) 3710776000J (Hampton Inn - Asheboro, NC) 3710856200J (Springhill Suites - Pinehurst, NC)
Flood Zone Description:	These zones are determined as areas located outside the 100- and 500-year flood plains.
Wetlands:	We were not given a Wetlands surveys to review. If subsequent engineering data reveal the presence of regulated wetlands, it could materially affect property values. We recommend a wetlands survey by a professional engineer with expertise in this field.
Hazardous Substances:	We observed no evidence of toxic or hazardous substances during our inspection of the sites. However, we are not trained to perform technical environmental inspections and recommend the hiring of a professional engineer with expertise in this field.
Overall Site Utility:	The subject sites are functional for their current use.
Location Rating:	Average

IMPROVEMENTS DESCRIPTION

FAIRFIELD INN & SUITES - KINGSLAND, GA

This hotel is located at 1319 East King Avenue in Kingsland. The hotel was built in 2008 and consists of an 82-unit, three story building situated on a ± 1.74 acre lot. Amenities include an indoor pool and spa, exercise room, meeting room, breakfast area, and guest laundry. Complimentary services include hot breakfast daily, and wireless internet.

FAIRFIELD INN & SUITES - ASHEBORO, NC

This hotel is located 920 Executive Way in Asheboro, NC. The property was built in 2009 and consists of an 87-unit, five story building situated on a ± 3.34 acre lot. Amenities include a modernized lobby and public area, exercise room, meeting room, indoor pool, and breakfast area. Complimentary services include hot breakfast daily and wireless internet.

HAMPTON INN - ASHEBORO, NC

This hotel is located at 1137 East Dixie Drive in Asheboro, directly across the street from the Fairfield. The Hampton Inn - Asheboro, NC was built in 1995 and fully renovated in 2010. The hotel consist of a 111-unit, three story building situated on a ± 2.83 acre lot. Amenities include an exercise room, business center, over 1,200 square feet of meeting space, breakfast area, and an expansive indoor swimming pool. Complimentary services include hot breakfast daily and wireless internet.

SPRINGHILL SUITES - PINEHURST, NC

This hotel is located at 10024 US Highway 15/501 in Pinehurst, NC. The hotel was built in 1999, extensively renovated in 2012 and consists of a 107-unit, three story building situated on a ± 2.76 acre lot. Amenities include an exercise room, meeting room, breakfast area, and an outdoor swimming pool. Complimentary services include hot breakfast daily and wireless internet.

GUESTROOMS

A representative sample of guestrooms was inspected for this appraisal and appeared to be in good overall condition. We assume that the physical condition of all other remaining guestrooms at the subject properties are also good and similar to the units inspected. The following chart details the subject properties guestroom supply. Note that the Springhill in Pinehurst is an all suites property.

Guestroom Breakdown				
	Fairfield Inn & Sts - Kingsland, GA	Fairfield Inn & Sts - Asheboro, NC	Hampton Inn - Asheboro, NC	Springhill Suites - Pinehurst, NC
Room Type	Unit Count	Unit Count	Unit Count	Unit Count
King	43	54	50	27
Double/Double	25	31	37	80
Single Queen			19	
Suites	14	2	7	
Total	82	87	113	107

Each of the guestrooms feature remote control televisions with cable, telephone, desk with chair, dresser, nightstands, lamps and lounge chair. Guestroom drapes, mattresses and bedspreads, carpeting and case goods were all in good overall condition. All of the properties represent newer or recently renovated hotels and the overall quality and condition of the guestrooms is good.

FOOD AND BEVERAGE OUTLETS

Each hotel features one outlet that serves breakfast daily. At the time of our inspection, the properties food and beverage outlets were in good overall condition and similar or superior to competitors, and are in compliance with current brand standards.

MEETING AND BANQUET SPACE

The subject properties offer limited meeting space. As a result, the properties generate little in the way of traditional group business that requires event space capable of meeting and feeding attendees. At the time of our inspection, the subject properties meeting and banquet space was in good condition.

HISTORICAL & PLANNED CAPITAL EXPENDITURES

HISTORICAL CAPITAL EXPENDITURES

The following chart summarizes capital expenditures for the subject properties from 2010 through 2013. The Hampton Inn has completed lobby and breakfast area renovations over the past few years. The Springhill Suites underwent an extensive change of ownership Property Improvement Plan in 2011/2012 that included all aspects of the hotel. The two Fairfield Inns are relatively new properties and have not required any capital improvements of consequence since opening.

Capital Expenditures 2010 - 2013		
Property	Item	Cost
Hampton Asheboro	General Upgrades	\$1,200,000
Springhill Pinehurst	Full PIP Renovation	\$1,100,000
Total		\$2,300,000

PLANNED CAPITAL EXPENDITURES

The buyer and seller have budgeted approximately \$1.5M for change of ownership PIP renovations. The majority of the expense, roughly \$800k, is earmarked for the Hampton, most of which will be spent on roof design modifications and LED lighting on the exterior. Approximately \$325k is budgeted for each of the Fairfield properties for new wallpaper in guestrooms and public areas, new wallpaper and new soft goods. Given the recent renovations of the Springhill, the PIP estimate was less than \$10k.

CONCLUSION – HISTORICAL & PLANNED CAPITAL EXPENDITURES

Overall, the subject properties condition are considered to be: Good. In order to ensure that the subject properties are maintained in a competitive position throughout the holding period, with the exception of year one in which we deducted the budgeted PIP for each hotel (except the Springhill that had only a nominal PIP), we deducted a reserve for replacement equal to 4.0 percent of total revenues per year. The reserve should be adequate to fund all future capital expenditures.

REAL PROPERTY TAXES AND ASSESSMENTS

CURRENT PROPERTY TAXES

The subject properties are located in the taxing jurisdiction of the City of Kingsland and Camden County in Georgia, the City of Asheboro and Randolph County in North Carolina and the City of Pinehurst and Moore County in North Carolina. The assessor's parcel identification numbers are illustrated below. According to the local assessor's offices, taxes are current. The assessment and taxes for the properties are presented in the following charts:

Property Assessment Information - Fairfield Inn & Suites - Kingsland, GA

Assessor's Parcel Number:	107 003A
Assessing Authority:	Camden County
Current Tax Year:	2013
Assessment Ratio (% of market Value):	40%
Are taxes current?	<u>Taxes are current</u>
Is there a grievance underway?	<u>Not to our knowledge</u>
The subject's assessment and taxes are:	<u>At market levels</u>

Assessment Information

Fair Market Value	Totals
Total Real Property:	\$2,816,372
Personal Property:	\$292,199
Total Fair Market Value:	\$3,108,571
Taxable Assessment @ 40%:	\$1,243,429

Tax Liability

Total Tax Rate	0.9819%
Total Property Taxes	\$12,209
Number of Units	82
Property Taxes per Unit	\$149

Compiled by Cushman & Wakefield of North Carolina, Inc.

Property Assessment Information - Fairfield Inn & Suites - Asheboro, NC

Assessor's Parcel Number:	7760490124000
Assessing Authority:	Randolph County
Current Tax Year:	2013
Assessment Ratio (% of market Value):	100%
Are taxes current?	<u>Taxes are current</u>
Is there a grievance underway?	<u>Not to our knowledge</u>
The subject's assessment and taxes are:	<u>At market levels</u>

Assessment Information

Assessed Value	Totals
Total Real Property:	\$3,825,660
Personal Property:	<u>471,276</u>
Taxable Assessment:	\$4,296,936

Tax Liability

Total Tax Rate	1.2725%
Total Property Taxes	\$54,680
Number of Units	87
Property Taxes per Unit	\$629

Compiled by Cushman & Wakefield of North Carolina, Inc.

Property Assessment Information - Hampton Inn - Asheboro, NC

Assessor's Parcel Number:	7760494180
Assessing Authority:	Randolph County
Current Tax Year:	2013
Assessment Ratio (% of market Value):	100%
Are taxes current?	<u>Taxes are current</u>
Is there a grievance underway?	<u>Not to our knowledge</u>
The subject's assessment and taxes are:	<u>At market levels</u>

Assessment Information

Assessed Value	Totals
Total Real Property:	\$4,864,950
Personal Property:	<u>304,269</u>
Taxable Assessment:	\$5,169,219

Tax Liability

Total Tax Rate	1.2741%
Total Property Taxes	\$65,859
Number of Units	111
Property Taxes per Unit	\$593

Compiled by Cushman & Wakefield of North Carolina, Inc.

Property Assessment Information - Springhill Suites - Pinehurst, NC

Assessor's Parcel Number:	98000293; 7974
Assessing Authority:	Moore County
Current Tax Year:	2013
Assessment Ratio (% of market Value):	100%
Are taxes current?	<u>Taxes are current</u>
Is there a grievance underway?	<u>Not to our knowledge</u>
The subject's assessment and taxes are:	<u>At market levels</u>

Assessment Information

Assessed Value	Totals
Total Real Property:	\$4,564,700
Personal Property:	<u>475,310</u>
Taxable Assessment:	\$5,040,010

Tax Liability

Total Tax Rate	0.8350%
Total Property Taxes	\$42,084
Number of Units	107
Property Taxes per Unit	\$393

Compiled by Cushman & Wakefield of North Carolina, Inc.

CONCLUSION

The subject properties are assessed at a market-oriented level, and their tax liability is in line with comparable properties. Note that the assessments are below the value conclusions in this report, but a sale does not trigger an automatic revaluation; rather, the sale price is considered along with other market indices in the next scheduled market wide revaluations. Therefore, it is our opinion that the subject properties real estate assessment and taxes are at market levels for tax assessment purposes. Based on historical trends, we have assumed taxes will increase 3.0 percent per annum over the projection period.

ZONING

GENERAL INFORMATION

A summary of the properties zoning is provided in the following table. The hotels are within general commercial/business districts:

Zoning	
Municipality Governing Zoning:	City of Kingsland, City of Asheboro, City of Pinehurst
Current Zoning:	
Fairfield Inn Kingsland	C-4, Commercial District
Fairfield Inn Asheboro	CU-B2
Hampton Inn Asheboro	CU-B2
Springhill Suites Pinehurst	B-2, Planned Development Highway Corridor
Current Use:	Hotel
Is current use permitted:	<u>Yes</u>
Permitted Uses:	Permitted uses within these districts include: hotels and motels, by right.

Compiled by Cushman & Wakefield of North Carolina, Inc.

ZONING CONFORMANCE

Property value is affected by whether or not an existing or proposed improvement conforms to zoning regulations.

CONFORMING USES

An existing or proposed use that conforms to zoning regulations implies that there is no legal risk and that the existing improvements could be replaced “as-of-right.”

PRE-EXISTING, NON-CONFORMING USES

In many areas, existing buildings pre-date the current zoning regulations. When this is the case, it is possible for an existing building that represents a non-conforming use to still be considered a legal use of the properties. Whether or not the rights of continued use of the building exist depends on local laws. Local laws will also determine if the existing building may be replicated in the event of loss or damage.

NON-CONFORMING USES

A proposed non-conforming use to an existing building might remain legal via variance or special use permit. When appraising a property that has such a non-conforming use, it is important to understand the local laws governing this use.

OTHER RESTRICTIONS

We know of no deed restrictions, private or public, that further limit the subject properties use. The research required to determine whether or not such restrictions exist is beyond the scope of this appraisal assignment. Deed restrictions are a legal matter and only a title examination by those qualified such as an attorney or title company can uncover such restrictive covenants. We recommend a title examination to determine if any such restrictions exist.

ZONING CONCLUSIONS

We have analyzed the zoning requirements in relation to the subject properties, and considered the conformance of the existing use. We are not experts in the interpretation of complex zoning ordinances but based on our review of public information, the subject properties are a conforming use.

Detailed zoning studies are typically performed by a zoning or land use expert, including attorneys, land use planners, or architects. The depth of our study correlates directly with the scope of this assignment, and it considers all pertinent issues that have been discovered through our due diligence.

We note that this appraisal is not intended to be a detailed determination of compliance, as that determination is beyond the scope of this real estate appraisal assignment.

U.S. Lodging Industry Overview

INTRODUCTION

In 2013, the national hotel market showed positive, if not spectacular trends on both the fundamentals and transactions fronts. Following the caution that crept into the lodging sector in the 4th quarter of 2012, the sentiment among market participants was one of improved optimism with expected improvement in fundamentals through 2014. The culmination of mid-single digit average rate growth driven by stronger transient business, higher margin expectations due to rate led RevPAR growth, and a historically low new supply forecast is setting the stage for a solid 2014. While owners are not quite ready to sell, causing debt and equity demand to be pent up, things are slowly starting to get better. Despite some of the headwinds in the industry, the second half of 2013 proved to be “a pretty solid IPO season.”

Owners of gateway city-heavy portfolios are generally operating at prior-peak (or better) occupancy levels, and expect 2014 to be all about the impact of higher rates on the bottom line. RevPAR growth can be attributed to the supply-demand imbalance, as the industry in 2013 set a fourth consecutive record with ± 1.1 billion room-nights sold. As financing is not as readily available as it was in 2007, investors are showing a greater attention to cash flow.

Some of the caution that currently worries owners is the costs associated with federal regulation, i.e., ADA compliance and healthcare changes. In a general sense, optimism is high; capital availability continues to improve although debt for new development is still somewhat limited to major gateway markets. New development therefore continues to be held in check but expectations are that this will soon come to an end. Concerns include health care costs, immigration and visa policies, and, to some extent, pace of growth of foreign economies. Additionally continued mandated programs from the brands will impact the cash flow of hotels.

NATIONAL HISTORICAL ANALYSIS

Looking back, 2009 represented the worst year in the lodging industry over the past 16 years and the industry has only recently surpassed prerecession highs. The decline far surpassed the downturn experienced following “9-11” and the recession was believed to be the worst economic contraction since the Great Depression. The momentum which began to take hold in 2010 continued throughout 2013. The industry finished 2013 with four consecutive quarters of RevPAR growth; all above 5.0 percent including an increase of 6.3 percent in the first quarter.

Many industry analysts felt that operators panicked in late 2009. They dropped rates thinking it would stimulate demand and sought lower-rated group and crew business which they normally would not take. They started to displace this demand towards the end of the year, and the lower-rated business continues to be flushed out. As occupancy returns to a more normalized level, the lower rated demand is being displaced. The growth in demand shows that the downturn in late 2008 and 2009 was short-lived and operators panicked into rate declines. Transient demand - individual business and leisure travel - continues to be a key component of industry growth.

It is pertinent to note that 2013 RevPAR has surpassed 2007 levels on a nominal basis, as the industry continued to recover from the recession. Current RevPAR forecasts for 2014 are \$72.34, a 5.3 percent increase over 2013 levels. In 2013 occupancy in the U.S. lodging market was up 1.3 percent, and average rate growth continues to outpace inflation, growing 4.2 percent. Despite the national market's resurgence, several markets continue to struggle to regain pricing power and pre-recessionary ADR levels have been slower to return than occupancy. As a comparison to the previous recession, the industry had a nearly four-year period between November 2000 and

October 2004 in which ADR returned to peak levels. The current time frame sits at nearly 4.0 years and provides an indicator as to how long it took average rate to return to its previous highs.

The following chart depicts operating performance for the U.S. Lodging Industry from 1995 through 2013. Additionally, we have illustrated quarter-over-quarter comparisons for the four quarters of 2013 compared to the same time frame from 2012. As illustrated in the table, RevPAR increased 5.4 percent in 2013, which has been driven to a larger extent by above inflationary ADR growth. RevPAR growth has softened over the final three quarters of the year increasing 6.3 percent in the first quarter and 5.0 percent in the fourth quarter. Additions to supply continue to be a minimal factor in the industry, and with a positive supply-demand relationship, more and more markets across the country are witnessing average rate growth.

Smith Travel Research forecasts nationwide average rate growth of 4.2 percent in 2014 which is slightly above the 2013 growth of 4.0 percent and would represent a third consecutive year of growth in excess of 4.0 percent. The last time this occurred in the market, was the period between 2004 and 2007 when ADR growth ranged from 4.1 percent in 2004 to 7.0 percent in 2006. The average rate forecast is part of the overall supply and demand equation, whereby as supply remains relatively constant, modest demand growth leads to healthy occupancy growth. As occupancy stabilizes, operators will retain pricing power and average rates should increase. There is the belief that both corporate and transient consumers have become more sophisticated. With hotels having survived the recession in 2009, consumers now challenge large rate increases, understanding that operators were able to survive with decreased rate. Additionally the continued proliferation of On-Line Travel Agencies (OTAs) such as Expedia will continue to impact operators. Corporations will still look to minimize travel costs with minimal rate increases.

U.S. Historical Operating Statistics; 1995 - 2013; 1Q '13 - 4Q '13

Year		Supply	% Change	Demand	% Change	Eq. Index	Occ	% Change	ADR	% Change	RevPAR	% Change	
1995		1,296,206,105		3,551,250	---		---	64.8 %	---	\$66.51	---	\$43.11	---
1996		1,327,378,229		3,636,653	2.4 %		(0.3) %	64.6	(0.3) %	70.77	6.4 %	45.74	6.1 %
1997		1,373,655,064		3,763,439	3.5		(0.9)	64.1	(0.8)	74.75	5.6	47.91	4.7
1998		1,428,239,890		3,912,986	4.0		(1.2)	63.3	(1.2)	78.12	4.5	49.48	3.3
1999		1,482,967,994		4,062,926	3.8		(0.8)	62.8	(0.8)	80.84	3.5	50.80	2.7
2000		1,525,108,531		4,178,380	2.8		0.7	63.3	0.7	85.19	5.4	53.91	6.1
2001		1,561,252,452		4,277,404	2.4		(5.7)	59.7	(5.6)	83.96	(1.4)	50.16	(7.0)
2002		1,585,818,384		4,344,708	1.6		(1.2)	59.0	(1.2)	82.71	(1.5)	48.80	(2.7)
2003		1,602,339,641		4,389,972	1.0		0.3	59.2	0.3	82.83	0.1	49.03	0.5
2004		1,609,856,123		4,410,565	0.5		3.6	61.3	3.6	86.26	4.1	52.90	7.9
2005		1,611,095,859		4,413,961	0.1		2.9	63.1	2.9	90.95	5.4	57.39	8.5
2006		1,620,521,609		4,439,785	0.6		0.5	63.4	0.5	97.31	7.0	61.69	7.5
2007		1,630,881,234		4,468,168	0.6		(0.3)	63.2	(0.3)	103.55	6.4	65.46	6.1
2008		1,673,991,040		4,586,277	2.6		(4.5)	60.4	(4.4)	106.48	2.8	64.34	(1.7)
2009		1,728,062,260		4,734,417	3.2		(9.1)	55.1	(8.8)	97.47	(8.5)	53.71	(16.5)
2010		1,762,020,903		4,827,455	2.0		4.6	57.6	4.5	97.95	0.5	56.40	5.0
2011		1,767,355,160		4,842,069	0.3		4.4	60.1	4.4	101.57	3.7	61.04	8.2
2012		1,769,610,554		4,848,248	0.1		2.3	61.5	2.3	106.05	4.4	65.17	6.8
2013		1,783,137,587		4,885,308	0.8		1.4	62.3	1.3	110.31	4.0	68.70	5.4
Avg Annual % Change													
			1.8 %				1.6 %	(0.2) %	(0.2) %		2.9 %	2.6 %	
1Q - 2012	431,627,218	4,795,858	---	245,043,508	---	---	---	56.8 %	---	\$103.54	---	\$58.78	---
1Q - 2013	434,894,234	4,832,158	0.8 %	250,832,388	2.4 %	1.6 %	57.7	57.7	1.6 %	108.31	4.6 %	62.47	6.3 %
2Q - 2012	442,113,801	4,858,393	---	288,053,430	---	---	---	65.2 %	---	\$106.40	---	\$69.33	---
2Q - 2013	445,822,415	4,899,147	0.8 %	293,713,076	2.0 %	1.1 %	65.9	65.9	1.1 %	110.47	3.8 %	72.78	5.0 %
3Q - 2012	449,581,042	4,886,750	---	301,566,302	---	---	---	67.1 %	---	\$107.34	---	\$72.00	---
3Q - 2013	452,919,303	4,923,036	0.7 %	307,544,410	2.0 %	1.2 %	67.9	67.9	1.2 %	111.88	4.2 %	75.97	5.5 %
4Q-2012	446,288,493	4,904,269	---	252,771,908	---	---	---	56.6 %	---	\$106.54	---	\$60.34	---
4Q-2013	449,501,635	4,939,578	0.7 %	258,437,369	2.2 %	1.5 %	57.5	57.5	1.5 %	110.19	3.4 %	63.36	5.0 %

Source: Smith Travel Research

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Smith Travel Research continually tracks the 25 largest markets in the U.S. and through December 2013, 22 of the top 25 markets recorded positive RevPAR growth. A total of six markets obtained double-digit RevPAR growth in 2013, compared to seven markets which had surpassed that level at the end of 2012. Additionally 18 of the markets operated above the national average during this time frame. The improving operating performance in the Top 25 markets has continued to attract investors to these markets as more than half of the Top 10 transactions were in the Top 25 lodging markets as defined by Smith Travel Research. RevPAR growth of 6.6 percent in the Top 25 markets exceeded all other markets by 200 basis points, which grew 4.6 percent in 2013. Many of these markets are gateway cities which tend to attract a significant volume of business and in-bound overseas leisure travel.

CONCLUSION

The hotel sector has benefitted from continued positive momentum on multiple fronts. Based on 2013 operating performance, average rate and RevPAR surpassed the peak levels from 2007. This pace represented approximately a five year peak-to-peak cycle, which was similar to the 2001 recession. The near-term outlooks for demand and revenue look positive, although how much and for how long remain dependent on the performance of the broader economy. Overall, the optimism which began building in 2010 has remained intact and is expected to continue through 2014.

At this point in time there are no significant headwinds on a national level. Supply remains largely in check with the exception of a couple of markets, namely New York City. Concerns regarding global economic growth have crept into the stock market, and the Federal Reserve's tapering of its bond buying program could add uncertainty to the short-term picture and US economic outlook. However, buyers and developers continue to look for acquisition opportunities, most notable in secondary type locations. Continued Republican opposition to "Obamacare" is an uncertainty for the overall industry as it could significantly impact labor costs and force operators and owners to realign their strategies to remain profitable.

The outlook for 2014 remains bullish but growth expectations have been softened relative to the growth in 2013. Given the industry average-daily-rate growth during the last 30 months--which has been arguably the best supply-demand situation in many years, 2014 projections appear reasonable. As expected, the hospitality sector was the first to realize the effects of the recent economic downturn and following improvement. Hotel investors and managers are well poised to take advantage of value recuperation in the early part of the new decade. Though some clouds linger, the industry's mood has turned decidedly positive given the shift in fundamentals over the last twelve to eighteen months.

Lodging Market Supply and Demand Analysis

SUPPLY ANALYSIS-EXISTING COMPETITIVE SUPPLY

The subject properties include limited service hotels ranging in sizes from 82 to 111 units, averaging 101 rooms. All of the hotels are limited service in design and affiliated with either the Hilton or Marriott parent company. Within the portfolio, two of the hotels are affiliated with the Fairfield Inn & Suites by Marriott brand, one with Hampton Inn and one with Springhill Suites. The properties compete to varying degrees with numerous hotels in each of their respective markets.

We have analyzed the subject properties historical occupancy and room rate trends, and have concluded that the subjects' trends are directly correlated to lodging fluctuations with a high degree of confidence. The subjects' revenue figures are generally tied to the demand levels generated by the subjects' customer base which consists primarily of transient corporate travel. We analyzed the local market to determine future trends and we relied on trends from Smith Travel Research, an independent research firm that is recognized by the lodging industry as the standard source of reliable data, provided operating statistics on the local market as a whole. In reviewing the data compiled by STR, it is important to note some of its limitations. We have found that because hotels are occasionally dropped in and out of STR samples, and not every property reports data in a consistent and timely manner, the overall quality of this information may be affected. These variables can sometimes skew the data for a particular market. However, we find that STR data is generally relied upon by typical hotel investors. Therefore, it has been considered in this study.

We have analyzed trends of limited-service properties within the subjects' markets and found that these properties represent the majority of the chain-affiliated limited service assets located in the subjects' markets that report their occupancy and ADR levels regularly to Smith Travel Research. We believe that these trends are helpful in illustrating the overall health of the limited service lodging industry throughout the subjects' region. We have retained this information in our files.

The Competitive Hotels Profile tables on the following pages illustrate the inventory for the competitive sets, while the Competitive Hotel Supply tables outline relevant operating statistics for the subject properties and their competitors.

Competitive Hotels Profile			
	Hotel/Location	Year Opened	Number of Rooms
1	Fairfield Inn & Suites 1319 East King Avenue	2008	82
2	Best Western Plus Kingsland 1375 Hospitality Avenue	1996	54
3	Hawthorn Suites by Wyndham Kingsland 1323 East King Avenue	2007	64
4	La Quinta Inn & Suites Kingsland 104 May Creek Drive	2008	56
5	Comfort Suites Kingsland 1322 Hospitality Avenue	2008	63
6	Hampton Inn Kingsland 102 Reddick Road	2009	78

Competitive Hotels Profile			
	Hotel/Location	Year Opened	Number of Rooms
1	Fairfield Inn & Suites 920 Executive Way	2009	87
2	Comfort Inn Asheboro 825 West Dixie Drive	1988	89
3	Hampton Inn Asheboro 1137 East Dixie Drive	1995	111
4	Quality Inn Asheboro 242 Lakcrest Road	1997	41
5	Holiday Inn Express & Suites 1113 East Dixie Drive	1999	64

Competitive Hotels Profile			
	Hotel/Location	Year Opened	Number of Rooms
1	Hampton Inn Asheboro 1137 East Dixie Drive	1995	111
2	Comfort Inn Asheboro 825 West Dixie Drive	1988	89
3	Holiday Inn Express & Suites 1113 East Dixie Drive	1999	64
4	Fairfield Inn & Suites 920 Executive Way	2009	87

Competitive Hotels Profile			
	Hotel/Location	Year Opened	Number of Rooms
1	Springhill Suites 10024 U.S. 15	1999	107
2	Best Western Inn 1675 US Highway 1 South	1988	123
3	Comfort Inn 9801 U.S. 15	1996	77
4	Microtel Inn & Suites 205 Windstar Place	1998	78
5	Hampton Inn & Suites 200 Columbus Drive	2007	103
6	Holiday Inn Express & Suites 155 Partner Circle	2008	77

Competitive Hotel Supply - Occupancy and Average Rate Comparison - Fairfield Inn & Suites - Kingsland, GA

Property	Competitive Rooms	Estimated 2012						Estimated 2013					
		Average		Occupancy	ADR	RevPAR	Average		Occupancy	ADR	RevPAR		
		Occupancy	Rate	Rev PAR	Penetration	Penetration	Penetration	Occupancy	Rate	Rev PAR	Penetration	Penetration	Penetration
Primary Competition													
Fairfield Inn & Suites	82	68.3%	\$73.45	\$50.17	111.2%	94.8%	105.4%	65.3%	\$72.45	\$47.30	109.4%	93.8%	102.6%
Competitive Set	315	60%	78.73	46.92	97.1%	101.6%	98.6%	58%	78.67	45.79	97.5%	101.8%	99.3%
Overall Totals/Averages	397	61.4%	\$77.52	\$47.59	100.0%	100.0%	100.0%	59.7%	\$77.26	\$46.10	100.0%	100.0%	100.0%
Total Room Nights Occupied		88,967						86,458					
Percentage Change from Previous Year								-2.8%					

Competitive Hotel Supply - Occupancy and Average Rate Comparison - Fairfield Inn & Suites - Asheboro, NC

Property	Competitive Rooms	Estimated 2012						Estimated 2013					
		Average		Rev PAR	Occupancy Penetration	ADR Penetration	RevPAR Penetration	Average		Rev PAR	Occupancy Penetration	ADR Penetration	RevPAR Penetration
		Occupancy	Rate					Rate	Rate				
Primary Competition													
Fairfield Inn & Suites	87	60.3%	\$74.34	\$44.86	98.3%	99.5%	97.8%	62.4%	\$75.34	\$46.99	104.8%	95.9%	100.5%
Competitive Set	305	62%	74.82	46.16	100.5%	100.1%	100.6%	59%	79.54	46.69	98.6%	101.2%	99.9%
Overall Totals/Averages	392	61.4%	\$74.71	\$45.87	100.0%	100.0%	100.0%	59.5%	\$78.56	\$46.76	100.0%	100.0%	100.0%
Total Room Nights Occupied		87,851						85,152					
Percentage Change from Previous Year								-3.1%					

Competitive Hotel Supply - Occupancy and Average Rate Comparison - Hampton Inn - Asheboro, NC

Property	Competitive Rooms	Estimated 2012						Estimated 2013					
		Average Occupancy	Average Rate	Rev PAR	Occupancy Penetration	ADR Penetration	RevPAR Penetration	Average Occupancy	Average Rate	Rev PAR	Occupancy Penetration	ADR Penetration	RevPAR Penetration
		Occupancy	Rate	PAR	Penetration	Penetration	Penetration	Occupancy	Rate	PAR	Penetration	Penetration	Penetration
Primary Competition													
Hampton Inn	111	72.8%	\$77.28	\$56.23	120.3%	102.1%	122.9%	71.7%	\$82.36	\$59.08	119.4%	103.7%	123.8%
Competitive Set	240	55%	74.68	40.92	90.6%	98.7%	89.4%	55%	77.64	42.47	91.0%	97.8%	89.0%
Overall Totals/Averages	351	60.5%	\$75.67	\$45.76	100.0%	100.0%	100.0%	60.1%	\$79.42	\$47.72	100.0%	100.0%	100.0%
Total Room Nights Occupied		77,483						76,978					
Percentage Change from Previous Year								-0.7%					

Competitive Hotel Supply - Occupancy and Average Rate Comparison - Springhill Suites, Pinehurst, NC

Property	Competitive Rooms	Estimated 2012						Estimated 2013					
		Occupancy	Average Rate	Rev PAR	Occupancy Penetration	ADR Penetration	RevPAR Penetration	Occupancy	Average Rate	Rev PAR	Occupancy Penetration	ADR Penetration	RevPAR Penetration
Primary Competition													
Springhill Suites	107	63.1%	\$72.02	\$45.42	107.4%	94.7%	101.7%	62.6%	\$81.87	\$51.22	103.9%	103.7%	107.7%
Competitive Set	458	58%	77.07	44.47	98.3%	101.4%	99.6%	60%	78.23	46.70	99.1%	99.1%	98.2%
Overall Totals/Averages	565	58.7%	\$76.04	\$44.65	100.0%	100.0%	100.0%	60.2%	\$78.95	\$47.56	100.0%	100.0%	100.0%
Total Room Nights Occupied		121,091						124,237					
Percentage Change from Previous Year								2.6%					

The tables shown below illustrate the combined operating statistics for each of the properties competitive set.

Market Supply, Demand, Occupancy, ADR and RevPAR - Fairfield Inn & Suites- Kingsland, GA											
Year	Rooms	Supply	% Change	Demand	% Change	Occ	% Change	ADR	% Change	RevPAR	% Change
2010	315	114,975	---	66,489	---	57.8%	---	\$75.87	---	\$43.88	---
2011	315	114,975	0.0%	63,696	-4.2%	55.4%	-4.2%	\$79.82	5.2%	\$44.22	0.8%
2012	315	114,975	0.0%	68,525	7.6%	59.6%	7.6%	\$78.73	-1.4%	\$46.92	6.1%
2013	315	114,975	0.0%	66,915	-2.3%	58.2%	-2.3%	\$78.67	-0.1%	\$45.79	-2.4%
Avg Annual											
Percent Change			0.0%		0.2%		0.2%		1.2%		1.4%
YTD 3/31/2013	315	28,744	---	17,304	---	60.2%	---	\$79.84	---	\$48.06	---
YTD 3/31/2014	315	28,744	0.0%	19,086	10.3%	66.4%	10.3%	\$80.51	0.8%	\$53.46	11.2%

Source: Smith Travel Research

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Occupancy for the competitive set grew at a compound annual average of 0.2 percent from 2010 through 2013, while ADR increased by 1.2 percent, resulting in a 1.4 percent increase in revenue per available room (RevPAR). RevPAR has grown by an impressive 11.4 percent in the first quarter of 2014.

Market Supply, Demand, Occupancy, ADR and RevPAR - Fairfield Inn & Suites - Asheboro, NC											
Year	Rooms	Supply	% Change	Demand	% Change	Occ	% Change	ADR	% Change	RevPAR	% Change
2010	305	111,325	---	59,845	---	53.8%	---	\$74.77	---	\$40.19	---
2011	305	111,325	0.0%	62,119	3.8%	55.8%	3.8%	\$72.60	-2.9%	\$40.51	0.8%
2012	305	111,325	0.0%	68,688	10.6%	61.7%	10.6%	\$74.82	3.1%	\$46.16	14.0%
2013	305	111,325	0.0%	65,348	-4.9%	58.7%	-4.9%	\$79.54	6.3%	\$46.69	1.1%
Avg Annual											
Percent Change			0.0%		3.0%		3.0%		2.1%		5.1%
YTD 3/31/2013	305	27,831	---	14,667	---	52.7%	---	\$72.94	---	\$38.44	---
YTD 3/31/2014	305	27,831	0.0%	13,582	-7.4%	48.8%	-7.4%	\$76.89	5.4%	\$37.52	-2.4%

Source: Smith Travel Research

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Occupancy for the competitive set grew at a compound annual average of 2.2 percent from 2010 through 2013, while ADR increased by 2.1 percent, resulting in a 4.3 percent increase in revenue per available room (RevPAR). Year to date through March, RevPAR has declined slightly by -2.4 percent. It was reported that due to the unusually harsh weather conditions during January and February of this year, business travel in the Asheboro market was down considerably. This has had an especially adverse impact on the subject as it is one of the leading corporate hotels in the market.

Market Supply, Demand, Occupancy, ADR and RevPAR - Hampton Inn - Asheboro, NC

Year	Rooms	Supply	% Change	Demand	% Change	Occ	% Change	ADR	% Change	RevPAR	% Change
2010	240	87,600	----	41,499	----	47.4%	----	\$74.78	----	\$35.43	----
2011	240	87,600	0.0%	45,026	8.5%	51.4%	8.5%	\$72.91	-2.5%	\$37.48	5.8%
2012	240	87,600	0.0%	48,005	6.6%	54.8%	6.6%	\$74.68	2.4%	\$40.92	9.2%
2013	240	87,600	0.0%	47,917	-0.2%	54.7%	-0.2%	\$77.64	4.0%	\$42.47	3.8%
Avg Annual											
Percent Change			0.0%		4.9%		4.9%		1.3%		6.2%
YTD 3/31/2013	240	21,900	----	10,140	----	46.3%	----	\$71.69	----	\$33.19	----
YTD 3/31/2014	240	21,900	0.0%	10,140	0.0%	46.3%	0.0%	\$74.42	3.8%	\$34.46	3.8%

Source: Smith Travel Research

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Occupancy for the competitive set grew at a compound annual average of 4.9 percent from 2010 through 2013, while ADR increased by 1.3 percent, resulting in a 6.2 percent increase in revenue per available room (RevPAR). Year to date through March, RevPAR has increased by 3.8 percent, again noting that the unusually harsh winter has significantly reduced corporate travel in the Asheboro market.

Market Supply, Demand, Occupancy, ADR and RevPAR - Springhill Suites - Pinehurst, NC

Year	Rooms	Supply	% Change	Demand	% Change	Occ	% Change	ADR	% Change	RevPAR	% Change
2010	458	167,170	----	93,879	----	56.2%	----	\$73.71	----	\$41.40	----
2011	458	167,170	0.0%	102,141	8.8%	61.1%	8.8%	\$75.04	1.8%	\$45.85	10.8%
2012	458	167,170	0.0%	96,457	-5.6%	57.7%	-5.6%	\$77.07	2.7%	\$44.47	-3.0%
2013	458	167,170	0.0%	99,800	3.5%	59.7%	3.5%	\$78.23	1.5%	\$46.70	5.0%
Avg Annual											
Percent Change			0.0%		2.1%		2.1%		2.0%		4.1%
YTD 3/31/2013	458	41,793	----	22,819	----	54.6%	----	\$74.73	----	\$40.80	----
YTD 3/31/2014	458	41,793	0.0%	23,195	1.6%	55.5%	1.6%	\$76.16	1.9%	\$42.27	3.6%

Source: Smith Travel Research

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Occupancy for the competitive set grew at a compound annual average of 2.1 percent from 2010 through 2013, while ADR increased by 2.0 percent, resulting in a 4.1 percent increase in revenue per available room (RevPAR). Year to date through March, RevPAR has increased by 3.6 percent.

NEW AND PROPOSED HOTEL FACILITIES

Our fieldwork did not reveal any new hotel development that would be considered competitive with any of the hotels. While we have taken reasonable steps to determine the potential of new supply within the market, it is impossible to determine every property that will be developed in the future, or what their impact in the market will be. Depending on the outcome of future hotel development projects, the value of the subject properties may be positively or negatively affected.

AREA-WIDE OCCUPANCY PROJECTION

The projection of area-wide occupancy is derived from the relationship between estimated future room night demand and future guestroom supply. Annual growth rates are applied to the estimated current year-end area-wide room night demand to arrive at a projection of area-wide annual lodging demand as set forth in the following table.

The following tables summarize our projection of area-wide room night demand, supply, and occupancy rates.

Projection of Base Room Night Demand and Annual Growth - Fairfield Inn & Suites - Kingsland, GA								
Segment	Historical	2014	2015	2016	2017	2018	2019	2020
Total								
Annual Growth		3.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Base Demand	86,458	89,052	89,497	89,944	90,394	90,846	91,300	91,757
Total Market Demand	86,458	89,052	89,497	89,944	90,394	90,846	91,300	91,757
% Change	----	3.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Market Statistics								
Total Rooms Supply	397	397	397	397	397	397	397	397
Total Available Room Nights	144,905	144,905	144,905	144,905	144,905	144,905	144,905	144,905
% Change	----	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Market-wide Occupancy	59.7%	61.5%	61.8%	62.1%	62.4%	62.7%	63.0%	63.3%

Overall, the Fairfield Inn & Suites - Kingsland, GA market's occupancy is forecast to gradually increase throughout the projection period and remain in the low-60 percent range, which is in-line with historical trends in the market.

Projection of Base Room Night Demand and Annual Growth - Fairfield Inn & Suites - Asheboro, NC								
Segment	Historical	2014	2015	2016	2017	2018	2019	2020
Total								
Annual Growth		0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Base Demand	85,152	85,578	86,006	86,436	86,868	87,302	87,739	88,178
Total Market Demand	85,152	85,578	86,006	86,436	86,868	87,302	87,739	88,178
% Change	----	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Market Statistics								
Total Rooms Supply	392	392	392	392	392	392	392	392
Total Available Room Nights	143,080	143,080	143,080	143,080	143,080	143,080	143,080	143,080
% Change	----	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Market-wide Occupancy	59.5%	59.8%	60.1%	60.4%	60.7%	61.0%	61.3%	61.6%

Overall, the Fairfield Inn & Suites - Asheboro, NC market's market occupancy is forecast to gradually increase throughout the projection period and remain in the low-60 percent range, which is in-line with historical trends in the market.

Projection of Base Room Night Demand and Annual Growth - Hampton Inn - Asheboro, NC								
Segment	Historical	2014	2015	2016	2017	2018	2019	2020
Total								
Annual Growth		0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Base Demand	76,978	77,363	77,750	78,139	78,530	78,923	79,318	79,715
Total Market Demand	76,978	77,363	77,750	78,139	78,530	78,923	79,318	79,715
% Change	----	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Market Statistics								
Total Rooms Supply	351	351	351	351	351	351	351	351
Total Available Room Nights	128,115	128,115	128,115	128,115	128,115	128,115	128,115	128,115
% Change	----	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Market-wide Occupancy	60.1%	60.4%	60.7%	61.0%	61.3%	61.6%	61.9%	62.2%

Overall, the Hampton Inn - Asheboro, NC market occupancy is forecast to gradually increase throughout the projection period and remain in the low-60 percent range, which is in-line with historical trends in the market.

Projection of Base Room Night Demand and Annual Growth - Springhill Suites - Pinehurst, NC								
Segment	Historical	2014	2015	2016	2017	2018	2019	2020
Total								
Annual Growth		5.0%	-2.0%	0.5%	0.5%	0.5%	0.5%	0.5%
Base Demand	124,237	130,449	127,840	128,479	129,121	129,767	130,416	131,068
Total Market Demand	124,237	130,449	127,840	128,479	129,121	129,767	130,416	131,068
% Change	----	5.0%	-2.0%	0.5%	0.5%	0.5%	0.5%	0.5%
Market Statistics								
Total Rooms Supply	565	565	565	565	565	565	565	565
Total Available Room Nights	206,225	206,225	206,225	206,225	206,225	206,225	206,225	206,225
% Change	----	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Market-wide Occupancy	60.2%	63.3%	62.0%	62.3%	62.6%	62.9%	63.2%	63.6%

Overall, the Springhill Suites - Pinehurst, NC market occupancy is forecast to increase by approximately 5.0 percent in 2014 as both the Women's and Men's US Open are being held in Pinehurst in June. This will provide at least two weeks of sellout nights for the subject. In 2015, occupancy is expected to decline slightly as the temporary demand from the golf tournaments is no longer a factor. For the balance of the projection period, occupancy is expected to gradually increase, but remain in the low-60 percent range, which is in-line with historical increasing trends in the market.

Projection of Occupancy and Average Room Rate

A hotel's ability to generate rooms revenue is determined by two operating statistics: annual occupancy and average daily room rate. In most markets, a room night analysis may be performed to quantify and forecast room night demand. The occupancy of a given hotel may be projected based on its relative competitiveness with other hotels and its penetration through the market. Individual lodging facilities may operate above or below the area-wide occupancy or average rate, depending upon the particular attributes of the property.

HISTORICAL OPERATING PERFORMANCE

The following table summarizes the subject properties historical occupancy, average daily room rate and corresponding RevPAR (occupancy multiplied by average rate) of the past several years.

Historical Occupancy Performance						
Property	Location	2010	2011	2012	2013	CAGR
Fairfield Inn & Suites	Kingsland, GA	63.0%	67.2%	68.3%	65.3%	0.9%
Fairfield Inn & Suites	Asheboro, NC	51.3%	54.7%	60.3%	62.4%	5.3%
Hampton Inn	Asheboro, NC	64.5%	68.8%	72.8%	71.7%	2.9%
Springhill Suites	Pinehurst, NC	60.6%	68.2%	63.1%	62.6%	0.9%

Historical ADR Performance						
Property	Location	2010	2011	2012	2013	CAGR
Fairfield Inn & Suites	Kingsland, GA	\$71.76	\$71.04	\$73.45	\$72.45	0.3%
Fairfield Inn & Suites	Asheboro, NC	\$75.87	\$75.12	\$74.34	\$75.34	-0.2%
Hampton Inn	Asheboro, NC	\$76.32	\$75.55	\$77.28	\$82.36	2.1%
Springhill Suites	Pinehurst, NC	\$54.30	\$55.00	\$72.02	\$81.87	11.6%

Historical RevPAR Performance						
Property	Location	2010	2011	2012	2013	CAGR
Fairfield Inn & Suites	Kingsland, GA	\$45.24	\$47.74	\$50.17	\$47.30	1.2%
Fairfield Inn & Suites	Asheboro, NC	\$38.93	\$41.09	\$44.86	\$46.99	5.1%
Hampton Inn	Asheboro, NC	\$49.26	\$51.98	\$56.23	\$59.08	5.0%
Springhill Suites	Pinehurst, NC	\$32.89	\$37.51	\$45.42	\$51.22	12.5%

As illustrated, the subject properties operating performances have been stable to improving from 2012 to 2013. From 2010, growth rates have been strong, particularly with the Springhill Suites as the hotel ramps up after being acquired in a distressed situation and completely renovated by the current owner in 2012. The subject properties are limited service hotels located in secondary markets of North Carolina and Georgia, within close proximity to major Interstate interchanges. The Asheboro hotels are market leaders in the corporate demand segment, while the Hampton also captures much more than its fair share of leisure demand. Both hotels are located in proximity to the area's major employers and attractions, including Sea Grove Pottery and the North Carolina Zoo. At over 2,000 acres, the North Carolina Zoo is the largest walk-through zoo in the world.

The Fairfield Inn & Suites in Kingsland is just off of heavily traveled I-95 and is in proximity to the Kings Bay Naval Base – a deep and stable source of lodging demand for the area. Kingsland is also within a 30 minute drive to

Jacksonville, Florida, and occasionally gets overflow demand from the area. Year to date, RevPAR for the Kingsland market is up over 11 percent.

The Springhill Suites in Pinehurst is located in a high barrier to entry market with respect to securing entitlements. Known as a prominent golf destination, the City of Pinehurst takes significant measures to promote smart growth and preserve the historic nature of the community. As such, new development has historically been limited, particularly within the city limits. This bodes well for the supply/demand balance for the market and for the subject in particular, as it is positioned in the city limits and relatively close to the town center. Further, the subject benefits from its location near the area's main demand sources – golf, medical facilities (Pinehurst Medical Clinic and Moore Regional Hospital) and Fort Bragg in nearby Fayetteville. Since the last major BRAC initiatives were implemented in 2008, Fort Bragg has grown considerably through the consolidation of bases, which has resulted in the relocation of several high ranking generals to the area. Many of the higher ranking military personnel choose to live on the more affluent area of Pinehurst and Southern Pines, which is close to the western entrance to the base. This, in turn, has enhanced the economic viability of the area and should continue to benefit local area hotels. As mentioned earlier, Pinehurst was also selected to host the 2014 US Open for the Men and Women. This will give local hotels a major spike in revenue as all of the hotels in the market will be sold out for at least two weeks in June. According to the owner, nightly rates are approximately \$199 for the women's tournament and \$299 for the men's.

For the most part, the subject properties markets have historically ran occupancies' in the low to mid 60 percent range. All of the subject properties have significant RevPAR increases over the past four years, out-performing their respective markets. This is due to the brand affiliation with Hilton and Marriott, quality of construction and placement within their respective markets.

PENETRATION FACTOR ANALYSIS

The projected market share of a hotel is typically based on a penetration factor analysis. As previously stated, a penetration factor is the ratio between a property's market share and its fair share. Penetration factors can be used to project the subject properties' abilities to capture room night demand. A hotel's fair share of lodging demand is equal to its number of rooms divided by the total competitive supply of rooms. If a subject property were to capture its fair share, it would penetrate the market by 100 percent. A penetration factor above or below 100 percent indicates a hotel's greater or lesser ability to compete in the marketplace. The projected room night demand is multiplied by a property's fair share percentage and by the projected penetration factor to derive the number of room nights captured during each year. The number of room nights captured is then totaled and divided by the annual number of rooms available at the subject properties to estimate the projected annual occupancy level.

The following table illustrates our resultant occupancy levels for each property based on the estimated penetration rates over the projection period.

Base Year and Projected Occupancy Performance						
Property	Location	Historical Average	2013 Base Year	Projected 2014/15	Projected 2015/16	Stabilized 2016/17
Fairfield Inn & Suites	Kingsland, GA	66.0%	65.3%	67.0%	68.0%	68.0%
Fairfield Inn & Suites	Asheboro, NC	57.2%	62.4%	61.0%	62.0%	63.0%
Hampton Inn	Asheboro, NC	69.5%	71.7%	70.0%	72.0%	72.0%
Springhill Suites	Pinehurst, NC	63.6%	62.6%	65.0%	65.0%	65.0%

The projected room night demand is multiplied by the subject properties fair share percentage and by the projected penetration factor to derive the number of forecast room nights captured during each year. The number

of room nights captured is then totaled and divided by the annual number of rooms available at each subject property to estimate the projected annual occupancy level at each hotel.

We have selected the third projection year as the subjects' stabilized occupancy as of April 24, 2016. The stabilized occupancy level is intended to reflect the anticipated results of each property over its remaining economic life given any and all changes in the life cycle of the hotels.

AVERAGE RATE PROJECTION

One of the most important considerations in developing an estimate of the value of a lodging facility is a supportable projection of its attainable average rate, which is more formally defined as the average rate per occupied room. Average rate can be calculated by dividing the total rooms revenue achieved during a specified period by the number of rooms sold during the same period. The average rate and the anticipated occupancy percentage are used to project rooms revenue, which in turn provides the basis for developing an opinion of most other income and expense categories.

Although the average rate analysis presented here follows the occupancy projections, these two statistics are highly correlated; in reality, one cannot project occupancy without making specific assumptions regarding average rate. This relationship is best illustrated by RevPAR, which reflects a property's ability to maximize rooms revenue.

Although the average rate analysis presented here follows the occupancy projections, these two statistics are highly correlated; in reality, one cannot project occupancy without making specific assumptions regarding average rate. This relationship is best illustrated by RevPAR, which reflects a property's ability to maximize rooms revenue.

A hotel's ability to raise room rates is affected by several factors as indicated below.

- **Supply and Demand Relationships** – The relationship between supply and demand is one of the factors that determine hotel occupancies and average rates. Strong markets where lodging demand is increasing faster than supply are often characterized by rate growth that exceeds inflation. Markets that are overbuilt or suffering from declining demand are unlikely to exhibit any significant increases in average rates.
- **Inflationary Pressures** – Price increases caused by inflation affect hotel room rates by eroding profit margins and encouraging operators to raise prices. This strategy is effective only in markets that are characterized by a healthy supply and demand relationship.
- **Improving the Competitive Standard** – When a new lodging facility enters a mature market, its rates may be set higher than the marketwide average in an effort to justify the development costs. This may allow other competitors to achieve corresponding gains by effectively raising the amount the market will bear. However, if the addition to supply has a severe impact on the occupancy levels of other hotels, price competition may ensue.
- **Property-Specific Improvements** – Changes that make a hotel more or less attractive to guests can have an impact on average rate. An expansion, renovation, upgrading, or the introduction of additional facilities and amenities may enable greater-than-inflationary room rate increases. Likewise, deferred maintenance may make a property less competitive, engendering a decline in room rates.

ADR for the subject properties competitive markets have consistently grown since 2010, with an average annual change ranging from 0.8 to 5.4 percent. The high end of the range is the Kingsland market, which has benefited from activity and demand from the Kings Bay Naval Submarine Base and a general uptick in business and leisure travel. With the exception of the Fairfield in Asheboro, all of the subject properties have also had increases in ADR during this time period. The Fairfield opened during the trough of the last down cycle, but quickly positioned

itself as one of the top corporate hotels in the market. Moreover, it is one of the rate leaders in a market that consists largely of blue collar industries and cost conscious business travelers. As the subject is already at or near the “rate ceiling” for the market, they have been unable to command large year over year increases without prolonging its occupancy ramp up period. Now that the subject is capturing more than its fair of market demand, it will likely begin to focus on driving rate. The Fairfield Inn in Kingsland is in a similar position. While rate growth has been nominal since its opening in 2009, it is now achieving an occupancy index of more than 110 percent and has already achieved ADR growth of nearly six percent for Q1 2014 as compared to Q1 2013.

For the Hampton in Asheboro, it will undergo a fairly significant exterior renovation in 2014 as part of the change of ownership PIP. While it will likely take place during slow winter months, it could result in some disruption to business. More importantly, the Hampton is positioned to capitalize on rate now that it is achieving an occupancy index of nearly 120 percent. As such, revenue growth near term will likely be a function of rate growth.

The Springhill Suites in Pinehurst is poised for a banner year in 2014 in terms of RevPAR growth, with the Men’s and Women’s US Open being held in June. The subject is sold out for at least two weeks with rates of \$199 to \$299. By way of comparison, ADR for 2013 was just under \$82. Since this will be a non-recurring event, RevPAR levels will likely revert back to more normalized levels in 2015, but a strong base of demand in the local market from golf, medical facilities and Fort Bragg should promote steady, long term rate growth.

Over the next two years and up to the assumed stabilized date of April 24, 2016, we believe the subjects’ ADR penetration level will outpace its historical average due to their strong occupancy position that will allow management to push rates at the risk of displacing some cost conscious demand and generally gradually revert to back closer to its historical average (although depending on the market, our projections may not follow this logic). In addition, we believe there would be some degree of future upside for the reasons noted above. Based on the foregoing, the projection of each subject’s average daily rate is illustrated in the following table.

Base Year and Projected ADR Performance						
Property	Location	Historical Average	2013 Base Year	Projected 2014/15	Projected 2015/16	Stabilized 2016/17
Fairfield Inn & Suites	Kingsland, GA	\$72.17	\$72.45	\$75.90	\$78.18	\$80.52
Fairfield Inn & Suites	Asheboro, NC	\$75.17	\$75.34	\$80.45	\$82.87	\$85.35
Hampton Inn	Asheboro, NC	\$77.88	\$82.36	\$87.95	\$90.59	\$93.31
Springhill Suites	Pinehurst, NC	\$65.80	\$81.87	\$86.78	\$87.42	\$90.04

Based on the previously concluded occupancy and average room rate, the subjects’ room revenue is projected as illustrated below.

Projection of Room Revenue				
Property	Location	Projected 2014/15	Projected 2015/16	Stabilized 2016/17
Fairfield Inn & Suites	Kingsland, GA	\$1,522,000	\$1,591,000	\$1,639,000
Fairfield Inn & Suites	Asheboro, NC	\$1,558,000	\$1,632,000	\$1,708,000
Hampton Inn	Asheboro, NC	\$2,494,000	\$2,643,000	\$2,722,000
Springhill Suites	Pinehurst, NC	\$2,203,000	\$2,219,000	\$2,286,000

Highest and Best Use

HIGHEST AND BEST USE CRITERIA

The Dictionary of Real Estate Appraisal, Fifth Edition (2010), a publication of the Appraisal Institute, defines the highest and best use as:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

To determine the highest and best use we typically evaluate the subject properties sites under two scenarios: as if vacant and as presently improved. In both cases, the properties highest and best use must meet the four criteria described previously.

HIGHEST AND BEST USE OF PROPERTY AS IF VACANT

LEGALLY PERMISSIBLE

The zoning regulations in effect at the time of the appraisal determine the legal permissibility of a potential use of the subject properties. As described in the Zoning section, the subject sites are zoned in commercial districts within their respective municipalities. Permitted uses within these districts include hotels, by right. We are not aware of any further legal restrictions that limit the potential uses of the subject properties. In addition, rezoning of the sites is not likely due to the character of the areas.

PHYSICALLY POSSIBLE

The physical possibility of a use is dictated by the size, shape, topography, availability of utilities, and any other physical aspects of the site. The subject sites range from ±1.74 to ±3.34 acres. The sites are irregular in shape and level at street grade. The sites have good frontage, good access, and good visibility. The overall utility of the sites are considered to be good. All public utilities are available to the sites including public water and sewer, gas, electric and telephone. Overall, the sites are considered adequate to accommodate most permitted development possibilities.

FINANCIALLY FEASIBLE AND MAXIMALLY PRODUCTIVE

In order to be seriously considered, a use must have the potential to provide a sufficient return to attract investment capital over alternative forms of investment. A positive net income or acceptable rate of return would indicate that a use is financially feasible. Financially feasible uses are those uses that can generate a profit over and above the cost of acquiring the sites, and constructing the improvements. Of the uses that are permitted, possible, and financially feasible, the one that will result in the maximum value for the property is considered the highest and best use.

CONCLUSION

We have considered the legal issues related to zoning and legal restrictions. We have analyzed the physical characteristics of the sites to determine what legal uses would be possible and have considered the financial feasibility of these uses to determine the use that is maximally productive. Considering the subject properties physical characteristics and locations, as well as the state of the local markets, it is our opinion that the Highest

and Best Use of the subject sites as if vacant is development of an appropriately sized lodging facility as demand warrants.

HIGHEST AND BEST USE OF PROPERTY AS IMPROVED

The Dictionary of Real Estate Appraisal defines highest and best use of the property as improved as:

The use that should be made of a property as it exists. An existing improvement should be renovated or retained “as is” so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

In analyzing the Highest and Best Use of a property as improved, it is recognized that the improvements should continue to be used until it is financially advantageous to alter physical elements of the structure or to demolish it and build a new one.

LEGALLY PERMISSIBLE

As described in the Zoning Analysis section of this report, the subject properties are zoned Business and Commercial. In the Zoning section of this appraisal, we determined that the existing improvements represent a conforming use. We have also determined that the existing use is a permitted use in these zones.

PHYSICALLY POSSIBLE

The sites improvements were constructed between 1989 and 2008 and are in good condition. We know of no current or pending municipal actions or covenants that would require a change to the current improvements.

FINANCIALLY FEASIBLE AND MAXIMALLY PRODUCTIVE

In the Reconciliation section, we concluded to a market value for the subject properties, as improved, ranging from \$6,800,000 to \$14,200,000. In our opinion, the improvements contribute significantly to the value of the sites.

CONCLUSION

It is our opinion that the existing building adds value to the sites as if vacant, dictating a continuation of their current use. It is our opinion that the Highest and Best Use of the subject properties as improved are hotels as they are currently improved.

Valuation Process

METHODOLOGY

There are three generally accepted approaches to developing an opinion of value: Cost, Sales Comparison and Income Capitalization. The approach used depends on its applicability to the property type being valued and the quality of information available. The reliability of each approach depends on the availability and comparability of market data as well as the motivation and thinking of purchasers.

The valuation process is concluded by analyzing each approach to value used in the appraisal. When more than one approach is used, each approach is judged based on its applicability, reliability, and the quantity and quality of its data. A final value opinion is chosen that either corresponds to one of the approaches to value, or is a correlation of all the approaches used in the appraisal.

We have considered each approach in developing our opinion of the market value of the subject properties. We discuss each below and conclude with a summary of their applicability to the subject properties.

COST APPROACH

The Cost Approach is based on the proposition that an informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. This approach is particularly applicable when the property being appraised involves relatively new improvements which represent the Highest and Best Use of the land; or when relatively unique or specialized improvements are located on the site for which there are few improved sales or leases of comparable properties.

In the Cost Approach, the appraiser forms an opinion of the cost of all improvements, depreciating them to reflect any value loss from physical, functional and external causes. Land value, entrepreneurial profit and depreciated improvement costs are then added, resulting in an opinion of value for the subject properties.

We find that knowledgeable hotel buyers base their purchase decisions on economic factors, such as projected net income and return on investment. Because the cost approach does not reflect these income-related considerations and requires a number of highly subjective depreciation estimates, this approach is given minimal weight in the hotel valuation process.

SALES COMPARISON APPROACH

The Sales Comparison Approach is a method of developing an opinion of market value in which a subject property is compared with comparable properties that have been recently sold. Preferably, all properties are in the same geographic area and/or of the same property type. One premise of the Sales Comparison Approach is that the market will establish a price for the subject properties in the same manner that the prices of comparable, competitive properties are established.

The sales prices of the properties deemed most comparable to the subject properties tend to set the range in which the value of the subject properties will fall. Further consideration of the comparative data allows the appraiser to derive an amount representing the value of the appraised properties, in keeping with the definition of value sought, as of the date of the appraisal.

The Sales Comparison Approach may provide a useful value opinion in the case of simple forms of real estate such as vacant land and single-family homes, where the properties are homogeneous and the adjustments are few and relatively simple to compute. In the case of complex investments such as lodging facilities, where the

adjustments are numerous and more difficult to quantify, the Sales Comparison Approach loses a large degree of reliability.

Hotel investors typically do not employ the Sales Comparison Approach in reaching their final purchase decisions. Factors such as the lack of recent comparable sales data and the numerous adjustments that are necessary often make the results of the Sales Comparison Approach questionable. Although the Sales Comparison Approach may provide a range of values that supports the final opinion of value, reliance on this approach beyond the establishment of broad parameters is rarely justified by the quality of the sales data.

As an appraiser, one attempts to mirror the actions of the marketplace. In that our experience indicates that sophisticated hotel investors depend largely on financial considerations when making final purchase decisions, we generally do not give the Sales Comparison Approach strong consideration in the hotel appraisal process beyond establishing a probable range of value.

INCOME CAPITALIZATION APPROACH

This approach first determines the income-producing capacity of a property by using contract rents on existing leases and by estimating market rent from rental activity at competing properties for the vacant space. Deductions are then made for vacancy and collection loss and operating expenses. The resulting net operating income is divided by an overall capitalization rate to derive an opinion of value for the subject properties. The capitalization rate represents the relationship between net operating income and value. This method is referred to as Direct Capitalization.

Related to the Direct Capitalization Method is the Discounted Cash Flow Method. In this method, periodic cash flows (which consist of net operating income less capital costs) and a reversionary value are developed and discounted to a present value using an internal rate of return that is determined by analyzing current investor yield requirements for similar investments.

Our experience with hotel investors indicates that the methodology used in estimating market value by the Income Capitalization Approach is comparable to that employed by typical hotel and motel investors. For this reason, the Income Capitalization Approach produces the most supportable market value opinion, and it generally is given the greatest weight in the hotel valuation process.

RECONCILIATION

The valuation process is concluded by analyzing each approach to value used in the appraisal. When more than one approach is used, each approach is judged based on its applicability, reliability, and the quantity and quality of its data. A final value opinion is chosen that either corresponds to one of the approaches to value, or is a correlation of all the approaches used in the appraisal.

Our nationwide experience with numerous hotel buyers and sellers indicates that the procedures used in developing our opinion of market value by the Income Capitalization Approach are comparable to those employed by the investors who constitute the marketplace. For this reason, the Income Capitalization Approach produces the most supportable value opinion, and it is given the greatest weight in the hotel valuation process.

Income Capitalization Approach

METHODOLOGY

The Income Capitalization Approach is based on the principle that the value of a property is indicated by the net return to the property, or what is also known as the present worth of future benefits. The future benefits of income-producing properties, such as hotels and motels, is net income before debt service and depreciation, derived by a projection of income and expense, along with any expected reversionary proceeds from a sale.

The two most common methods of converting net income into value are direct capitalization and discounted cash flow analysis. In direct capitalization, net operating income is divided by an overall rate extracted from the market to indicate a value. In the discounted cash flow method, anticipated future net income streams and a reversionary value are discounted to provide an opinion of net present value at a chosen yield rate (internal rate of return or discount rate). In this section of the report, we have utilized the discounted cash flow method to value the subject properties and considered the implied historical, first year, stabilized year and deflated stabilized direct capitalization rates. For limited service properties, the room revenue multiplier method is also common as it does not rely on expense forecasts which can vary widely between owner operated and professionally managed properties. In this method, historical or future rooms revenue is multiplied by a factor that is extracted from the market to indicate value. Similar to direct capitalization, this method is simple and straight forward.

Based on the market for transient accommodations in the subject's area, we have forecast future rooms revenue for the subject properties, which was detailed in a previous section of this report. In this section of the report, we provide an analysis of the subject's historical performance, the performance of comparable properties, and industry averages, in order to forecast all other revenues and expenses for the subject properties through a 10-year holding period. The projection begins on April 24, 2014. The subject properties are projected to reach a stabilized level of operation in year three of the 10-year holding period.

FINANCIAL PROJECTIONS

A summary of the underlying rationale and assumptions used in developing the annual operating performance for the subject properties are presented in the following text. Fundamental to the opinions of operating results is the assumption of competent and efficient management at the property level, a well-coordinated marketing plan for the hotels, and a well-devised yield management strategy. Among the primary responsibilities of management are the maintenance of a quality facility, the execution of an adequate marketing effort, and operating in a cost efficient manner.

GENERAL INFLATION AND GROWTH ASSUMPTIONS

Our projections incorporate an opinion of general price inflation based upon economic projections from various sources (including the U.S. Congressional Budget Office), tempered by our observations and expectations derived from historical perspectives both locally and nationally. Accordingly, to portray price level changes, we have assumed an average CPI inflation rate of 3.0 percent per year throughout the 10-year projection period. This assumption is intended only to portray an expected long-term trend in price movements, rather than for a specific interval in time.

OPERATING REVENUES AND EXPENSES DURING THE HOLDING PERIOD

Operating revenues and expenses for the subjects are projected using a computer program developed for Cushman & Wakefield. This program was especially designed to reflect the operating characteristics of a hotel property. The computer model is based upon the theory that hotel revenues and expenses have an independent fixed component and a dependent component that varies in proportion to occupancy and the overall use of the facility. An estimate of each revenue and expense line item can be made by calculating the fixed and variable percentage components of an established level of revenue or expense. The fixed component is held constant, while the variable component is adjusted for the future incremental changes in occupancy and utilization levels.

Based on our review of the subject properties prospective operating performance, as well as our analysis of comparable hotel income and expense statements and industry norms, we have derived base levels of income and expense. The units of comparison include percentage of departmental and/or total revenue, amount per available room, and amount per occupied room. These units of comparison are the basis for calculating the fixed and variable component relationships for each line item.

The following table summarizes the approximate percentage of each line item assumed to be fixed or variable in each appraisal. These ratios were developed based on discussions with various hotel managers over time and are consistent with industry norms. The variable component of each revenue and expense item fluctuates directly with changes in occupancy and/or rate.

Summary of Fixed and Variable Component for Each Revenue and Expense			
Revenue or Expense Category	Percent Fixed	Percent Variable	Variability In Relation To
Revenue			
Rooms	0 %	100 %	---
Other Income	70	30	Occupancy
Expense			
Rooms	60 %	40 %	Occupancy
Other Income	70	30	Other Income Rev.
Undistributed Operating Expenses			
Administrative & General	75 %	25 %	Total Revenue
Management Fee	0	100	Total Revenue
Marketing	70	30	Total Revenue
Franchise Fees	0	100	Rooms Revenue
Property Operations & Maintenance	70	30	Total Revenue
Utilities	90	10	Total Revenue
Fixed Charges			
Property Taxes	100 %	0 %	Total Revenue
Insurance	100	0	Total Revenue
Reserve for Replacement	0	100	Total Revenue

After reviewing the subject properties historical operating statistics, U.S. hotel industry averages, and the performance of comparable hotels, we have developed a 10-year projection of income and expense, with the first year beginning April 24, 2014. Considering the current state of the competitive hotel market, we believe that the subject properties will achieve stabilization by April 24, 2016.

The projection of income and expense is intended to reflect the appraiser's opinion of how a typical buyer would project the subject properties operating results. Depending on the dynamics of the local market, a typical buyer's projection may be adjusted upward or downward. We have attempted to incorporate these considerations into this analysis.

CHANGES TO PROJECTED CASH FLOW

The following bullet points illustrate some salient adjustments that were made to the base year figures as part of our 10-year projection of income and expense:

- The subject properties historical expense items for some categories, namely management fees and marketing, are atypical of comparable limited-service assets. Therefore, adjustments are warranted since we are assuming the potential purchase to a single investor, following which time the subject properties would not benefit from any corporate-level synergies in these departments.
- In addition, there are no reserves for replacement. We have made market-oriented deductions for this line item despite that this expense did not appear historically in any of the properties' operating statements.

PROJECTION OF INCOME AND EXPENSE

The following charts depict a detailed forecast of the properties income and expense through the stabilized year and a summary 10-year projection on a fiscal basis beginning April 24, 2014. Stabilization is assumed to occur as of April 24, 2016. The statements are expressed in inflated dollars for each fiscal year. It should be noted that our projections are generally representative of historical performance, and appear to be well supported by comparable limited-service assets and industry averages. We assume that a prudent investor would recognize market-oriented expenses in the following categories:

- **Management Fee:** The projection of income and expense assumes competent management by a professional management company. We anticipate that upon a sale, a prudent investor would retain competent management, with fees structured at current market rates. Some companies provide management services alone, while others offer both management services and a brand name affiliation. When a management company has no brand identification, the property owner can often acquire a franchise that provides the necessary image and recognition. Management fees have typically equated to roughly 2.0 to 5.0 percent of total revenues. The subject properties historical expense items for some categories, namely management fees and marketing, are atypical of comparable limited-service assets. Therefore, adjustments are warranted since we are assuming the potential purchase to a single investor. Based upon our knowledge of the industry, we are of the opinion that to obtain competent management services for the subject properties during the long term, a 3.0 percent of total revenues per year management fee expense is appropriate
- **Franchise Fee:** A franchise affiliation typically provides a hotel property with a brand name identification and a supporting reservation system. In addition, a franchisee also provides national and/or international advertising and marketing. Fees charged for by a hotel franchise company typically include the following: a royalty fee, an advertising/marketing fee, and a reservation fee. According to the standard fees charged for the Hampton Inn affiliation, the franchise fees are projected to be 6.0 percent of room revenue per

year. According to the standard fees charged for the Fairfield Inn affiliation, the franchise fees are projected to be 4.5 percent of room revenue per year. For the Springhill Suites, franchise fees are projected to be 5.0 percent of room revenue per year. Please note that the projected franchise expense include royalty fees only. Advertising/marketing fees and reservations fees have been included in marketing expenses and rooms expenses, respectively.

- **Reserve for Replacement:** Most hotel management agents account for the frequent replacement of furniture, fixtures, and equipment ("FF&E") by establishing a fund commonly referred to as a reserve for replacement, which is generally funded from a hotel's cash flow. In theory, a sufficient amount of money is available to replace FF&E at the end of its useful life. Industry experience indicates that a reserve for replacement of 2.0 percent to 5.0 percent of total hotel revenue is generally sufficient to provide for the timely replacement of FF&E. In order to ensure that the subject properties are maintained in a competitive position throughout the holding period, with the exception of year one in which we deducted the budgeted PIP, we deducted a reserve for replacement equal to 4.0 percent of total revenues per year. The reserve should be adequate to fund all typical future capital expenditures throughout the holding period.

Ten Year Forecast - Fairfield Inn & Suites - Kingsland, GA

Projection Year:	1	2	3	4	5	6	7	8	9	10
Fiscal Year March 31:	2014/15	2015/16	Stabilized	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Days in Year:	365	365	365	365	365	365	365	365	365	365
Number of Rooms:	82	82	82	82	82	82	82	82	82	82
Rooms Available:	29,930	29,930	29,930	29,930	29,930	29,930	29,930	29,930	29,930	29,930
Occupied Rooms:	20,053	20,352	20,352	20,352	20,352	20,352	20,352	20,352	20,352	20,352
Occupancy:	67.0%	68.0%	68.0%	68.0%	68.0%	68.0%	68.0%	68.0%	68.0%	68.0%
Average Rate:	\$75.90	\$78.18	\$80.52	\$82.94	\$85.43	\$87.99	\$90.63	\$93.35	\$96.15	\$99.03
RevPAR:	\$50.85	\$53.16	\$54.76	\$56.40	\$58.09	\$59.83	\$61.63	\$63.48	\$65.38	\$67.34

	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross
REVENUES																		
Rooms	\$1,522	98.8%	\$1,591	98.8%	\$1,639	98.9%	\$1,688	98.8%	\$1,739	98.9%	\$1,791	98.8%	\$1,845	98.8%	\$1,900	98.9%	\$1,957	98.8%
Other Income	18	1.2%	19	1.2%	19	1.1%	20	1.2%	20	1.1%	21	1.2%	22	1.2%	22	1.1%	23	1.2%
Total Revenues	1,540	100.0%	1,610	100.0%	1,658	100.0%	1,708	100.0%	1,759	100.0%	1,812	100.0%	1,867	100.0%	1,922	100.0%	1,980	100.0%
DEPARTMENTAL COSTS																		
Rooms	404	26.5%	419	26.3%	432	26.4%	445	26.4%	458	26.3%	472	26.4%	486	26.3%	500	26.3%	515	26.3%
Other Income	16	88.9%	16	84.2%	17	89.5%	17	85.0%	18	90.0%	18	85.7%	19	86.4%	19	86.4%	20	87.0%
Total Departmental Costs	420	27.3%	435	27.0%	449	27.1%	462	27.0%	476	27.1%	490	27.0%	505	27.0%	519	27.0%	535	27.0%
DEPARTMENTAL INCOME E	1,120	72.7%	1,175	73.0%	1,209	72.9%	1,246	73.0%	1,283	72.9%	1,322	73.0%	1,362	73.0%	1,403	73.0%	1,445	73.0%
UNDISTRIB. OPERATING EXPENSES																		
Administrative & General	148	9.6%	153	9.5%	157	9.5%	162	9.5%	167	9.5%	172	9.5%	177	9.5%	182	9.5%	188	9.5%
Management Fee	46	3.0%	48	3.0%	50	3.0%	51	3.0%	53	3.0%	54	3.0%	56	3.0%	58	3.0%	59	3.0%
Marketing	74	4.8%	77	4.8%	79	4.8%	82	4.8%	84	4.8%	87	4.8%	89	4.8%	92	4.8%	95	4.8%
Franchise Fees	68	4.4%	72	4.5%	74	4.5%	76	4.4%	78	4.4%	81	4.5%	83	4.4%	86	4.5%	88	4.4%
Property Operations & Maintenance	67	4.4%	69	4.3%	72	4.3%	74	4.3%	76	4.3%	78	4.3%	81	4.3%	83	4.3%	85	4.3%
Utility Costs	111	7.2%	114	7.1%	118	7.1%	121	7.1%	125	7.1%	129	7.1%	132	7.1%	136	7.1%	140	7.1%
Total Undistrib. Operating Expen	514	33.4%	533	33.2%	550	33.2%	566	33.1%	583	33.1%	601	33.2%	618	33.1%	637	33.2%	655	33.1%
INCOME BEFORE FIXED CHARGES	606	39.3%	642	39.8%	659	39.7%	680	39.9%	700	39.8%	721	39.8%	744	39.9%	766	39.8%	790	39.9%
FIXED CHARGES																		
Property Taxes	46	3.0%	47	2.9%	48	2.9%	50	2.9%	51	2.9%	53	2.9%	55	2.9%	56	2.9%	58	2.9%
Insurance	40	2.6%	41	2.5%	42	2.5%	43	2.5%	45	2.6%	46	2.5%	47	2.5%	49	2.5%	50	2.5%
Reserve for Replacement	325	21.1%	64	4.0%	66	4.0%	68	4.0%	70	4.0%	72	4.0%	75	4.0%	77	4.0%	79	4.0%
Total Fixed Charges	411	26.7%	152	9.4%	156	9.4%	161	9.4%	166	9.5%	171	9.4%	177	9.4%	182	9.4%	187	9.4%
NET OPERATING INCOME E	195	12.6%	490	30.4%	503	30.3%	519	30.5%	534	30.3%	550	30.4%	567	30.5%	584	30.4%	603	30.5%

Ten Year Forecast - Fairfield Inn & Suites - Asheboro, NC

Projection Year:	1	2	3	4	5	6	7	8	9	10
Fiscal Year March 31:	2014/15	2015/16	Stabilized	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Days in Year:	365	365	365	365	365	365	365	365	365	365
Number of Rooms:	87	87	87	87	87	87	87	87	87	87
Rooms Available:	31,755	31,755	31,755	31,755	31,755	31,755	31,755	31,755	31,755	31,755
Occupied Rooms:	19,371	19,688	20,006	20,006	20,006	20,006	20,006	20,006	20,006	20,006
Occupancy:	61.0%	62.0%	63.0%	63.0%	63.0%	63.0%	63.0%	63.0%	63.0%	63.0%
Average Rate:	\$80.45	\$82.87	\$85.35	\$87.91	\$90.55	\$93.27	\$96.07	\$98.95	\$101.92	\$104.97
RevPAR:	\$49.08	\$51.38	\$53.77	\$55.39	\$57.05	\$58.76	\$60.52	\$62.34	\$64.21	\$66.13

\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
(000's)	Gross	(000's)	Gross	(000's)	Gross	(000's)	Gross	(000's)	Gross	(000's)	Gross	(000's)	Gross	(000's)	Gross	(000's)	Gross	(000's)	Gross

REVENUES																				
Rooms	\$1,558	99.1%	\$1,632	99.1%	\$1,708	99.1%	\$1,759	99.1%	\$1,812	99.1%	\$1,866	99.1%	\$1,922	99.1%	\$1,980	99.1%	\$2,039	99.1%	\$2,100	99.1%
Other Income	14	0.9%	15	0.9%	16	0.9%	16	0.9%	16	0.9%	17	0.9%	17	0.9%	18	0.9%	19	0.9%	19	0.9%
Total Revenues	1,572	100.0%	1,647	100.0%	1,724	100.0%	1,775	100.0%	1,828	100.0%	1,883	100.0%	1,939	100.0%	1,998	100.0%	2,058	100.0%	2,119	100.0%

DEPARTMENTAL COSTS																				
Rooms	429	27.5%	444	27.2%	460	26.9%	474	26.9%	489	27.0%	503	27.0%	518	27.0%	534	27.0%	550	27.0%	566	27.0%
Other Income	14	100.0%	15	100.0%	16	100.0%	16	100.0%	16	100.0%	17	100.0%	17	100.0%	18	100.0%	19	100.0%	19	100.0%
Total Departmental Costs	443	28.2%	459	27.9%	476	27.6%	490	27.6%	505	27.6%	520	27.6%	535	27.6%	552	27.6%	569	27.6%	585	27.6%

DEPARTMENTAL INCOME	1,129	71.8%	1,188	72.1%	1,248	72.4%	1,285	72.4%	1,323	72.4%	1,363	72.4%	1,404	72.4%	1,446	72.4%	1,489	72.4%	1,534	72.4%
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UNDISTRIB. OPERATING EXPENSES																				
Administrative & General	136	8.7%	140	8.5%	145	8.4%	150	8.5%	154	8.4%	159	8.4%	163	8.4%	168	8.4%	173	8.4%	179	8.4%
Management Fee	47	3.0%	49	3.0%	52	3.0%	53	3.0%	55	3.0%	56	3.0%	58	3.0%	60	3.0%	62	3.0%	64	3.0%
Marketing	109	6.9%	112	6.8%	116	6.7%	120	6.8%	124	6.8%	127	6.7%	131	6.8%	135	6.8%	139	6.8%	143	6.7%
Franchise Fees	70	4.5%	73	4.4%	77	4.5%	79	4.5%	82	4.5%	84	4.5%	86	4.4%	89	4.5%	92	4.5%	95	4.5%
Property Operations & Maintenance	60	3.8%	62	3.8%	65	3.8%	67	3.8%	69	3.8%	71	3.8%	73	3.8%	75	3.8%	77	3.7%	80	3.8%
Utility Costs	68	4.3%	70	4.3%	72	4.2%	74	4.2%	76	4.2%	79	4.2%	81	4.2%	83	4.2%	86	4.2%	89	4.2%
Total Undistrib. Operating Expen	490	31.2%	506	30.8%	527	30.6%	543	30.8%	560	30.7%	576	30.6%	592	30.6%	610	30.7%	629	30.6%	650	30.6%

INCOME BEFORE FIXED CHARGES	639	40.6%	682	41.3%	721	41.8%	742	41.6%	763	41.7%	787	41.8%	812	41.8%	836	41.7%	860	41.8%	884	41.8%
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FIXED CHARGES																				
Property Taxes	57	3.6%	59	3.6%	60	3.5%	62	3.5%	64	3.5%	66	3.5%	68	3.5%	70	3.5%	72	3.5%	74	3.5%
Insurance	13	0.8%	14	0.9%	14	0.8%	15	0.8%	15	0.8%	16	0.8%	16	0.8%	17	0.9%	17	0.8%	18	0.8%
Reserve for Replacement	325	20.7%	66	4.0%	69	4.0%	71	4.0%	73	4.0%	75	4.0%	78	4.0%	80	4.0%	82	4.0%	85	4.0%
Total Fixed Charges	395	25.1%	139	8.5%	143	8.3%	148	8.3%	152	8.3%	157	8.3%	162	8.3%	167	8.4%	171	8.3%	177	8.3%

NET OPERATING INCOME	244	15.5%	543	32.8%	578	33.5%	594	33.3%	611	33.4%	630	33.5%	650	33.5%	669	33.3%	689	33.5%	707	33.5%
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Ten Year Forecast - Hampton Inn - Asheboro, NC

Projection Year:	1	2	3	4	5	6	7	8	9	10
Fiscal Year March 31:	2014/15	Stabilized	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Days in Year:	365	365	365	365	365	365	365	365	365	365
Number of Rooms:	111	111	111	111	111	111	111	111	111	111
Rooms Available:	40,515	40,515	40,515	40,515	40,515	40,515	40,515	40,515	40,515	40,515
Occupied Rooms:	28,361	29,171	29,171	29,171	29,171	29,171	29,171	29,171	29,171	29,171
Occupancy:	70.0%	72.0%	72.0%	72.0%	72.0%	72.0%	72.0%	72.0%	72.0%	72.0%
Average Rate:	\$87.95	\$90.59	\$93.31	\$96.11	\$98.99	\$101.96	\$105.02	\$108.17	\$111.41	\$114.76
RevPAR:	\$61.57	\$65.23	\$67.18	\$69.20	\$71.27	\$73.41	\$75.61	\$77.88	\$80.22	\$82.63

\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
(000's)	Gross	(000's)	Gross	(000's)	Gross	(000's)	Gross	(000's)	Gross	(000's)	Gross	(000's)	Gross	(000's)	Gross	(000's)	Gross

REVENUES																				
Rooms	\$2,494	98.3%	\$2,643	98.3%	\$2,722	98.3%	\$2,804	98.3%	\$2,888	98.3%	\$2,974	98.3%	\$3,063	98.3%	\$3,155	98.3%	\$3,250	98.3%	\$3,348	98.3%
Other Income	43	1.7%	45	1.7%	46	1.7%	48	1.7%	49	1.7%	50	1.7%	52	1.7%	54	1.7%	55	1.7%	57	1.7%
Total Revenues	2,537	100.0%	2,688	100.0%	2,768	100.0%	2,852	100.0%	2,937	100.0%	3,024	100.0%	3,115	100.0%	3,209	100.0%	3,305	100.0%	3,405	100.0%

DEPARTMENTAL COSTS																				
Rooms	598	24.0%	623	23.6%	642	23.6%	661	23.6%	681	23.6%	701	23.6%	722	23.6%	744	23.6%	766	23.6%	789	23.6%
Other Income	17	39.5%	18	40.0%	18	39.1%	19	39.6%	20	40.8%	20	40.0%	21	40.4%	21	38.9%	22	40.0%	23	40.4%
Total Departmental Costs	615	24.2%	641	23.8%	660	23.8%	680	23.8%	701	23.9%	721	23.8%	743	23.9%	765	23.8%	788	23.8%	812	23.8%

DEPARTMENTAL INCOME	1,922	75.8%	2,047	76.2%	2,108	76.2%	2,172	76.2%	2,236	76.1%	2,303	76.2%	2,372	76.1%	2,444	76.2%	2,517	76.2%	2,593	76.2%
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UNDISTRIB. OPERATING EXPENSES																				
Administrative & General	202	8.0%	210	7.8%	216	7.8%	222	7.8%	229	7.8%	236	7.8%	243	7.8%	250	7.8%	258	7.8%	265	7.8%
Management Fee	76	3.0%	81	3.0%	83	3.0%	86	3.0%	88	3.0%	91	3.0%	93	3.0%	96	3.0%	99	3.0%	102	3.0%
Marketing	173	6.8%	179	6.7%	185	6.7%	190	6.7%	196	6.7%	202	6.7%	208	6.7%	214	6.7%	221	6.7%	227	6.7%
Franchise Fees	150	5.9%	159	5.9%	163	5.9%	168	5.9%	173	5.9%	178	5.9%	184	5.9%	189	5.9%	195	5.9%	201	5.9%
Property Operations & Maintenance	77	3.0%	80	3.0%	82	3.0%	84	2.9%	87	3.0%	90	3.0%	92	3.0%	95	3.0%	98	3.0%	101	3.0%
Utility Costs	108	4.3%	111	4.1%	115	4.2%	118	4.1%	122	4.2%	125	4.1%	129	4.1%	133	4.1%	137	4.1%	141	4.1%
Total Undistrib. Operating Expen	786	31.0%	820	30.5%	844	30.6%	868	30.4%	895	30.6%	922	30.5%	949	30.5%	977	30.5%	1008	30.5%	1037	30.5%

INCOME BEFORE FIXED CHARGES	1,136	44.8%	1,227	45.7%	1,264	45.6%	1,304	45.8%	1,341	45.5%	1,381	45.7%	1,423	45.6%	1,467	45.7%	1,509	45.7%	1,556	45.7%
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FIXED CHARGES																				
Property Taxes	68	2.7%	70	2.6%	73	2.6%	75	2.6%	77	2.6%	79	2.6%	82	2.6%	84	2.6%	87	2.6%	89	2.6%
Insurance	11	0.4%	11	0.4%	11	0.4%	12	0.4%	12	0.4%	12	0.4%	13	0.4%	13	0.4%	13	0.4%	14	0.4%
Reserve for Replacement	800	31.5%	108	4.0%	111	4.0%	114	4.0%	117	4.0%	121	4.0%	125	4.0%	128	4.0%	132	4.0%	136	4.0%
Total Fixed Charges	879	34.6%	189	7.0%	195	7.0%	201	7.0%	206	7.0%	212	7.0%	220	7.0%	225	7.0%	232	7.0%	239	7.0%

NET OPERATING INCOME	257	10.2%	1,038	38.7%	1,069	38.6%	1,103	38.8%	1,135	38.5%	1,169	38.7%	1,203	38.6%	1,242	38.7%	1,277	38.7%	1,317	38.7%
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Ten Year Forecast - Springhill Suites - Pinehurst, NC

Projection Year:	1	2	3	4	5	6	7	8	9	10
Fiscal Year March 31:	2014/15	2015/16	Stabilized	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Days in Year:	365	365	365	365	365	365	365	365	365	365
Number of Rooms:	107	107	107	107	107	107	107	107	107	107
Rooms Available:	39,055	39,055	39,055	39,055	39,055	39,055	39,055	39,055	39,055	39,055
Occupied Rooms:	25,386	25,386	25,386	25,386	25,386	25,386	25,386	25,386	25,386	25,386
Occupancy:	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%
Average Rate:	\$86.78	\$87.42	\$90.04	\$92.74	\$95.53	\$98.39	\$101.34	\$104.38	\$107.51	\$110.74
RevPAR:	\$56.41	\$56.82	\$58.53	\$60.28	\$62.09	\$63.95	\$65.87	\$67.85	\$69.88	\$71.98

\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
(000's)	Gross	(000's)	Gross	(000's)	Gross	(000's)	Gross	(000's)	Gross	(000's)	Gross	(000's)	Gross	(000's)	Gross	(000's)	Gross	(000's)	Gross

REVENUES																				
Rooms	\$2,203	95.1%	\$2,219	95.0%	\$2,286	95.0%	\$2,354	95.0%	\$2,425	95.0%	\$2,498	95.0%	\$2,573	95.0%	\$2,650	95.0%	\$2,729	95.0%	\$2,811	95.0%
Other Income	114	4.9%	118	5.0%	121	5.0%	125	5.0%	128	5.0%	132	5.0%	136	5.0%	140	5.0%	145	5.0%	149	5.0%
Total Revenues	2,317	100.0%	2,337	100.0%	2,407	100.0%	2,479	100.0%	2,553	100.0%	2,630	100.0%	2,709	100.0%	2,790	100.0%	2,874	100.0%	2,960	100.0%

DEPARTMENTAL COSTS																				
Rooms	516	23.4%	531	23.9%	547	23.9%	564	24.0%	581	24.0%	598	23.9%	616	23.9%	634	23.9%	653	23.9%	673	23.9%
Other Income	32	28.1%	33	28.0%	34	28.1%	35	28.0%	36	28.1%	38	28.8%	39	28.7%	40	28.6%	41	28.3%	42	28.2%
Total Departmental Costs	548	23.7%	564	24.1%	581	24.1%	599	24.2%	617	24.2%	636	24.2%	655	24.2%	674	24.2%	694	24.1%	715	24.2%

DEPARTMENTAL INCOME	1,769	76.3%	1,773	75.9%	1,826	75.9%	1,880	75.8%	1,936	75.8%	1,994	75.8%	2,054	75.8%	2,116	75.8%	2,180	75.9%	2,245	75.8%
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UNDISTRIB. OPERATING EXPENSES																				
Administrative & General	192	8.3%	196	8.4%	202	8.4%	208	8.4%	215	8.4%	221	8.4%	228	8.4%	235	8.4%	242	8.4%	249	8.4%
Management Fee	70	3.0%	70	3.0%	72	3.0%	74	3.0%	77	3.0%	79	3.0%	81	3.0%	84	3.0%	86	3.0%	89	3.0%
Marketing	131	5.7%	134	5.7%	138	5.7%	142	5.7%	146	5.7%	150	5.7%	155	5.7%	160	5.7%	164	5.7%	169	5.7%
Franchise Fees	110	4.7%	111	4.7%	114	4.7%	118	4.8%	121	4.7%	125	4.8%	129	4.8%	133	4.8%	136	4.7%	141	4.8%
Property Operations & Maintenance	89	3.8%	91	3.9%	94	3.9%	97	3.9%	99	3.9%	102	3.9%	106	3.9%	109	3.9%	112	3.9%	115	3.9%
Utility Costs	100	4.3%	103	4.4%	106	4.4%	109	4.4%	112	4.4%	116	4.4%	119	4.4%	123	4.4%	126	4.4%	130	4.4%
Total Undistrib. Operating Expen	692	29.8%	705	30.1%	726	30.1%	748	30.2%	770	30.1%	793	30.2%	818	30.2%	844	30.2%	866	30.1%	893	30.2%

INCOME BEFORE FIXED CHARGES	1,077	46.5%	1,068	45.8%	1,100	45.8%	1,132	45.6%	1,166	45.7%	1,201	45.6%	1,236	45.6%	1,272	45.6%	1,314	45.8%	1,352	45.6%
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FIXED CHARGES																				
Property Taxes	43	1.9%	45	1.9%	46	1.9%	47	1.9%	49	1.9%	50	1.9%	52	1.9%	53	1.9%	55	1.9%	57	1.9%
Insurance	17	0.7%	18	0.8%	18	0.7%	19	0.8%	19	0.7%	20	0.8%	21	0.8%	21	0.8%	22	0.8%	23	0.8%
Reserve for Replacement	93	4.0%	93	4.0%	96	4.0%	99	4.0%	102	4.0%	105	4.0%	108	4.0%	112	4.0%	115	4.0%	118	4.0%
Total Fixed Charges	153	6.6%	156	6.7%	160	6.6%	165	6.7%	170	6.6%	175	6.7%	181	6.7%	186	6.7%	192	6.7%	198	6.7%

NET OPERATING INCOME	924	39.9%	912	39.1%	940	39.2%	967	38.9%	996	39.1%	1,026	38.9%	1,055	38.9%	1,086	38.9%	1,122	39.1%	1,154	38.9%
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CAPITALIZATION

Capitalization is defined as the process of converting a series of anticipated future periodic installments of net income into present value. The anticipated net income stream is converted into a value opinion by a rate that attracts capital to purchase investments with similar characteristics, such as risk, terms and liquidity. The capitalization process takes into consideration the quantity, quality and durability of the income stream in determining which rates are appropriate for valuing the subject properties.

DISCOUNTED CASH FLOW ANALYSIS

Discounted cash flow analysis can be used to develop an opinion of present value of an income stream. Periodic cash flows and the projected reversion amount at the end of a holding period are discounted at an appropriate rate. Our analysis refers to an all-cash purchase. The following text details our analysis.

REVERSIONARY CAPITALIZATION

Based upon our knowledge of current investment returns required by typical hotel investors, along with factors affecting investment risk specific to the subject properties, we have employed a reversionary capitalization rate of 10.0 percent for the subject properties.

DISCOUNT RATE SELECTION

The discount rate is the rate of return which equals the sum of the real return anticipated in the investment plus a change in value and any risk premiums associated with the specific investment when compared to alternative investments. It is the average annual rate of return necessary to attract capital based upon the overall investment characteristics.

The discount rate selection requires the appraiser to interpret the attitudes and expectations of market participants. Discount rates are partly a function of perceived risks. Risk is a function of general economic conditions and characteristics of the investment. The critical elements of an investment include the quantity and certainty of gross income, operating expenses, and resultant net income over some future time period. Value is a reflection of future income expectations and such elements are risky.

A determination of the proper discount and capitalization rates for the subject properties involved speaking with investors and brokers of hotel properties throughout the country, discussing investment parameters with other hospitality industry experts, and considering the results of several published investment surveys.

SELECTION OF APPLICABLE RATES OF RETURN

The investor surveys summarized in the following chart have been used in our selection of the appropriate discount and terminal capitalization rates for the subject properties. It should be noted that the surveys often lag the market and are not always a true representation of current return requirements. This is especially true in the current landscape as there are few recent transactions to gauge. While the data is not perfect, it is generally relied upon by investors in the market and will be used in this analysis.

Investor Surveys						
	Discount Rate		Going-In Cap. Rate		Terminal Cap. Rate	
	Range	Avg.	Range	Avg.	Range	Avg.
PWC Real Estate Investor Survey - 1st Quarter 2014						
Luxury/Upper-Upscale	9.0% - 12.0%	10.1%	4.0%-9.5%	7.2%	6.0% - 10.0%	7.6%
Full Service	9.0% - 12.0%	10.7%	6.0%-10.0%	7.7%	6.5% - 11.0%	8.2%
Limited Service Midscale/Economy	9.0% - 12.0%	10.4%	8.0%-10.0%	9.0%	8.0% - 11.0%	9.3%
Select Service	9.0% - 13.0%	11.0%	5.0%-10.0%	8.1%	5.0% - 10.0%	8.3%
PKF Consulting - 2013						
All Properties	--	--	--	8.4%	--	8.6%
Full Service	7.0% - 15.0%	10.9%	4.5%-13.0%	8.2%	5.4% - 11.0%	8.3%
Limited Service	6.2% - 15.0%	11.2%	5.0%-12.5%	8.7%	4.9% - 13.0%	8.9%
US Realty Consultants - Winter 2013						
Full Service	9.0% - 13.0%	10.5%	6.0%-10.0%	8.0%	8.0% - 9.5%	8.6%
Limited Service	9.8% - 13.0%	11.5%	8.0%-12.0%	9.0%	9.0% - 11.0%	9.9%
RERC - Winter 2013						
All Hotels / Average	8.0% - 12.0%	10.2%	5.8%-10.0%	8.1%	7.0% - 10.0%	8.7%
* PKF Consulting Going in Cap Rate is based on Trailing 12-month NOI						

Our analysis of applicable terminal capitalization and discount rates for the subject properties specifically considered the building type and condition, the current local hotel market conditions, estimated future trends in the local and national market for transient accommodations, and current investor considerations and required returns on investment for similar investments in limited service hotels where the fee simple interest is being conveyed.

INVESTMENT CONSIDERATIONS

OVERVIEW

Current estimates suggest that the U.S. Gross Domestic Product (GDP) grew at an annual rate of 3.8 percent in the fourth quarter of 2013, which followed an unexpectedly strong 4.1 percent annual growth rate in the third quarter. An increase in consumer and business spending along with an increase in imports drove economic growth in the fourth quarter. In addition, the housing sector steadily improved throughout 2013, as an increase in sales and prices led to an increase in housing starts.

Employment growth did not reflect the stronger GDP growth in the second half of 2012. In fact, the economy added approximately 1.0 million jobs in the second half of 2013, compared to approximately 1.2 million during the first half of the year. On the positive side, office-using employment increased by about 2.5 percent, or 90 basis points stronger than the total employment. As a result, the economy has now fully recovered all of the office-using jobs lost during the economic recession.

The commercial real estate market strengthened during 2013, highlighted by an increase in transaction volume and consistently low overall capitalization rates. For the most part, the ongoing price appreciation and low interest rates fueled the improvement in the commercial real estate market. According to Moody's Commercial Property Price Index, the value for properties in primary (or gateway) markets increased 8.9 percent in 2013, causing a decline in cap rates. As a result, many investors devoted capital to opportunities located within secondary and tertiary markets in an effort to obtain higher yields. This became apparent by the end of the year, as the overall capitalization rate for the entire market closed out 2013 at 6.9 percent, about 10 basis points higher than the same time last year.

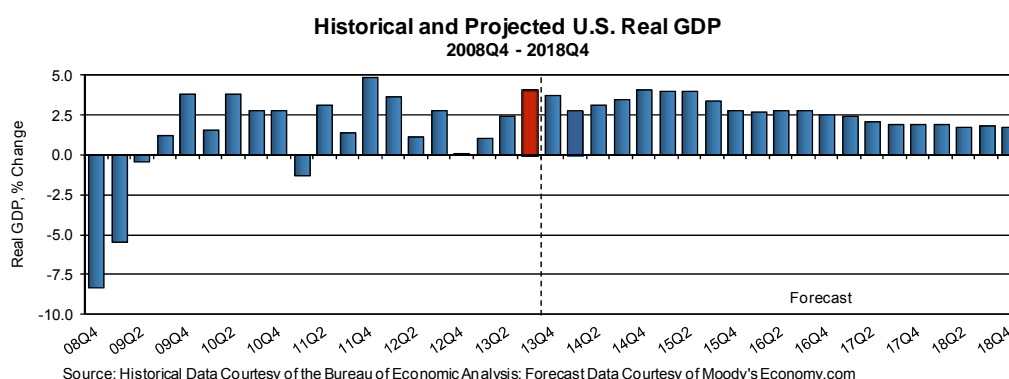
CURRENT ECONOMIC CONDITIONS

Although the private sector appears to be healthy, the ongoing battle in Congress to solve the nation's budget and debt issues kept business and consumer confidence relatively low in 2013. That said, the bipartisan budget deal reached during the final days of 2013 repealed some of the uncertainty in the market, which should improve business and consumer confidence over the next 12 months. In addition, the deal will reinstate more than \$63.0 billion in spending cuts related to Sequestration that were set to go into effect in 2014 and 2015.

Despite the temporary shutdown of the Federal Government in October, the U.S. Bureau of Economic Analysis (BEA) estimated the Real Gross Domestic Product (GDP) increased at an annual rate of 3.8 percent during the fourth quarter of 2013. This followed an unexpectedly strong GDP growth rate of 4.1 percent in the previous quarter and it is well above the growth rate of 0.1 percent recorded during the fourth quarter of 2012.

Often viewed as a forward-looking indicator to GDP growth, the strong performance of the stock market over the past six months is encouraging. In fact, the stock market reached all-time highs in November 2013, suggesting that investors are optimistic about the future of corporate earnings. Accordingly, Moody's Economy.com projects the national GDP growth rate to remain healthy throughout 2014.

The following graph displays historical and projected U.S. Real GDP percent change (annualized on a quarterly basis) from fourth quarter 2008 through fourth quarter 2018 (red bar underscores the most recent quarter 13Q4):



Notable concerns regarding current economic conditions are as follows:

- So far, Sequestration (budgets cuts that went into effect during the first quarter of 2013) has not had the grim impact on the national economy many predicted. However, the reduction of \$85.0 billion in funding for the Department of Defense have caused economic and employment growth to remain slow across the nation. This is evident in areas such as Baltimore and Washington, D.C., which are heavily influenced by the Federal Government. On the positive side, the new budget deal passed at the end of 2013 eases more than \$40.0 billion of defense cuts in 2014 and about \$20.0 billion in 2015.
- In December 2013, the Federal Open Market Committee voted to start “tapering” its bond-buying program known as Quantitative Easing. Beginning in January 2014, the central bank will reduce its monthly bond buying purchases to \$75.0 billion. This will be about \$10.0 billion less than its original level of \$85.0 billion per month.
- Because of the aforementioned tapering, Treasury 10-year yields recently reached the highest level in more than two years, 3.05%. Ten-year yields jumped more than 125 bps in 2013 and they have averaged 3.50% in the past decade.

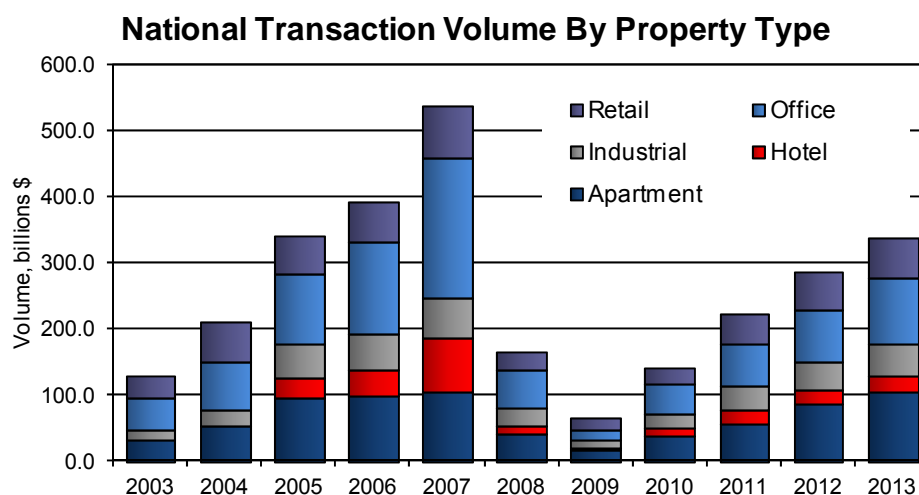
- Home prices increased 13.6 percent year over year in October 2013 (most recent data available) according to the S&P Case Shiller Home Price Index, while housing permits issued in November 2013 were up 7.9 percent from the same time a year ago according to the U.S. Census Bureau.

US REAL ESTATE MARKET IMPLICATIONS

The commercial real estate market really started to pick up in 2012, as transaction volume increased considerably from the previous year. According to Real Capital Analytics, 21,665 properties traded hands in 2012 for a total transaction volume of approximately \$298.7 billion. This was an increase of 29.7 percent from year-end 2011, primarily driven by strong sales in apartment and office properties - these sectors recorded a transaction volume of \$87.8 billion and 81.1 billion, respectively, in 2012. Commercial real estate sales volume increased for the fourth consecutive year in 2013, with year-end sales volume of approximately \$338.9 billion. This is an increase of 18.8 percent from the same time last year. The office market experienced the largest year over year increase in transaction volume, closing out the year at approximately \$101.5 billion. This is an increase of 26.7 percent from the same time last year.

The average overall capitalization rate for properties with a purchase price over \$2.5 million was 6.9 percent by the end of 2013, about 10 basis points higher than the same time last year. Apartment properties continued to trade hands at the lowest average cap rate of 6.2 percent, which is unchanged from the previous year.

The following graph compares national transaction volume by property between 2003 and year-end 2013:



Source: Real Capital Analytics, Inc. Note: Hotel data not avail. until 2005,

CONCLUSION

Several events such as an uptick in interest rates and slow economic growth posed a threat to the commercial real estate market during 2013. However, investor activity was persistent and transaction volume ended the year 18.8 percent higher than the previous year. Additionally, cap rates remained relatively stable, sitting at 6.9 percent by year's-end. For the most part, cap rates should remain relatively stable throughout 2014, although a moderate increase should not be ruled out, as investors will likely continue to increase risk in search for higher returns. External factors such as quantitative easing and the ensuing battle among Congress to increase the nation's borrowing limit could hold back investor activity over the near-term. Even so, competition amongst lenders and a healthy private sector should help keep interest rates relatively low over the next 12 months. This, coupled with stronger economic and employment growth in 2014 and 2015 will likely maintain the strong investment activity in the commercial real estate market.

Though investor activity and sales volume is increasing on a national level, the recovery is uneven across various metropolitan area and markets. Competition for top quality assets in major markets is increasing, and increased demand is trickling down for real estate in secondary markets. Growth, however, is likely to be tempered by concerns over the robustness of the economic recovery.

The subject properties could face challenges in the current market environment as they compete for debt and equity investment with properties situated in core locations. Partially offsetting this feature is this market's ability to draw more opportunistic yield-seeking capital.

Note that the surveys show limited service hotel discount rates ranging from 6.0 percent to 15.0 percent with the averages ranging from 10.6 percent to 11.5 percent. Terminal capitalization rates for limited service hotels ranged from 5.0 percent to 13.0 percent with averages ranging from 8.9 percent to 9.9 percent. Given the good location of the subject properties, as well as the stable but growing local markets, relatively new construction and favorable brand affiliation, we utilized a discount rate of 11.5 percent for the Fairfield Inn & Suites - Kingsland, GA and the Fairfield Inn & Suites – Asheboro, NC. Given the slightly older age and near term capital needs for the Hampton Inn – Asheboro, NC, we have utilized a slightly higher discount rate of 11.75 percent. For the Springhill Suites, a slightly lower discount rate of 11.0 percent was appropriate based on the near term revenue spike expected from the 2014 US Open and from the growing level of business generated from Fort Bragg. A terminal capitalization rate of 9.50 percent was utilized for all properties.

In addition to the current state of the credit markets, the discount and terminal capitalization rates selected are warranted based on the following attributes and weaknesses of the subject properties:

- Strong operating history
- Good quality facilities
- Proximate location to demand generators
- The properties have good frontage, good access, and average visibility. The overall utility of the sites are considered to be above average.
- Hampton Inn, Springhill Suites and Fairfield Inn & Suites by Marriott brand affiliations, all national hotel chains with global distribution

DISCOUNTED CASH FLOW MODEL

Our valuation analysis and discounted cash flow model results are presented on the following page. Based on the foregoing, we utilized a terminal capitalization rate of 9.5 percent and a discount rate ranging from 11.0 percent to 11.75 percent.

Market Value Conclusions - DCF, As Is (as of April 24, 2014)							
Property	Location	No. of Rooms	Discount Rate	Term. Cap Rate	Cost of Sale at Reversion	Market Value via DCF	Per Room
Fairfield Inn & Suites	Kingsland, GA	82	11.50%	9.50%	3.00%	\$5,000,000	\$60,976
Fairfield Inn & Suites	Asheboro, NC	87	11.50%	9.50%	3.00%	\$5,800,000	\$66,667
Hampton Inn	Asheboro, NC	111	11.75%	9.50%	3.00%	\$10,400,000	\$93,694
Springhill Suites	Pinehurst, NC	107	11.00%	9.50%	3.00%	\$10,200,000	\$95,327

DIRECT CAPITALIZATION

Direct capitalization is a method used to convert an opinion of a single year's income expectancy into an indication of value. The single year's income is typically designed to reflect a subject properties stabilized level of

operation and revenue potential. The conversion into a value indication is accomplished in one direct step by dividing the income by an appropriate capitalization rate.

The previously illustrated investor surveys revealed a range of going-in overall rates for hotels are as follows:

Investor Surveys - Overall Capitalization Rates		
	Going-In Cap. Rate	
	Range	Avg.
PWC Real Estate Investor Survey - 1st Quarter 2014		
Luxury/Upper-Upscale	4.0%-9.5%	7.2%
Full Service	6.0%-10.0%	7.7%
Limited Service Midscale/Economy	8.0%-10.0%	9.0%
Select Service	5.0%-10.0%	8.1%
PKF Consulting - 2013		
All Properties	--	8.4%
Full Service	4.5%-13.0%	8.2%
Limited Service	5.0%-12.5%	8.7%
US Realty Consultants - Winter 2013		
Full Service	6.0%-10.0%	8.0%
Limited Service	8.0%-12.0%	9.0%
RERC - Winter 2013		
All Hotels / Average	5.8%-10.0%	8.1%
* PKF Consulting Going in Cap Rate is based on Trailing 12-month NOI		

The following table illustrates overall capitalization rates for the subject properties that have been derived based on our opinion of value via the discounted cash flow method. Note that the stabilized year's net income has been deflated to first projection year dollars at the underlying 3.0 percent inflation rate. Note that the rates are adjusted for the first year renovations.

Implied Direct Capitalization Rates (OAR)		
Property	Location	Implied OAR
Fairfield Inn & Suites	Kingsland, GA	9.2%
Fairfield Inn & Suites	Asheboro, NC	8.7%
Hampton Inn	Asheboro, NC	9.2%
Springhill Suites	Pinehurst, NC	9.1%

The overall capitalization rates are supported by the previously noted market data, particularly the net income based on the deflated stabilized year's net income. On the whole, the rates are considered appropriate for hotels such as the subject properties. The rates are adjusted for capital expenses in the first year, and higher as a result of the impact from renovation. On a stabilized basis, the rates are in line with the market surveys.

Implied Direct Capitalization Rates (OAR) - Stabilized Basis		
Property	Location	Implied OAR
Fairfield Inn & Suites	Kingsland, GA	8.82%
Fairfield Inn & Suites	Asheboro, NC	8.89%
Hampton Inn	Asheboro, NC	9.30%
Springhill Suites	Pinehurst, NC	8.70%

OPINION OF PROSPECTIVE MARKET VALUE UPON STABILIZATION

We also included an opinion of the Prospective Value upon Stabilization for the subject properties. Based upon our projections as detailed in the Income Capitalization Approach, the subject properties are projected to reach a stabilized level of operation by April 24, 2016. Utilizing an 11.0 to 11.5 percent internal rate of return (Fairfield Kingsland – 11.25 percent, Fairfield Asheboro – 11.25 percent; Hampton Asheboro – 11.5 percent; Springhill Suites Pinehurst – 11.0 percent) and a 9.50 percent terminal capitalization rate, we project the prospective market value of the subject properties upon stabilization on the following table.

Market Value Conclusions - DCF, Upon Stabilization (as of April 24, 2016)				
Property	Location	No. of Rooms	Upon Stabilization	Per Room
Fairfield Inn & Suites	Kingsland, GA	82	\$5,700,000	\$69,512
Fairfield Inn & Suites	Asheboro, NC	87	\$6,500,000	\$74,713
Hampton Inn	Asheboro, NC	111	\$11,500,000	\$103,604
Springhill Suites	Pinehurst, NC	107	\$10,800,000	\$100,935

Ten Year Forecast Upon Stabilization - Fairfield Inn & Suites - Kingsland, GA

Projection Year:	1	2	3	4	5	6	7	8	9	10
Fiscal Year March 31:	Stabilized	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Days in Year:	365	365	365	365	365	365	365	365	365	365
Number of Rooms:	82	82	82	82	82	82	82	82	82	82
Rooms Available:	29,930	29,930	29,930	29,930	29,930	29,930	29,930	29,930	29,930	29,930
Occupied Rooms:	20,352	20,352	20,352	20,352	20,352	20,352	20,352	20,352	20,352	20,352
Occupancy:	68.0%	68.0%	68.0%	68.0%	68.0%	68.0%	68.0%	68.0%	68.0%	68.0%
Average Rate:	\$80.52	\$82.94	\$85.43	\$87.99	\$90.63	\$93.35	\$96.15	\$99.03	\$102.00	\$105.06
RevPAR:	\$54.76	\$56.40	\$58.09	\$59.83	\$61.63	\$63.48	\$65.38	\$67.34	\$69.36	\$71.44

	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross
REVENUES																		
Rooms	1,639	98.9%	1,688	98.8%	1,739	98.9%	1,791	98.8%	1,845	98.8%	1,900	98.9%	1,957	98.8%	2,016	98.8%	2,076	98.9%
Other Income	19	1.1%	20	1.2%	20	1.1%	21	1.2%	22	1.2%	22	1.1%	23	1.2%	24	1.2%	24	1.1%
Total Revenues	1,658	100.0%	1,708	100.0%	1,759	100.0%	1,812	100.0%	1,867	100.0%	1,922	100.0%	1,980	100.0%	2,040	100.0%	2,100	100.0%
DEPARTMENTAL COSTS																		
Rooms	432	26.4%	445	26.4%	458	26.3%	472	26.4%	486	26.3%	500	26.3%	515	26.3%	531	26.3%	547	26.3%
Other Income	17	89.5%	17	85.0%	18	90.0%	18	85.7%	19	86.4%	19	86.4%	20	87.0%	21	87.5%	21	87.5%
Total Departmental Costs	449	27.1%	462	27.0%	476	27.1%	490	27.0%	505	27.0%	519	27.0%	535	27.0%	552	27.1%	568	27.0%
DEPARTMENTAL INCOME E	1,209	72.9%	1,246	73.0%	1,283	72.9%	1,322	73.0%	1,362	73.0%	1,403	73.0%	1,445	73.0%	1,488	72.9%	1,532	73.0%
UNDISTRIB. OPERATING EXPENSES																		
Administrative & General	157	9.5%	162	9.5%	167	9.5%	172	9.5%	177	9.5%	182	9.5%	188	9.5%	194	9.5%	199	9.5%
Management Fee	50	3.0%	51	3.0%	53	3.0%	54	3.0%	56	3.0%	58	3.0%	59	3.0%	61	3.0%	63	3.0%
Marketing	79	4.8%	82	4.8%	84	4.8%	87	4.8%	89	4.8%	92	4.8%	95	4.8%	98	4.8%	100	4.8%
Franchise Fees	74	4.5%	76	4.4%	78	4.4%	81	4.5%	83	4.4%	86	4.5%	88	4.4%	91	4.5%	93	4.4%
Property Operations & Maintenance	72	4.3%	74	4.3%	76	4.3%	78	4.3%	81	4.3%	83	4.3%	85	4.3%	88	4.3%	91	4.3%
Utility Costs	118	7.1%	121	7.1%	125	7.1%	129	7.1%	132	7.1%	136	7.1%	140	7.1%	145	7.1%	149	7.1%
Total Undistrib. Operating Expe	550	33.2%	566	33.1%	583	33.1%	601	33.2%	618	33.1%	637	33.2%	655	33.1%	677	33.2%	695	33.1%
INCOME BEFORE FIXED CHARGES	659	39.7%	680	39.9%	700	39.8%	721	39.8%	744	39.9%	766	39.8%	790	39.9%	811	39.7%	837	39.9%
FIXED CHARGES																		
Property Taxes	48	2.9%	50	2.9%	51	2.9%	53	2.9%	55	2.9%	56	2.9%	58	2.9%	60	2.9%	61	2.9%
Insurance	42	2.5%	43	2.5%	45	2.6%	46	2.5%	47	2.5%	49	2.5%	50	2.5%	52	2.5%	53	2.5%
Reserve for Replacement	66	4.0%	68	4.0%	70	4.0%	72	4.0%	75	4.0%	77	4.0%	79	4.0%	82	4.0%	84	4.0%
Total Fixed Charges	156	9.4%	161	9.4%	166	9.5%	171	9.4%	177	9.4%	182	9.4%	187	9.4%	194	9.4%	198	9.4%
NET OPERATING INCOME E	503	30.3%	519	30.5%	534	30.3%	550	30.4%	567	30.5%	584	30.4%	603	30.5%	617	30.3%	639	30.5%

Ten Year Forecast Upon Stabilization - Fairfield Inn & Suites - Asheboro, NC

Projection Year:	1	2	3	4	5	6	7	8	9	10
Fiscal Year March 31:	Stabilized	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Days in Year:	365	365	365	365	365	365	365	365	365	365
Number of Rooms:	87	87	87	87	87	87	87	87	87	87
Rooms Available:	31,755	31,755	31,755	31,755	31,755	31,755	31,755	31,755	31,755	31,755
Occupied Rooms:	20,006	20,006	20,006	20,006	20,006	20,006	20,006	20,006	20,006	20,006
Occupancy:	63.0%	63.0%	63.0%	63.0%	63.0%	63.0%	63.0%	63.0%	63.0%	63.0%
Average Rate:	\$85.35	\$87.91	\$90.55	\$93.27	\$96.07	\$98.95	\$101.92	\$104.97	\$108.12	\$111.37
RevPAR:	\$53.77	\$55.39	\$57.05	\$58.76	\$60.52	\$62.34	\$64.21	\$66.13	\$68.12	\$70.16

	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross
REVENUES																		
Rooms	1,708	99.1%	1,759	99.1%	1,812	99.1%	1,866	99.1%	1,922	99.1%	1,980	99.1%	2,039	99.1%	2,100	99.1%	2,163	99.1%
Other Income	16	0.9%	16	0.9%	16	0.9%	17	0.9%	17	0.9%	18	0.9%	19	0.9%	19	0.9%	20	0.9%
Total Revenues	1,724	100.0%	1,775	100.0%	1,828	100.0%	1,883	100.0%	1,939	100.0%	1,998	100.0%	2,058	100.0%	2,119	100.0%	2,183	100.0%
DEPARTMENTAL COSTS																		
Rooms	460	26.9%	474	26.9%	489	27.0%	503	27.0%	518	27.0%	534	27.0%	550	27.0%	566	27.0%	583	27.0%
Other Income	16	100.0%	16	100.0%	16	100.0%	17	100.0%	17	100.0%	18	100.0%	19	100.0%	19	100.0%	20	100.0%
Total Departmental Costs	476	27.6%	490	27.6%	505	27.6%	520	27.6%	535	27.6%	552	27.6%	569	27.6%	585	27.6%	603	27.6%
DEPARTMENTAL INCOME E	1,248	72.4%	1,285	72.4%	1,323	72.4%	1,363	72.4%	1,404	72.4%	1,446	72.4%	1,489	72.4%	1,534	72.4%	1,580	72.4%
UNDISTRIB. OPERATING EXPENSES																		
Administrative & General	145	8.4%	150	8.5%	154	8.4%	159	8.4%	163	8.4%	168	8.4%	173	8.4%	179	8.4%	184	8.4%
Management Fee	52	3.0%	53	3.0%	55	3.0%	56	3.0%	58	3.0%	60	3.0%	62	3.0%	64	3.0%	65	3.0%
Marketing	116	6.7%	120	6.8%	124	6.8%	127	6.7%	131	6.8%	135	6.8%	139	6.8%	143	6.7%	147	6.7%
Franchise Fees	77	4.5%	79	4.5%	82	4.5%	84	4.5%	86	4.4%	89	4.5%	92	4.5%	95	4.5%	97	4.4%
Property Operations & Maintenance	65	3.8%	67	3.8%	69	3.8%	71	3.8%	73	3.8%	75	3.8%	77	3.7%	80	3.8%	82	3.8%
Utility Costs	72	4.2%	74	4.2%	76	4.2%	79	4.2%	81	4.2%	83	4.2%	86	4.2%	89	4.2%	91	4.2%
Total Undistrib. Operating Expe	527	30.6%	543	30.8%	560	30.7%	576	30.6%	592	30.6%	610	30.7%	629	30.6%	650	30.6%	666	30.5%
INCOME BEFORE FIXED CHARGES	721	41.8%	742	41.6%	763	41.7%	787	41.8%	812	41.8%	836	41.7%	860	41.8%	884	41.8%	914	41.9%
FIXED CHARGES																		
Property Taxes	60	3.5%	62	3.5%	64	3.5%	66	3.5%	68	3.5%	70	3.5%	72	3.5%	74	3.5%	76	3.5%
Insurance	14	0.8%	15	0.8%	15	0.8%	16	0.8%	16	0.8%	17	0.9%	17	0.8%	18	0.8%	18	0.8%
Reserve for Replacement	69	4.0%	71	4.0%	73	4.0%	75	4.0%	78	4.0%	80	4.0%	82	4.0%	85	4.0%	87	4.0%
Total Fixed Charges	143	8.3%	148	8.3%	152	8.3%	157	8.3%	162	8.3%	167	8.4%	171	8.3%	177	8.3%	181	8.3%
NET OPERATING INCOME E	578	33.5%	594	33.3%	611	33.4%	630	33.5%	650	33.5%	669	33.3%	689	33.5%	707	33.5%	733	33.6%

Ten Year Forecast Upon Stabilization - Hampton Inn - Asheboro, NC

Projection Year:	1	2	3	4	5	6	7	8	9	10
Fiscal Year March 31:	Stabilized	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Days in Year:	365	365	365	365	365	365	365	365	365	365
Number of Rooms:	111	111	111	111	111	111	111	111	111	111
Rooms Available:	40,515	40,515	40,515	40,515	40,515	40,515	40,515	40,515	40,515	40,515
Occupied Rooms:	29,171	29,171	29,171	29,171	29,171	29,171	29,171	29,171	29,171	29,171
Occupancy:	72.0%	72.0%	72.0%	72.0%	72.0%	72.0%	72.0%	72.0%	72.0%	72.0%
Average Rate:	\$90.59	\$93.31	\$96.11	\$98.99	\$101.96	\$105.02	\$108.17	\$111.41	\$114.76	\$118.20
RevPAR:	\$65.23	\$67.18	\$69.20	\$71.27	\$73.41	\$75.61	\$77.88	\$80.22	\$82.63	\$85.10

	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross
REVENUES																				
Rooms	2,643	98.3%	2,722	98.3%	2,804	98.3%	2,888	98.3%	2,974	98.3%	3,063	98.3%	3,155	98.3%	3,250	98.3%	3,348	98.3%	3,448	98.3%
Other Income	45	1.7%	46	1.7%	48	1.7%	49	1.7%	50	1.7%	52	1.7%	54	1.7%	55	1.7%	57	1.7%	59	1.7%
Total Revenues	2,688	100.0%	2,768	100.0%	2,852	100.0%	2,937	100.0%	3,024	100.0%	3,115	100.0%	3,209	100.0%	3,305	100.0%	3,405	100.0%	3,507	100.0%
DEPARTMENTAL COSTS																				
Rooms	623	23.6%	642	23.6%	661	23.6%	681	23.6%	701	23.6%	722	23.6%	744	23.6%	766	23.6%	789	23.6%	813	23.6%
Other Income	18	40.0%	18	39.1%	19	39.6%	20	40.8%	20	40.0%	21	40.4%	21	38.9%	22	40.0%	23	40.4%	23	39.0%
Total Departmental Costs	641	23.8%	660	23.8%	680	23.8%	701	23.9%	721	23.8%	743	23.9%	765	23.8%	788	23.8%	812	23.8%	836	23.8%
DEPARTMENTAL INCOME E	2,047	76.2%	2,108	76.2%	2,172	76.2%	2,236	76.1%	2,303	76.2%	2,372	76.1%	2,444	76.2%	2,517	76.2%	2,593	76.2%	2,671	76.2%
UNDISTRIB. OPERATING EXPENSES																				
Administrative & General	210	7.8%	216	7.8%	222	7.8%	229	7.8%	236	7.8%	243	7.8%	250	7.8%	258	7.8%	265	7.8%	273	7.8%
Management Fee	81	3.0%	83	3.0%	86	3.0%	88	3.0%	91	3.0%	93	3.0%	96	3.0%	99	3.0%	102	3.0%	105	3.0%
Marketing	179	6.7%	185	6.7%	190	6.7%	196	6.7%	202	6.7%	208	6.7%	214	6.7%	221	6.7%	227	6.7%	234	6.7%
Franchise Fees	159	5.9%	163	5.9%	168	5.9%	173	5.9%	178	5.9%	184	5.9%	189	5.9%	195	5.9%	201	5.9%	207	5.9%
Property Operations & Maintenance	80	3.0%	82	3.0%	84	2.9%	87	3.0%	90	3.0%	92	3.0%	95	3.0%	98	3.0%	101	3.0%	104	3.0%
Utility Costs	111	4.1%	115	4.2%	118	4.1%	122	4.2%	125	4.1%	129	4.1%	133	4.1%	137	4.1%	141	4.1%	145	4.1%
Total Undistrib. Operating Expe	820	30.5%	844	30.6%	868	30.4%	895	30.6%	922	30.5%	949	30.5%	977	30.5%	1,008	30.5%	1,037	30.5%	1,068	30.5%
INCOME BEFORE FIXED CHARGES	1,227	45.7%	1,264	45.6%	1,304	45.8%	1,341	45.5%	1,381	45.7%	1,423	45.6%	1,467	45.7%	1,509	45.7%	1,556	45.7%	1,603	45.7%
FIXED CHARGES																				
Property Taxes	70	2.6%	73	2.6%	75	2.6%	77	2.6%	79	2.6%	82	2.6%	84	2.6%	87	2.6%	89	2.6%	92	2.6%
Insurance	11	0.4%	11	0.4%	12	0.4%	12	0.4%	12	0.4%	13	0.4%	13	0.4%	13	0.4%	14	0.4%	14	0.4%
Reserve for Replacement	108	4.0%	111	4.0%	114	4.0%	117	4.0%	121	4.0%	125	4.0%	128	4.0%	132	4.0%	136	4.0%	140	4.0%
Total Fixed Charges	189	7.0%	195	7.0%	201	7.0%	206	7.0%	212	7.0%	220	7.0%	225	7.0%	232	7.0%	239	7.0%	246	7.0%
NET OPERATING INCOME E	1,038	38.7%	1,069	38.6%	1,103	38.8%	1,135	38.5%	1,169	38.7%	1,203	38.6%	1,242	38.7%	1,277	38.7%	1,317	38.7%	1,357	38.7%

Ten Year Forecast Upon Stabilization - Springhill Suites - Pinehurst, NC

Projection Year:	1	2	3	4	5	6	7	8	9	10
Fiscal Year March 31:	Stabilized	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Days in Year:	365	365	365	365	365	365	365	365	365	365
Number of Rooms:	107	107	107	107	107	107	107	107	107	107
Rooms Available:	39,055	39,055	39,055	39,055	39,055	39,055	39,055	39,055	39,055	39,055
Occupied Rooms:	25,386	25,386	25,386	25,386	25,386	25,386	25,386	25,386	25,386	25,386
Occupancy:	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%
Average Rate:	\$90.04	\$92.74	\$95.53	\$98.39	\$101.34	\$104.38	\$107.51	\$110.74	\$114.06	\$117.48
RevPAR:	\$58.53	\$60.28	\$62.09	\$63.95	\$65.87	\$67.85	\$69.88	\$71.98	\$74.14	\$76.36

	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross	\$ (000's)	% Gross
REVENUES																				
Rooms	2,286	95.0%	2,354	95.0%	2,425	95.0%	2,498	95.0%	2,573	95.0%	2,650	95.0%	2,729	95.0%	2,811	95.0%	2,896	95.0%	2,982	95.0%
Other Income	121	5.0%	125	5.0%	128	5.0%	132	5.0%	136	5.0%	140	5.0%	145	5.0%	149	5.0%	153	5.0%	158	5.0%
Total Revenues	2,407	100.0%	2,479	100.0%	2,553	100.0%	2,630	100.0%	2,709	100.0%	2,790	100.0%	2,874	100.0%	2,960	100.0%	3,049	100.0%	3,140	100.0%
DEPARTMENTAL COSTS																				
Rooms	547	23.9%	564	24.0%	581	24.0%	598	23.9%	616	23.9%	634	23.9%	653	23.9%	673	23.9%	693	23.9%	714	23.9%
Other Income	34	28.1%	35	28.0%	36	28.1%	38	28.8%	39	28.7%	40	28.6%	41	28.3%	42	28.2%	43	28.1%	44	28.1%
Total Departmental Costs	581	24.1%	599	24.2%	617	24.2%	636	24.2%	655	24.2%	674	24.2%	694	24.1%	715	24.2%	736	24.1%	758	24.1%
DEPARTMENTAL INCOME E	1,826	75.9%	1,880	75.8%	1,936	75.8%	1,994	75.8%	2,054	75.8%	2,116	75.8%	2,180	75.9%	2,245	75.8%	2,313	75.9%	2,382	75.9%
UNDISTRIB. OPERATING EXPENSES																				
Administrative & General	202	8.4%	208	8.4%	215	8.4%	221	8.4%	228	8.4%	235	8.4%	242	8.4%	249	8.4%	256	8.4%	264	8.4%
Management Fee	72	3.0%	74	3.0%	77	3.0%	79	3.0%	81	3.0%	84	3.0%	86	3.0%	89	3.0%	91	3.0%	94	3.0%
Marketing	138	5.7%	142	5.7%	146	5.7%	150	5.7%	155	5.7%	160	5.7%	164	5.7%	169	5.7%	174	5.7%	179	5.7%
Franchise Fees	114	4.7%	118	4.8%	121	4.7%	125	4.8%	129	4.8%	133	4.8%	136	4.7%	141	4.8%	145	4.8%	149	4.8%
Property Operations & Maintenance	94	3.9%	97	3.9%	99	3.9%	102	3.9%	106	3.9%	109	3.9%	112	3.9%	115	3.9%	119	3.9%	123	3.9%
Utility Costs	106	4.4%	109	4.4%	112	4.4%	116	4.4%	119	4.4%	123	4.4%	126	4.4%	130	4.4%	134	4.4%	138	4.4%
Total Undistrib. Operating Expe	726	30.1%	748	30.2%	770	30.1%	793	30.2%	818	30.2%	844	30.2%	866	30.1%	893	30.2%	919	30.2%	947	30.2%
INCOME BEFORE FIXED CHARGES	1,100	45.8%	1,132	45.6%	1,166	45.7%	1,201	45.6%	1,236	45.6%	1,272	45.6%	1,314	45.8%	1,352	45.6%	1,394	45.7%	1,435	45.7%
FIXED CHARGES																				
Property Taxes	46	1.9%	47	1.9%	49	1.9%	50	1.9%	52	1.9%	53	1.9%	55	1.9%	57	1.9%	58	1.9%	60	1.9%
Insurance	18	0.7%	19	0.8%	19	0.7%	20	0.8%	21	0.8%	21	0.8%	22	0.8%	23	0.8%	23	0.8%	24	0.8%
Reserve for Replacement	96	4.0%	99	4.0%	102	4.0%	105	4.0%	108	4.0%	112	4.0%	115	4.0%	118	4.0%	122	4.0%	126	4.0%
Total Fixed Charges	160	6.6%	165	6.7%	170	6.6%	175	6.7%	181	6.7%	186	6.7%	192	6.7%	198	6.7%	203	6.7%	209	6.7%
NET OPERATING INCOME E	940	39.2%	967	38.9%	996	39.1%	1,026	38.9%	1,055	38.9%	1,086	38.9%	1,122	39.1%	1,154	38.9%	1,191	39.0%	1,226	39.0%

Sales Comparison Approach

METHODOLOGY

Using the Sales Comparison Approach, we developed an opinion of value by comparing the subject properties to similar, recently sold properties in the surrounding or competing area. This approach relies on the principle of substitution, which holds that when a property is replaceable in the market, its value tends to be set at the cost of acquiring an equally desirable substitute property, assuming that no costly delay is encountered in making the substitution. The Sales Comparison Approach to value emphasizes the physical elements of the subject properties in conjunction with income. For hotels, price per room is the most common unit of comparison.

The following chart details several comparable sale transactions that are confirmed to be single asset and arm length transactions, except as indicated.

Summary of Improved Sales

Property Information							Transaction Information							
No.	Property Name	Address	City	State	Number of Units	Year Built	Grantor	Grantee	Sale Date	Sale Price	\$/Unit	OAR	RevPAR	ERRM
1	Fairfield Inn Northlake	9230 Harris Corners Parkway	Charlotte	NC	93	1999	Northlake Lodging, LLC	LRP Hotels	Apr-14	\$6,200,000	\$66,667	10.4%	\$61.51	3.0
2	Springhill Suites	3055 Scott Futrell Drive	Charlotte	NC	95	2002	SREE	BRE Charspring LLC	Oct-13	\$11,000,000	\$115,789	8.4%	\$75.88	4.2
3	Fairfield Inn & Suites	211 Music City Circle	Nashville	TN	109	1996	Music City Associates of TN	Wheelock St. Capital	Jul-13	\$9,341,777	\$85,704	10.1%	\$62.33	3.8
4	Hampton Inn	3621 Spring Forest Road	Raleigh	NC	131	1999	K-5 Associates, LLC	Hirn Hotel Inc.	Apr-13	\$9,555,000	\$72,939	11.5%	\$62.64	3.2
5	Hampton Inn	155 Sugarloaf Road	Hendersonville	NC	109	1986	JDR Associates, LLC	New River Hospitality, Inc.	Apr-13	\$7,700,000	\$70,642	13.5%	\$65.26	3.0
6	Springhill Suites	1119 Bullsboro Drive	New nan	GA	82	2000	SHS New nan Realco, LLC	New man Lodging, LLC	Apr-13	\$5,200,000	\$63,415	10.5%	\$65.87	2.4
7	Fairfield Inn & Suites	4841 N Tanger Outlet Boulevard	North Charleston	SC	102	2000	Palmetto Hotel Associates, LLC	HDP Charleston I, LLC	Nov-12	\$9,400,000	\$92,157	8.8%	\$66.50	3.8
8	Hampton Inn Northwood	620 75th Avenue North	Myrtle Beach	SC	122	1994	Cane Patch Associates of Myrtle Beach	Raleigh Krishna, LLC	Jul-12	\$6,727,500	\$55,143	13.5%	\$55.80	2.7
Low					82	1986	Survey Minimum		Jul-12	\$5,200,000	\$55,143	8.4%	\$55.80	2.4
High					131	2002	Survey Maximum		Apr-14	\$11,000,000	\$115,789	13.5%	\$75.88	4.2
Average					105	1997			Apr-13	\$8,140,535	\$77,807	10.8%	\$64.47	3.3

Compiled by Cushman & Wakefield of North Carolina, Inc.

Some of the differences between the comparable sales and the subject properties can often include location and accessibility, size, services and facilities offered, market conditions, chain affiliation, market orientation, management, rate structure, age, physical condition, date of sale, the highest and best use of the land, and the anticipated profitability of the operation. Circumstances surrounding a sale, including financing terms, tax considerations, income guarantees, sales of partial interests, duress on the part of the buyer or seller, or a particular deal structure, result in disparities between the actual sales price and pure market value. Additionally, it is usually very difficult to obtain the marketing period, and an accurate capitalization rate, for the comparable sales. In practice, it is virtually impossible to quantify the appropriate adjustment factors accurately because of their number and complexity, as well as the difficulty in obtaining specific, detailed information. Any attempt to manipulate the necessary adjustments is insupportable and purely speculative.

Because an appraiser is expected to reflect the analytical processes and actions of typical buyers and sellers rather than to create an insupportable and highly subjective valuation approach, the investment rationale of hotel owners is an essential consideration. As specialists in the valuation of hotels, we find that typical buyers and sellers purchase properties based upon a thorough analysis of anticipated future economic benefits of property ownership rather than on historical sales data. The Sales Comparison Approach should therefore be used to provide a general range of values that will serve as a check against the value indicated by the Income Capitalization Approach.

CONCLUSION

The previously illustrated hotel sales exhibited on the previous table range from approximately \$55,000 to \$115,000 per room. The market value derived by the Income Capitalization Approach appears to be well supported. The following table illustrates the ranges in value based on the comparable sales researched in our analysis.

Sales Comparison Approach - Range in Unit Value (as of April 24, 2014)					Resulting Market Value Range		
Property	Location	Low End	to	High End	Low End	to	High End
Fairfield Inn & Suites	Kingsland, GA	\$60,000	-	\$70,000	\$4,900,000	-	\$5,700,000
Fairfield Inn & Suites	Asheboro, NC	\$60,000	-	\$70,000	\$5,200,000	-	\$6,100,000
Hampton Inn	Asheboro, NC	\$90,000	-	\$100,000	\$10,000,000	-	\$11,100,000
Springhill Suites	Pinehurst, NC	\$95,000	-	\$100,000	\$10,200,000	-	\$10,700,000

In appraising lodging facilities, it is often difficult to find an adequate number of recent sales that are truly comparable to the subject properties. Although it is often necessary to consider comparable sales outside the subject properties' market areas, the resulting adjustments greatly diminish the reliability of the conclusions. Most observers of hotel transactions are unable to determine the true motivations of the buyers and sellers. Acquiring a hotel often represents a highly ego-driven process where many external, non-market factors influence the purchase price.

Unless the appraiser can quantify these influences, there is no way of knowing whether the purchase price paid actually reflects market value. Finally, when appraising hotels, the degree of comparability between the subject properties and a comparable sale is usually so diverse that many subjective and unsubstantiated adjustments are required. Each adjustment represents a potential for error and thereby diminishes the reliability of this approach. As a result of these shortcomings, the use of the Sales Comparison Approach in valuing hotels is primarily limited to checking the value indicated by the Income Capitalization Approach.

Cost Approach

METHODOLOGY

The Cost Approach is founded on the principle of substitution, which implies that no prudent person will pay more for a property than the amount for which a site can be acquired and a building constructed of equal desirability and utility without undue delay. The Cost Approach develops an opinion of market value by first calculating the current cost of replacing the improvements. Appropriate deductions are then made for depreciation resulting from physical deterioration and functional and external obsolescence. Finally, the value of the land is added to the depreciated replacement cost to provide an opinion of market value.

As addressed in prior sections of this report, the Cost Approach has limited utility in the valuation of existing hotels. Along with the difficulty in accurately quantifying physical deterioration, it is our experience that knowledgeable purchasers of complex hotel properties are more concerned with the economics of the investment. Hence, typical practice does not rely on the Cost Approach

Reconciliation and Final Value Opinion

VALUATION METHODOLOGY REVIEW AND RECONCILIATION

In our valuation of the subject properties, we relied primarily on the Income Capitalization Approach to value. The Sales Comparison Approach was applied and is considered to provide reasonable support to the conclusion of the Income Capitalization Approach. We have not utilized the Cost Approach to value in this analysis. Typically, the Cost Approach offers limited utility in the valuation of existing hotels. Along with the difficulty in accurately quantifying physical deterioration, it is our experience that knowledgeable purchasers of complex hotel properties are more concerned with the economics of the investment.

The Sales Comparison Approach reflects an opinion of value as indicated by the actual sales of hotels. In this approach, we searched the regional and national market for transactions of similar property types. Several sales of limited-service hotels were examined, and this approach was useful in providing value parameters.

In our Income Capitalization Approach to value, the subject properties were valued by analyzing the local market for transient accommodations and developing a projection of income and expense that reflects the current and future anticipated income and expense trends over a ten-year holding period. The net income was then discounted to the date of value by an appropriate internal rate of return through a discounted cash flow analysis. Implied direct capitalization rates were also illustrated.

The approaches indicated the following:

Final Value Reconciliation (as of April 24, 2014)							
Property	Location	Income Capitalization		Market	Approach	Reconciled As-Is	
		Rooms	Approach			Market Value	Per Room
Fairfield Inn & Suites	Kingsland, GA	82	\$5,000,000	\$4,900,000 -	\$5,700,000	\$5,000,000	\$60,976
Fairfield Inn & Suites	Asheboro, NC	87	\$5,800,000	\$5,200,000 -	\$6,100,000	\$5,800,000	\$66,667
Hampton Inn	Asheboro, NC	111	\$10,400,000	\$10,000,000 -	\$11,100,000	\$10,400,000	\$93,694
Springhill Suites	Pinehurst, NC	107	\$10,200,000	\$10,200,000 -	\$10,700,000	\$10,200,000	\$95,327

We have given most weight to the Income Capitalization Approach because this method mirrors the methodologies used by purchasers of this property type. We used the Sales Comparison Approach as a check for reasonableness.

VALUE CONCLUSIONS

Based on the agreed to Scope of Work, and as a result of our analysis, we have developed an opinion that the Market Value of the fee simple estate of the above-referenced properties, subject to the assumptions and limiting conditions, certifications, extraordinary and hypothetical conditions, if any, are:

Final Value Conclusions				
Appraisal Premise	Real Property Interest	Date of Value	Value Conclusion	Per Room
Fairfield Inn & Suites - Kingsland, GA				
Market Value As-Is	fee simple	4/24/2014	\$5,000,000	\$57,471
Prospective Market Value Upon Stabilization	fee simple	4/23/2016	\$5,700,000	\$69,512
Fairfield Inn & Suites - Asheboro, NC				
Market Value As-Is	fee simple	4/24/2014	\$5,800,000	\$66,667
Prospective Market Value Upon Stabilization	fee simple	4/23/2016	\$6,500,000	\$74,713
Hampton Inn - Asheboro, NC				
Market Value As-Is	fee simple	4/24/2014	\$10,400,000	\$93,694
Prospective Market Value Upon Stabilization	fee simple	4/23/2016	\$11,500,000	\$103,604
Springhill Suites - Pinehurst, NC				
Market Value As-Is	fee simple	4/24/2014	\$10,200,000	\$95,327
Prospective Market Value Upon Stabilization	fee simple	4/23/2016	\$10,800,000	\$100,935

ALLOCATION OF MARKET VALUE COMPONENTS

We have allocated the market value of the subject property into Real Property and Personal Property on an as is basis as follows:

Allocation of Property Components - As Is (as of April 24, 2014)					
Property	Location	Real Property	FF&E	Business	Total
Fairfield Inn & Suites	Kingsland, GA	\$4,630,000	\$370,000	\$0	\$5,000,000
Fairfield Inn & Suites	Asheboro, NC	\$5,410,000	\$390,000	\$0	\$5,800,000
Hampton Inn	Asheboro, NC	\$9,900,000	\$500,000	\$0	\$10,400,000
Springhill Suites	Pinehurst, NC	\$9,720,000	\$480,000	\$0	\$10,200,000

EXPOSURE TIME AND MARKETING TIME

Based on our review of national investor surveys, discussions with market participants and information gathered during the sales verification process, a reasonable exposure time for the subject properties at the value concluded within this report would have been approximately 6 to 12 months. This assumes an active and professional marketing plan would have been employed by the current owner.

BUSINESS VALUE (GOING CONCERN)

Hotels are undisputedly a combination of business and real estate; the day-to-day operation of a hotel represents a business over and above the real estate value. Numerous theories have been developed in an attempt to isolate the business component of a hotel. When hotels were routinely leased to hotel operators, separating the income and value attributable to each component was a simple matter. However, during the 1970s, the hotel property lease was replaced with the hotel management contract.

It is widely accepted today that managing agents are hired by hotel owners to operate a property in return for a management fee. The fee is paid to the operator as an operating expense, and what remains is net income

available to pay debt service and generate a return on the owner's equity. Purchasers of hotels as real estate investments are able to passively own the property by employing a managing agent, as was the case with the property lease in earlier years.

The real and personal property components of the subject properties have already been valued in this appraisal and any business component has been accounted for through the deduction of market rate management and franchise fees. By making these deductions, we believe that there is no business value included in our conclusion of market value.

EXTRAORDINARY ASSUMPTIONS

For a definition of Extraordinary Assumptions please see the Glossary of Terms & Definitions. The use of extraordinary assumptions, if any, might have affected the assignment results.

This appraisal does not employ any extraordinary assumptions.

HYPOTHETICAL CONDITIONS

For a definition of Hypothetical Conditions please see the Glossary of Terms & Definitions. The use of hypothetical conditions, if any, might have affected the assignment results.

This appraisal does not employ any hypothetical conditions.

ASSUMPTIONS AND LIMITING CONDITIONS

"Report" means the appraisal or consulting report and conclusions stated therein, to which these Assumptions and Limiting Conditions are annexed.

"Properties" means the subjects of the Report.

"C&W" means Cushman & Wakefield, Inc. or its subsidiary that issued the Report.

"Appraiser(s)" means the employee(s) of C&W who prepared and signed the Report.

The Report has been made subject to the following assumptions and limiting conditions:

- No opinion is intended to be expressed and no responsibility is assumed for the legal description or for any matters that are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate appraiser. Title to the Properties are assumed to be good and marketable and the Properties are assumed to be free and clear of all liens unless otherwise stated. No survey of the Properties was undertaken.
- The information contained in the Report or upon which the Report is based has been gathered from sources the Appraiser assumes to be reliable and accurate. The owner of the Properties may have provided some of such information. Neither the Appraiser nor C&W shall be responsible for the accuracy or completeness of such information, including the correctness of estimates, opinions, dimensions, sketches, exhibits and factual matters. Any authorized user of the Report is obligated to bring to the attention of C&W any inaccuracies or errors that it believes are contained in the Report.
- The opinions are only as of the date stated in the Report. Changes since that date in external and market factors or in the Properties itself can significantly affect the conclusions.
- The Report is to be used in whole and not in part. No part of the Report shall be used in conjunction with any other analyses. Publication of the Report or any portion thereof without the prior written consent of C&W is prohibited. Reference to the Appraisal Institute or to the MAI designation is prohibited. Except as may be otherwise stated in the letter of engagement, the Report may not be used by any person(s) other than the party(ies) to whom it is addressed or for purposes other than that for which it was prepared. No part of the Report shall be conveyed to the public through advertising, or used in any sales, promotion, offering or SEC material without C&W's prior written consent. Any authorized user(s) of this Report who provides a copy to, or permits reliance thereon by, any person or entity not authorized by C&W in writing to use or rely thereon, hereby agrees to indemnify and hold C&W, its affiliates and their respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including attorneys' fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the Report by any such unauthorized person(s) or entity(ies).
- Except as may be otherwise stated in the letter of engagement, the Appraiser shall not be required to give testimony in any court or administrative proceeding relating to the Properties or the Appraisal.
- The Report assumes (a) responsible ownership and competent management of the Properties; (b) there are no hidden or unapparent conditions of the Properties, subsoil or structures that render the Properties more or less valuable (no responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them); (c) full compliance with all applicable federal, state and local zoning and environmental regulations and laws, unless noncompliance is stated, defined and considered in the Report; and (d) all required licenses, certificates of occupancy and other governmental consents have been or can be obtained and renewed for any use on which the value opinion contained in the Report is based.
- The physical condition of the improvements considered by the Report is based on visual inspection by the Appraiser or other person identified in the Report. C&W assumes no responsibility for the soundness of structural members or for the condition of mechanical equipment, plumbing or electrical components.
- The forecasted potential gross income referred to in the Report may be based on lease summaries provided by the owner or third parties. The Report assumes no responsibility for the authenticity or completeness of lease information provided by others. C&W recommends that legal advice be obtained regarding the interpretation of lease provisions and the contractual rights of parties.

- The forecasts of income and expenses are not predictions of the future. Rather, they are the Appraiser's best opinions of current market thinking on future income and expenses. The Appraiser and C&W make no warranty or representation that these forecasts will materialize. The real estate market is constantly fluctuating and changing. It is not the Appraiser's task to predict or in any way warrant the conditions of a future real estate market; the Appraiser can only reflect what the investment community, as of the date of the Report, envisages for the future in terms of rental rates, expenses, and supply and demand.
- Unless otherwise stated in the Report, the existence of potentially hazardous or toxic materials that may have been used in the construction or maintenance of the improvements or may be located at or about the Properties was not considered in arriving at the opinion of value. These materials (such as formaldehyde foam insulation, asbestos insulation and other potentially hazardous materials) may adversely affect the value of the Properties. The Appraisers are not qualified to detect such substances. C&W recommends that an environmental expert be employed to determine the impact of these matters on the opinion of value.
- Unless otherwise stated in the Report, compliance with the requirements of the Americans with Disabilities Act of 1990 (ADA) has not been considered in arriving at the opinion of value. Failure to comply with the requirements of the ADA may adversely affect the value of the Properties. C&W recommends that an expert in this field be employed.
- If the Report is submitted to a lender or investor with the prior approval of C&W, such party should consider this Report as only one factor together with its independent investment considerations and underwriting criteria, in its overall investment decision. Such lender or investor is specifically cautioned to understand all Extraordinary Assumptions and Hypothetical Conditions and the Assumptions and Limiting Conditions incorporated in this Report.
- In the event of a claim against C&W or its affiliates or their respective officers or employees or the Appraisers in connection with or in any way relating to this Report or this engagement, the maximum damages recoverable shall be the amount of the monies actually collected by C&W or its affiliates for this Report and under no circumstances shall any claim for consequential damages be made.
- If the Report is referred to or included in any offering material or prospectus, the Report shall be deemed referred to or included for informational purposes only and C&W, its employees and the Appraiser have no liability to such recipients. C&W disclaims any and all liability to any party other than the party that retained C&W to prepare the Report.
- Any estimate of insurable value, if included within the agreed upon scope of work and presented within this report, is based upon figures derived from a national cost estimating service and is developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage for replacing any structure. This analysis should not be relied upon to determine insurance coverage. Furthermore, we make no warranties regarding the accuracy of this estimate.
- By use of this Report each party that uses this Report agrees to be bound by all of the Assumptions and Limiting Conditions, Hypothetical Conditions and Extraordinary Assumptions stated herein.
- The estimated operating results presented in this report are based on an evaluation of the overall economy, and neither take into account nor make provision for the effect of any sharp rise or decline in local or national economic conditions. To the extent that wages and other operating expenses may advance during the economic life of the Properties, we expect that the prices of rooms, food, beverages, and services will be adjusted to at least offset these advances. We do not warrant that the estimates will be attained, but they have been prepared on the basis of information obtained during the course of this study and are intended to reflect the expectations of typical investors.
- Appraising hotels is both a science and an art. 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.
- 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.
- This report assumes that the properties will maintain an affiliation with Hampton Inn, Residence Inn, or a similar chain. If the subjects do not maintain a similar affiliation, it could have a negative impact on the properties market value.

- Our financial analyses are based on estimates and assumptions which were developed in connection with this appraisal engagement. It is, however, inevitable that some assumptions will not materialize and that unanticipated events may occur which will cause actual achieved operating results to differ from the financial analyses contained in this report, and these differences may be material. It should be further noted that we are not responsible for the effectiveness of future management and marketing efforts upon which the projected results contained in this report may depend.
- Unless otherwise noted, we were not given a soil report to review. However, we assume that the soil's load-bearing capacity is sufficient to support existing and/or proposed structure(s). We did not observe any evidence to the contrary during our physical inspection of the Properties. Drainage appears to be adequate.
- Unless otherwise noted, we were not given a title report to review. We do not know of any easements, encroachments, or restrictions that would adversely affect the site's use. However, we recommend a title search to determine whether any adverse conditions exist.
- Unless otherwise noted, we were not given a wetlands survey to review. If subsequent engineering data reveal the presence of regulated wetlands, it could materially affect Properties value. We recommend a wetlands survey by a professional engineer with expertise in this field.
- Unless otherwise noted, we observed no evidence of toxic or hazardous substances during our inspection of the site. However, we are not trained to perform technical environmental inspections and recommend the hiring of a professional engineer with expertise in this field.
- We did not inspect the roof nor did we make a detailed inspection of the mechanical systems. The appraisers are not qualified to render an opinion regarding the adequacy or condition of these components. The client is urged to retain an expert in this field if detailed information is needed.
- By use of this Report each party that uses this Report agrees to be bound by all of the Assumptions and Limiting Conditions, Hypothetical Conditions and Extraordinary Assumptions stated herein.

CERTIFICATION OF APPRAISAL

I certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the properties that are the subjects of this report, and no personal interest with respect to the parties involved.
- I have no bias with respect to the properties that are the subjects of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My 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.
- 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 & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Tommy Crozier, MAI, CCIM, did make a personal inspection of the properties that are the subjects of this report.
- I have not provided services regarding the subject properties within the prior three years.
- As of the date of this report, I (Tommy Crozier, MAI, CCIM), have completed the continuing education program of the Appraisal Institute.



Tommy Crozier, MAI, CCIM
Senior Director – Hospitality & Gaming
Group
NC State-Certified General Real Estate
Appraiser License No. A5318
GA State-Certified General Real Estate
Appraiser License No. 340706
tommy.crozier@cushwake.com
(704) 916-4444 Office Direct
(704) 916-4445 Fax

Glossary of Terms and Definitions

The following definitions of pertinent terms are taken from *The Dictionary of Real Estate Appraisal*, Fifth Edition (2010), published by the Appraisal Institute, Chicago, IL, as well as other sources.

AS IS MARKET VALUE

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Proposed Interagency Appraisal and Evaluation Guidelines, OCC-4810-33-P 20%)

BAND OF INVESTMENT

A technique in which the capitalization rates attributable to components of a capital investment are weighted and combined to derive a weighted-average rate attributable to the total investment.

CASH EQUIVALENCY

An analytical process in which the sale price of a transaction with nonmarket financing or financing with unusual conditions or incentives is converted into a price expressed in terms of cash.

DEPRECIATION

1. In appraising, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date. 2. In accounting, an allowance made against the loss in value of an asset for a defined purpose and computed using a specified method.

ELLWOOD FORMULA

A yield capitalization method that provides a formulaic solution for developing a capitalization rate for various combinations of equity yields and mortgage terms. The formula is applicable only to properties with stable or stabilized income streams and properties with income streams expected to change according to the J- or K-factor pattern. The formula is

$$RO = [YE - M (YE + P / S n^{\frac{1}{n}} - RM) - \Delta O / S n^{\frac{1}{n}}] / [1 + \Delta I / J]$$

where

RO = Overall Capitalization Rate

YE = Equity Yield Rate

M = Loan-to-Value Ratio

P = Percentage of Loan Paid Off

$1/S n^{\frac{1}{n}}$ = Sinking Fund Factor at the Equity Yield Rate

RM = Mortgage Capitalization Rate

ΔO = Change in Total Property Value

ΔI = Total Ratio Change in Income

J = J Factor

Also called mortgage-equity formula.

EXPOSURE TIME

1. The time a property remains on the market. 2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. See also marketing time.

EXTRAORDINARY ASSUMPTION

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

FEE SIMPLE ESTATE

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.

HYPOTHETICAL CONDITIONS

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

INSURABLE VALUE

A type of value for insurance purposes.

INTENDED USE

The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment.

INTENDED USER

The client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the client at the time of the assignment.

LEASED FEE INTEREST

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease).

LEASEHOLD INTEREST

The tenant's possessory interest created by a lease. See also negative leasehold; positive leasehold.

MARKET RENT

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).

MARKET VALUE

As defined in the Agencies' appraisal regulations, 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:

Buyer and seller are typically motivated;

Both parties are well informed or well advised, and acting in what they consider their own best interests;

A reasonable time is allowed for exposure in the open market;

Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

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.¹

MARKETING TIME

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time.) See also exposure time.

MORTGAGE-EQUITY ANALYSIS

Capitalization and investment analysis procedures that recognize how mortgage terms and equity requirements affect the value of income-producing property.

PROSPECTIVE OPINION OF VALUE

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

PROSPECTIVE VALUE UPON REACHING STABILIZED OCCUPANCY

The value of a property as of a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long-term occupancy. At such point, all capital outlays for tenant improvements, leasing commissions, marketing costs and other carrying charges are assumed to have been incurred.

SPECIAL, UNUSUAL, OR EXTRAORDINARY ASSUMPTIONS

Before completing the acquisition of a property, a prudent purchaser in the market typically exercises due diligence by making customary enquiries about the property. It is normal for a Valuer to make assumptions as to the most likely outcome of this due diligence process and to rely on actual information regarding such matters as provided by the client. Special, unusual, or extraordinary assumptions may be any additional assumptions relating to matters covered in the due diligence process, or may relate to other issues, such as the identity of the purchaser, the physical state of the property, the presence of environmental pollutants (e.g., ground water contamination), or the ability to redevelop the property.

¹ "Interagency Appraisal and Evaluation Guidelines." Federal Register 75:237 (December 10, 2010) p. 77472.

ADDENDA CONTENTS

ADDENDUM A:	QUALIFICATIONS OF THE APPRAISER
ADDENDUM B:	LETTER OF ENGAGEMENT
ADDENDUM C:	CLIENT SATISFACTION SURVEY

ADDENDUM A:

QUALIFICATIONS OF THE APPRAISER

PROFESSIONAL QUALIFICATIONS

Tommy Crozier, MAI

Senior Director | Hospitality & Gaming
Valuation & Advisory

Tommy Crozier, MAI, joined Cushman & Wakefield of North Carolina, Inc., (C&W) in January 2013. He is a Senior Director within the Valuation & Advisory Hospitality & Gaming group. Prior to joining C&W, Tommy was a Vice President in CBRE's VAS division and was one of the original members of their Hospitality & Gaming specialty practice. He also worked with CBRE Hotels in the capital markets group as an investment sales broker. Prior to joining CBRE, Tommy began his appraisal career with Keystone Consulting Group in Raleigh, NC in 2000, where he has since specialized in hotel valuations. He has authored hundreds of hotel appraisals during his career, ranging from smaller, limited service properties in rural markets to trophy assets in major urban markets. Tommy has been a licensed real estate broker for ±15 years.

Experience

Experience includes appraisal of the following types of property:

Office Buildings	Shopping Centers
Residential Subdivisions	Industrial Facilities
Commercial Land	Multi-Family Properties
Self Storage Facilities	Leasehold/Leased Fee Interests
Hotels/Motels	Special Purpose Facilities
Manufacturing Facilities	Warehouse Facilities

Education

Mr. Crozier earned his Bachelor of Arts (English) in 1998 from Mississippi College, Clinton, Mississippi

Appraisal Education

As of the current date, Tommy Crozier, MAI, has completed the requirements under the continuing education program of the Appraisal Institute.

Memberships, Licenses and Professional Affiliations

- Designated Member of the Appraisal Institute (MAI)
- Demo Review Panel, Appraisal Institute
- Certified Commercial Investment Member (CCIM)
- Member, Urban Land Institute
- State of North Carolina Certified General Real Estate Appraiser (#A5318)
- State of South Carolina Certified General Real Estate Appraiser (#5135)
- State of Georgia Certified General Real Estate Appraiser (#340706)
- State of Tennessee Certified General Real Estate Appraiser (#4541)

NORTH CAROLINA APPRAISAL BOARD

APPRAISER QUALIFICATION CARD

Expires June 30, 2014

REGISTRATION / LICENSE / CERTIFICATE HOLDER	
THOMAS J CROZIER	
13	14
A5318	Y
APPRAISER NUMBER	NATIONAL REGISTRY

APPRAISER'S SIGNATURE EXECUTIVE DIRECTOR

THOMAS J CROZIER
CUSHMAN & WAKEFIELD OF NC, INC.
6000 FAIRVIEW ROAD, SUITE 1110
CHARLOTTE, NC 28210



South Carolina Department of Labor, Licensing and Regulation

Real Estate Appraisers Board

CERTIFIES THAT:
THOMAS J CROZIER
IS AUTHORIZED TO PRACTICE
Certified General Appraiser



LICENSE NO.

EXPIRATION DATE: 06/30/2014

AB.5135 CG

To verify current license status, go to <http://verify.llronline.com/LicLookup/LookupMain.aspx>

STATE OF GEORGIA REAL ESTATE APPRAISERS BOARD

THOMAS JAMES CROZIER

340706

IS AUTHORIZED TO TRANSACT BUSINESS IN GEORGIA AS A
CERTIFIED GENERAL REAL PROPERTY APPRAISER

THE PRIVILEGE AND RESPONSIBILITIES OF THIS APPRAISER CLASSIFICATION SHALL CONTINUE IN EFFECT AS LONG AS THE APPRAISER PAYS REQUIRED APPRAISER FEES AND COMPLIES WITH ALL OTHER REQUIREMENTS OF THE OFFICIAL CODE OF GEORGIA ANNOTATED, CHAPTER 43-39-A. THE APPRAISER IS SOLELY RESPONSIBLE FOR THE PAYMENT OF ALL FEES ON A TIMELY BASIS.

D. SCOTT MURPHY
Chairperson

SANDRA MCALISTER WINTER
Vice Chairperson

JEFF LAWSON
KEITH STONE
MARILYN R. WATTS

37446653

THOMAS JAMES CROZIER

340706

Status ACTIVE

**CERTIFIED GENERAL REAL PROPERTY
APPRAISER**

THIS LICENSE EXPIRES IF YOU FAIL TO PAY
RENEWAL FEES OR IF YOU FAIL TO COMPLETE ANY
REQUIRED EDUCATION IN A TIMELY MANNER.

State of Georgia
Real Estate Commission
Suite 1000 - International Tower
229 Peachtree Street, N.E.
Atlanta, GA 30303-1605

ORIGINALLY LICENSED

02/16/2010

END OF RENEWAL
07/31/2014



WILLIAM L. ROGERS, JR.
Real Estate Commissioner

37446653

THOMAS JAMES CROZIER

340706

Status ACTIVE

**CERTIFIED GENERAL REAL PROPERTY
APPRAISER**

THIS LICENSE EXPIRES IF YOU FAIL TO PAY
RENEWAL FEES OR IF YOU FAIL TO COMPLETE ANY
REQUIRED EDUCATION IN A TIMELY MANNER.

State of Georgia
Real Estate Commission
Suite 1000 - International Tower
229 Peachtree Street, N.E.
Atlanta, GA 30303-1605



WILLIAM L. ROGERS, JR.
Real Estate Commissioner

37446653

8091443
23114

State of Tennessee

TENNESSEE REAL ESTATE APPRAISER COMMISSION

CERTIFIED GENERAL REAL ESTATE APPRAISER

THOMAS JAMES CROZIER

*This is to certify that all requirements of the State of Tennessee
have been met.*



IN-1313

DEPARTMENT OF
COMMERCE AND INSURANCE

ID NUMBER: 000004541

LIC STATUS: ACTIVE

EXPIRATION DATE: 03/31/2014

ADDENDUM B: LETTER OF ENGAGEMENT

Brian M. Johnson
Senior Director



Cushman & Wakefield Of Virginia, Inc.
2305 Walnut Ridge Lane
434-996-2323 Tel
202-478-1844 Fax
brian.m.johnson@cushwake.com

April 1, 2014

Mr. Robert O'Neill
AMERICAN HOTEL INCOME PROPERTIES REIT LP
1690-401 West Georgia Street
Vancouver, BRITISH COLUMBIA, CANADA V6B 5A1

Re: **Hotel Portfolio – NC and GA Properties
Asheboro, Pinehurst NC; Kingsland, GA**

Dear Mr. O'Neill:

Thank you for requesting our proposal for appraisal services. This proposal letter will become, upon your acceptance, our letter of engagement to provide the services outlined herein.

TERMS OF ENGAGEMENT

I. PROBLEM IDENTIFICATION

The Parties To This Agreement: The undersigned Cushman & Wakefield affiliated company and AMERICAN HOTEL INCOME PROPERTIES REIT LP (herein at times referred to as "Client")

Intended Users: The appraisal will be prepared for American Hotel Income Properties REIT LP

Intended Use: In connection with financing-related matters pertaining to the acquisition of the referenced hotel properties.

C&W acknowledges and agrees that, in the event the proposed financing is awarded to a lender other than the Client, this engagement shall be terminated and no fee shall be due from Client in connection herewith, provided we are retained by the new lender, who assumes full responsibility for the fee in its entirety.

Type of Opinion and Rights Appraised: Market value of the Fee Simple Interest (as-is); Market Value Upon Stabilization.

Date Of Value:

- Date of Inspection ; Prospective dates of stabilization (as appropriate)

Subject of the Assignment and Relevant Characteristics: The property to be appraised includes four hotels, noted as follows:

- Fairfield Inn & Suites Kingsland, GA (82 keys, built Sep-08)
- Fairfield Inn & Suites Asheboro, NC (87 keys, built Mar-09)
- Hampton Inn Asheboro, NC (111 keys, built Aug-95)

- SpringHill Suites Pinehurst, NC (107 keys, built Jul-99)

Assignment Conditions:

The assignment may include extraordinary assumptions or hypothetical conditions only as necessary to produce credible appraisal results

II. ANTICIPATED SCOPE OF WORK

USPAP Compliance:

The undersigned Cushman & Wakefield affiliated company and/or its designated affiliate or subsidiary (herein at times "C&W") will develop an appraisal in accordance with USPAP and the Code of Ethics and Certification Standards of the Appraisal Institute.

Appraisers will have all necessary licenses.

Compensation is not predicated on results or outcome.

Appraisers have no personal interest in property or the outcome of any loan(s) for said properties.

General Scope of Work:

- Property Inspection to the extent necessary to adequately identify the real estate
- Research relevant market data, in terms of quantity, quality, and geographic comparability, to the extent necessary to produce credible appraisal results
- Consider and develop those approaches relevant and applicable to the appraisal problem. Based on our discussions with the Client, we anticipate developing the following valuation approaches:
 - Income Capitalization Approach
 - Sales Comparison Approach

III. REPORTING AND DISCLOSURE

Scope of Work Disclosure:

The actual Scope of Work will be reported within the report.

Reporting Option:

The appraisal will be communicated in a single Appraisal Report.

Reporting Option Discussion:

USPAP identifies two reporting options: Appraisal Report and Restricted Appraisal Report. We will include an Appraisal Report for property, summarizing analysis and data to reach the value conclusion for each hotel.

**IV. FEE, EXPENSES AND OTHER
TERMS OF ENGAGEMENT**

Fee:

\$28,000. All invoices are due upon receipt of the final report. The Client shall be solely responsible for C&W's fees and expenses hereunder. Acknowledgement of this obligation is made by the countersignature to this agreement by an authorized representative of the Client.

Additional Expenses:

Fee quoted is inclusive of expenses related to the preparation of

the report.

- Retainer:** A retainer is not required for this assignment in order to commence work.
- Report Copies:** The final report will be delivered in electronic format. Up to three hard copies will be provided upon request.
- Start Date:** The appraisal process will initiate upon receipt of signed agreement, applicable retainer, and the receipt of the property specific data.
- Acceptance Date:** This proposal is subject to withdrawal if the engagement letter is not executed by the Client within four (4) business days.
- Final Report Delivery:** The report will be delivered by April 23, 2014, assuming prompt receipt of necessary property information. Payment of the fee shall be due and payable upon delivery of the final report.
- Changes to Agreement:** The identity of the Client, Intended User(s) identified herein, or Intended Use identified herein; the date of value; type of value or interest appraised; or property appraised cannot be changed without a new agreement.
- Prior Services Disclosure:** USPAP requires disclosure of prior services performed by the individual appraiser within the three years prior to this assignment. The undersigned appraiser has not provided prior services within the designated time frame.
- Conflicts of Interest:** C&W adheres to a strict internal conflict of interest policy. If we discover in the preparation of our appraisal a conflict with this assignment we reserve the right to withdraw from the assignment without penalty.
- Further Conditions of Engagement:** The Conditions of Engagement attached hereto are incorporated herein and are part of this letter of engagement. In addition, Client intends to publish a summary of our findings and/or the appraisal documents on www.SEDAR.com, making the document publicly available to investors. The Client adheres to all the terms and conditions of the attached "Indemnity Agreement," and will complete applicable portions of and fully execute said document prior to publishing the appraisal report.

Mr. Robert O'Neill
April 1, 2014
Page 4

Thank you for calling on us to render these services and we look forward to working with you.

Sincerely,
CUSHMAN & WAKEFIELD OF VIRGINIA, INC.

Brian M. Johnson

Brian M. Johnson
Senior Director

cc:

AGREED:
CLIENT: AMERICAN HOTEL INCOME PROPERTIES REIT LP

By:

Robert O'Neill

Date: April 3, 2014

Mr. Robert O'Neill

Title:

Chief Executive Officer

E-mail Address/Phone & Fax Nos.:

Information Needed to Complete the Assignment

We understand that you will provide the following information for our review, if available.

Physical Information

- Plot plan/survey and legal description
- Building plans/leasing plan/stacking plan
- Property Conditions Assessment Report
- Original construction and site acquisition costs
- Cost of any major expansions, modifications or repairs incurred over the past three years/capital expense budget
- On Site Contact—name and phone number—for property inspection

Financial Information

- Income & Expense Statements for three previous years plus year-to-date
- Pro forma operating budgets
- Most recent real estate tax bill or statement
- Argus diskette or other financial modeling file
- Sales history of the subject property over the past three years at a minimum

Supporting Documentation

- Leases and/or detailed Lease Abstracts
- Detailed Rent Roll including:
 - Commencement and Expiration Dates and options to renew
 - Leased Area
 - Base Rent and contractual increases (CPI, fixed steps, etc.)
 - Expense Recapture or Pass-through provisions including applicable base year amounts
 - Overage or Percentage Rent breakpoints and percentages, as applicable
 - Tenant Improvement (TI) costs
 - Concessions (free rent, other)
- Summary of recently negotiated unexecuted leases or letters of intent
- Delinquency report identifying tenants in arrears or in default

Other Documentation

- Copy of your guidelines or instructions to appraisers/consultants
- Supplemental Standards, if applicable (applies only to government agencies, government sponsored entities, other entities that establish public policy)
- Additional Information to be considered in the appraisal

CONDITIONS OF ENGAGEMENT

- 1) Each Intended User identified herein should consider the appraisal as only one factor together with its independent investment considerations and underwriting criteria in its overall investment decision. The appraisal cannot be used by any party or for any purpose other than the Intended User (s) identified herein for the Intended Use described herein.
- 2) Federal banking regulations require banks and savings and loan associations to employ appraisers where a FIRREA compliant appraisal must be used in connection with mortgage loans or other transactions involving federally regulated lending institutions, including mortgage bankers/brokers. Because of that requirement, an appraisal, if ordered independent of a financial institution or agent, may not be accepted by a federally regulated financial institution. The appraisal prepared pursuant to this Engagement will be prepared in accordance with the Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation, the Standards of Professional Practice and the Code of Ethics of the Appraisal Institute.
- 3) The appraisal report will be subject to our standard Assumptions and Limiting Conditions, which will be incorporated into the appraisal. All users of the appraisal report are specifically cautioned to understand the standard Assumptions and Limiting Conditions as well as any Extraordinary Assumptions and Hypothetical Conditions which may be employed by the appraiser and incorporated into the appraisal.
- 4) The appraisal report or our name may not be used in any offering memoranda or other investment material without the prior written consent of C&W, which may be given at the sole discretion of C&W. Any such consent, if given, shall be conditioned upon our receipt of an indemnification agreement from a party satisfactory to us and in a form satisfactory to us. Furthermore, Client agrees to pay the fees of C&W's legal counsel for the review of the material which is the subject of the requested consent. C&W disclaims any and all liability with regard to the appraisal prepared pursuant to the engagement to any party other than the Intended User (s).
- 5) In the event the Client provides a copy of the appraisal to, or permits reliance thereon by, any party not identified herein as an Intended User, Client hereby agrees to indemnify and hold C&W, its affiliates and the respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including attorney's fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the appraisal by any such party.
- 6) The balance of the fee for the appraisal will be due upon delivery of a report. Payment of the fee is not contingent on the appraised value, a loan closing, or any other prearranged condition. Additional fees will be charged on an hourly basis for any work, which exceeds the scope of this proposal, including performing additional valuation scenarios, additional research and conference calls or meetings with any party, which exceed the time allotted by C&W for an assignment of this nature. If we are requested to stop working on this assignment, for any reason, prior to our completion of the appraisal, C&W will be entitled to bill the Client for the time expended to date at C&W's hourly rates for the personnel involved.
- 7) If C&W or any of its affiliates or any of their respective employees receives a subpoena or other judicial command to produce documents or to provide testimony involving this assignment in connection with a lawsuit or proceeding, C&W will use reasonable efforts to notify the Client of our receipt of same. However, if C&W or any of its affiliates are not a party to these proceedings, Client agrees to compensate C&W or its affiliate for the professional time and reimburse C&W or its affiliate for the actual expense that it incurs in responding to any such subpoena or judicial command, including attorneys' fees, if any, as they are incurred. C&W or its affiliate will be compensated at the then prevailing hourly rates of the personnel responding to the subpoena or command for testimony.
- 8) By signing this agreement Client expressly agrees that its sole and exclusive remedy for any and all losses or damages relating to this agreement or the appraisal shall be limited to the amount of the appraisal fee paid by the Client. In the event that the Client, or any other party entitled to do so, makes a claim against C&W or any of its affiliates or any of their respective officers or employees in connection with or in any way relating to this engagement or the appraisal, the maximum damages recoverable from C&W or any of its affiliates or their respective officers or employees shall be the amount of the monies actually collected by C&W or any of its affiliates for this assignment and under no circumstances shall any claim for consequential damages be made.
- 9) C&W disclaims any and all liability to any party with regard to this Report other than an Intended User identified herein.
- 10) The fees and expenses shall be due C&W as agreed in this letter. If it becomes necessary to place collection of the fees and expenses due C&W in the hands of a collection agent and/or an attorney (whether or not a legal action is filed) Client agrees to pay all fees and expenses including attorney's fees incurred by C&W in connection with the collection or attempted collection thereof.

INDEMNITY AGREEMENT

To induce Cushman & Wakefield, Inc. or one or more of its subsidiaries or affiliates to consent to the reference to the appraisal report described in the annexed Exhibit "A" (the "Report") in the materials also described in Exhibit "A," the undersigned indemnitor(s) ("Indemnitor") agrees to the provisions of this Indemnity Agreement.

1. Indemnitor agrees to indemnify and hold harmless Cushman & Wakefield, Inc., its subsidiaries and affiliates and their respective directors, officers, employees, agents, contractors and controlling persons (each an "Indemnified Party") from and against any and all losses, claims, damages and liabilities, joint or several, to which any Indemnified Party may become subject in connection with or arising out of or relating to the reference to, or inclusion of, the Report, or portions thereof, or to Cushman & Wakefield, Inc. or one or more of its subsidiaries or affiliates, in the materials described in Exhibit "A", or any actions taken or omitted, services performed or matters contemplated by or in connection with the such inclusion or reference, and to reimburse each Indemnified Party promptly upon demand for expenses (including fees and expenses of legal counsel) as they are incurred in connection with the investigation of, preparation for or defense of any pending or threatened claim, or any litigation, proceeding or other action in respect thereof, including any amount paid in settlement of any litigation or other action (commenced or threatened), to which the Indemnitor shall have consented in writing (such consent not to be unreasonably withheld), whether or not any Indemnified Party is a party and whether or not liability resulted; provided, however, that the Indemnitor shall not be liable under the foregoing indemnity agreement in respect of any loss, claim, damage or liability to the extent that a court having competent jurisdiction shall have determined by a final judgment (not subject to further appeal) that such loss, claim, damage or liability resulted from the willful misconduct or gross negligence of such Indemnified Party.

2. An Indemnified Party shall have the right to retain separate legal counsel of its own choice to conduct the defense and all related matters in connection with any such litigation, proceeding or other action. The Indemnitor shall pay the fees and expenses of such legal counsel and such legal counsel shall to the fullest extent consistent with its professional responsibilities cooperate with the Indemnitor and any legal counsel designated by the Indemnitor.

3. In the event that the indemnity provided for herein is unenforceable, then the Indemnitor shall contribute to amounts paid or payable by an Indemnified Party in respect of such Indemnified Party's expenses, losses, claims, damages and liabilities as to which the indemnity provided for herein is unavailable (i) in such proportion as appropriately reflects the relative benefits received by the Indemnitor, on the one hand, and Indemnified Party, on the other hand, in connection with the matters as to which such losses, claims, damages or liabilities relate, or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as appropriately reflects not only the relative benefits referred to in clause (i) but also the relative fault of the Indemnitor, on the one hand, and the Indemnified Party, on the other hand, as well as any other equitable considerations. The amount paid or payable by the party in respect of losses, claims, damages and liabilities referred to above shall be deemed to include any legal or other fees and expenses incurred in defending any litigation, proceeding or other action or claim. Notwithstanding the provisions hereof, the Indemnified Party shall not be required to contribute any amount in excess of the amount of fees actually received by the Indemnified Party in connection with the Report.

4. All notices under this Agreement shall be in writing and shall be deemed to have been given when sent by certified mail, return receipt requested, postage prepaid, or when personally delivered.
5. The liability of the Indemnitor hereunder, if more than one party, shall be joint and several.
6. Any provision of this Agreement which is prohibited or unenforceable shall not affect or invalidate the remaining provisions hereof which shall continue in full force and effect.
7. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts executed in and to be performed in that state.

This Agreement dated as of the 17th day of January, 2014 shall inure to the benefit of each Indemnified Party, its successors and assigns, and be binding upon Indemnitor and its successors and assigns.

Indemnitor(s):


By  _____

Exhibit "A"
to
Indemnity Agreement given by
_____ (**"Indemnitor"**)

in favor of
Cushman & Wakefield, Inc., its subsidiaries and affiliates and their respective directors,
officers, employees, agents and controlling persons

Appraisal, as of _____, 20__ of property described as follows: _____

Issued by Cushman & Wakefield of _____, Inc.

To be referenced in the following material:

ADDENDUM C: CLIENT SATISFACTION SURVEY

Survey Link: [Http://www.surveymonkey.com/s.aspx?sm=_2bZUxc1p1j1DWj6n_2fsw1KQ_3d_3d&c=14-43502-900282-002](http://www.surveymonkey.com/s.aspx?sm=_2bZUxc1p1j1DWj6n_2fsw1KQ_3d_3d&c=14-43502-900282-002)

C&W File ID: 14-43502-900282-002

Fax Option: (716) 852-0890

1. Given the scope and complexity of the assignment, please rate the development of the appraisal relative to the adequacy and relevance of the data, the appropriateness of the techniques used, and the reasonableness of the analyses, opinions, and conclusions:

- ☐ Excellent
- ☐ Good
- ☐ Average
- ☐ Below Average
- ☐ Poor

Comments: _____

2. Please rate the appraisal report on clarity, attention to detail, and the extent to which it was presentable to your internal/external users without revisions:

- ☐ Excellent
- ☐ Good
- ☐ Average
- ☐ Below Average
- ☐ Poor

Comments: _____

3. The appraiser communicated effectively by listening to your concerns, showed a sense of urgency in responding, and provided convincing support of his/her conclusions:

☐ Not Applicable

☐ Excellent

☐ Good

☐ Average

☐ Below Average

☐ Poor

Comments: _____

4. The report was on time as agreed, or was received within an acceptable time frame if unforeseen factors occurred after the engagement:

☐ Yes

☐ No

5. Please rate your overall satisfaction relative to cost, timing, and quality:

☐ Excellent

☐ Good

☐ Average

☐ Below Average

☐ Poor

Comments: _____

6. Any additional comments or suggestions?

7. Would you like a representative of Cushman & Wakefield's National Quality Control Committee to contact you?

☐ Yes

☐ No

Your Name: _____

Your Telephone Number: _____

Contact Information: Scott Schafer
Managing Director, National Quality Control
(716) 852-7500, ext. 121