APPRAISAL REPORT

Holiday Inn Express Hotel & Suites Nevada

311 SOUTH JOHNSON DRIVE
NEVADA, MISSOURI

SUBMITTED TO:

Mr. Martin Pinsker
American Hotel Income Properties
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Vancouver, BC V6B 5A1

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PREPARED BY:

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April 14, 2015

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

Re: Holiday Inn Express Hotel & Suites Nevada
311 South Johnson Drive
Nevada, Missouri
HVS Reference: 2015020459

Dear Mr. Pinsker:

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

Based on our analysis, it is our opinion that the "as is" market value of the fee simple interest in the real and personal property of the Holiday Inn Express Hotel & Suites Nevada, as of April 7, 2015, is:

$7,500,000

SEVEN MILLION FIVE HUNDRED THOUSAND DOLLARS

This value estimate equates to $110,300 per room.

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

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

Sincerely,
MM&R Valuation Services, Inc.

Daniel P. McCoy, MAI, Managing Director, Senior Partner
DMcCoy@hvs.com, +1 (970) 215-0620
State Appraiser License (MO) 2010001717

Table of Contents

1. Summary of Salient Data and Conclusions

Property:	Holiday Inn Express Hotel & Suites Nevada
Location:	311 South Johnson Drive Nevada, Missouri 64772 Vernon County
Interest Appraised:	Fee Simple
Highest and Best Use (as improved):	Limited-service lodging facility

LAND DESCRIPTION

Area:	2.07 acres, or 90,064 square feet
Zoning:	C-3 - Commercial District
Assessor's Parcel Number(s):	018+18-1.0-11-000-000-004.080
FEMA Flood Zone:	C

IMPROVEMENTS DESCRIPTION

Year Opened:	2014
Property Type:	Limited-service lodging facility
Building Area:	49,826 square feet
Guestrooms:	68
Number of Stories:	Three
Food and Beverage Facilities:	A breakfast dining area
Meeting Space:	584 square feet
Additional Facilities:	An indoor pool, a fitness room, a lobby workstation, a market pantry, a guest laundry room, and vending areas
Parking Spaces:	70 (surface)

OPINIONS OF "AS IS" MARKET VALUE - APRIL 7, 2015

Income Capitalization Approach:	$7,500,000
Sales Comparison Approach:	$6,100,000 to $8,500,000
Cost Approach:	Not Applicable
"As Is" Market Value, as of April 7, 2015:	$7,500,000
Market Value Conclusion per Room:	$110,300
Capital Expenditure (if applicable):	$0

ASSIGNMENT CONDITIONS

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

2. Nature of the Assignment

Subject of the Appraisal

The subject of the appraisal is the fee simple interest in a 2.07-acre (90,064-square-foot) parcel improved with a limited-service lodging facility known as the Holiday Inn Express Hotel & Suites Nevada. The property opened in 2014 and features 68 rooms, a breakfast dining area, 584 square feet of meeting space, an indoor pool, a fitness room, a lobby workstation, a market pantry, a guest laundry room, and vending areas. The hotel also features all necessary back-of-the-house space. The hotel's civic address is 311 South Johnson Drive, Nevada, Missouri, 64772.

Property Rights Appraised

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

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

Objective of the Appraisal

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

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

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

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

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

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

Pertinent Dates

The effective date of the "as is" market value opinion is April 7, 2015. The subject property was inspected by Jeff Pennington on April 7, 2015. Daniel P. McCoy, MAI participated in the analysis and reviewed the findings, but did not personally inspect the property.

Ownership, Franchise, and Management History and Assumptions

The subject property is currently owned by Nevada Hospitality, LLC. This entity acquired the subject site in 2013 at a reported cost of $495,000 and subsequently developed the subject hotel at a reported total cost of $6,500,000, inclusive of the land. No other transfers of the property have reportedly occurred in the last three years. The "as is" market value opinion in this appraisal is approximately 15% higher than the construction cost, reflecting an entrepreneurial profit for the developer. The hotel is now under contract for purchase by American Hotel Income Properties REIT, Inc. as part of a portfolio consisting of nine properties with a total of 632 rooms. The contracted price of the entire portfolio is $55,000,000; an individual purchase price for the subject property was not allocated.

The hotel is managed by JDSK Enterprises, Inc., an entity affiliated with ownership. Details pertaining to management terms were not available for our review; however, the existing management agreement is reportedly terminable upon sale. Our appraisal assumes that the subject property will be managed by a professional hotel-operating company, with fees deducted at rates consistent with current market standards. We have assumed a market-appropriate total management fee of 3.0% of total revenues in our study. Please refer to the Income Capitalization

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

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

Approach chapter for additional discussion pertaining to our management fee assumptions.

The hotel currently operates as a Holiday Inn Express Hotel & Suites under a license agreement with Holiday Hospitality Franchising, LLC; the existing agreement expires in 2034 and does not carry an option for renewal. The property's current franchise agreement calls for a royalty fee of 6.0% of rooms revenue and a marketing assessment of 3.0% of rooms revenue. We note that the current franchise agreement cannot automatically be transferred to a new owner upon the sale of the property. We have assumed that a buyer would elect to continue to operate the hotel as a Holiday Inn Express Hotel & Suites and would enter into a license agreement that would reflect the current terms as published in the company's Uniform Franchise Offering Circular (UFOC). Such a new license could require upgrades or renovations to the property in order to comply with prevailing brand standards, which would necessitate additional investment. Given the recent opening of the property and its current condition, we have assumed that any such upgrades or renovations would be funded by the forecasted reserve for replacement. The Holiday Inn Express Hotel & Suites franchise is reflected in our forecasts with a royalty fee of 6% of rooms revenue, and a marketing assessment of 3% of rooms revenue. Reservations fees are also due and are included in the rooms expense line item of our forecast.

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

We assume that the hotel will retain its current brand affiliation throughout the holding period. Inherent in this assumption is the expectation that the property will be operated in accordance with brand standards, including requirements for services and cleanliness; that the hotel will be maintained in good condition, with all building systems in good working order; and that any necessary refurbishments or renovations will be completed in a timely manner and in accordance with the requirements of the brand. A copy of the franchise inspection report was not provided for our review. We assume that any deficiencies in the property noted by the brand will be addressed in a timely manner and that the hotel will pass all future franchise inspections.

Most Probable Buyer

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

Highest and Best Use

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

Intended Use of the Appraisal

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

Identification of the Client and Intended User(s)

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

Assignment Conditions

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

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

Marketing and Exposure Periods

Our opinion is that the exposure period for the subject property, prior to our date of value, is estimated to be less than or equal to seven months, while the marketing period for the subject property, subsequent to our date of value, is less than or equal to seven months. Published surveys report marketing time, not the exposure period. Marketing time is an opinion of the amount of time it might take to sell a property at the concluded market value level during the period immediately after the effective date of an appraisal. Currently, marketing time for economy/limited-service hotels is averaging 7.0 months, according to the PWC Real Estate Investor Survey - Third Quarter 2014, published by PricewaterhouseCoopers. Overall marketing time is averaging 5.3 months for hotels, as reported by the Situs Real Estate Research Corporation's Winter 2015 Real Estate Survey.

Competency

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

Scope of Work

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

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

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

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

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

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

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

any items of physical deterioration or functional obsolescence. A list of facilities and amenities that the property offers has been compiled, and past upgrades of each area of the hotel have been investigated. Recent capital expenditures, as well as planned future upgrades, have been reviewed. The remaining economic life of the hotel has been estimated.

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

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

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

7. Occupancy of the subject property was projected based on a forecast of overall market penetration, or penetration by market segment. Average rate was projected based on competitive positioning, through the application of an overall ADR penetration rate, or penetration by each market segment's average rate.

8. Historical income and expense statements for the subject hotel have been reviewed, analyzed, and compared to the financial performance of comparable hotels. Inflation forecasts were researched, forming the basis for our own forecast of inflation. A projection of income and expense was prepared in accordance with the USALI, setting forth the anticipated economic benefits of the subject property. All projections are expressed in inflated dollars. Each line item has been reviewed individually. Amounts are forecast based on past performance, expected changes at the property in the future, and comparable hotel performance levels. Property taxes are forecast based on a review of past assessment levels, comparable hotel assessments, and historical tax rates.

9. Our forecast of net income for the subject property is capitalized into an opinion of value via a ten-year mortgage-equity technique, as well as a discounted-cash-flow analysis. Pertinent direct capitalization rates are also reviewed. Recent trends in interest rates, amortization, loan-to-value ratios, and equity return rates, as well as terminal capitalization rates, are researched and applied during this process.

10. As applicable, sales of comparable hotels have been researched for the local market, by brand nationally, and for the greater region as a whole. Among these sales, a smaller set of sales was selected for more detailed review and analysis. An adjustment grid was developed to assist in deriving our opinion of value via the sales comparison approach.

11. The cost approach was deemed inapplicable in the valuation of the subject property because it is not relied upon by hotel investors in the valuation process and requires unsubstantiated calculations to derive an estimate of asset depreciation. An opinion of personal property value is presented, as well as an estimate of replacement cost for insurance purposes, if applicable.

12. The appraisal considers the following three approaches to value: cost, sales comparison, and income capitalization. We have investigated numerous improved sales in the market area and have spoken with buyers, sellers, brokers, property developers, and public officials. Because lodging facilities are income-producing properties that are normally bought and sold on the basis of capitalization of their anticipated stabilized earning power, the greatest weight is given to the value indicated by the income capitalization approach. We find that most hotel investors employ a similar procedure in formulating their purchase decisions, and thus the income capitalization approach most closely reflects the rationale of typical buyers.

3. Description of the Real Estate

LAND

The subject property is located in eastern Nevada, in the southwestern quadrant of the intersection formed by East Austin Boulevard and Interstate 49/U.S. Highway 71. The street address of the Holiday Inn Express Hotel & Suites Nevada is 311 South Johnson Drive, Nevada, Missouri, 64772.

FIGURE 3-1 SURVEY

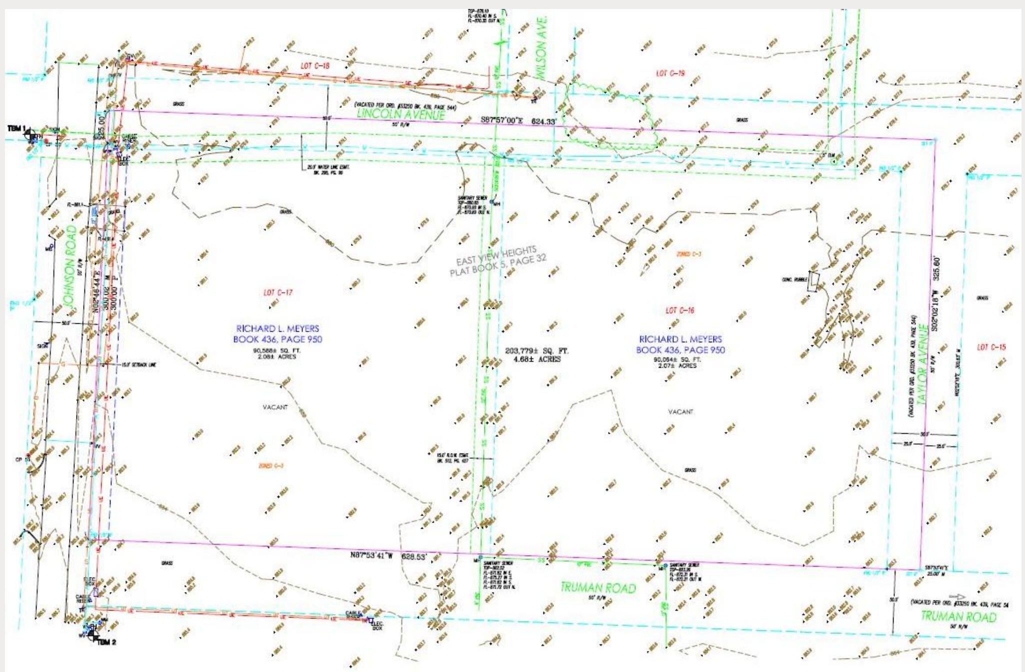

FIGURE 3-2 SITE CHARACTERISTICS

Size (Acres)	2.07
Configuration	Primary vehicular access to the property is provided by Johnson Drive. The topography of the parcel is generally flat, and the site's shape is rectangular.
Parcel Number(s)	018+18-1.0-11-000-000-004.080
Utilities	According to property ownership, the subject site is served by all necessary utilities.
Easements and Encroachments	We are not aware of any easements or encroachments encumbering the property that would significantly affect its utility or marketability.
Soil and Subsoil Conditions	Geological and soil reports were not provided to us or made available for our review during the preparation of this report. We are not qualified to evaluate soil conditions other than by a visual inspection of the surface; no extraordinary conditions were apparent.
Nuisances and Hazards	We were not informed of any site-specific nuisances or hazards, and there were no visible signs of toxic ground contaminants at the time of our inspection. Because we are not experts in this field, we do not warrant the absence of hazardous waste and urge the reader to obtain an independent analysis of these factors.
Zoning	C-3, Commercial District This zoning designation allows for most commercial uses, including retail and service establishments and hotels and motels. We assume that all necessary permits and approvals have been secured (including the appropriate liquor license if applicable) and that the subject property was constructed in accordance with local zoning ordinances, building codes, and all other applicable regulations. Our zoning analysis should be verified before any physical changes are made to the hotel.
Flood Zone	C areas of minimal flooding.

The subject hotel was developed on a parcel that includes approximately one and one-half acres on the eastern portion of the site that is undeveloped and could be sold, entitled, and developed for alternate use. Ownership noted that this excess land will be split from the hotel portion of the site into its own parcel. The vacant parcel will not be included in the pending transaction, and, as such, it has been excluded from the scope of this appraisal report.

Access and Visibility

Regional access to/from the city of Nevada and the subject property, in particular, is considered good. The area enjoys a well-developed network of local roadways, highways, and interstates. East Austin Boulevard, U.S. Highway 54, and Interstate 49/U.S. Highway 71 facilitate travel between the subject property and the principal concentrations of business activity and population in the region. The subject property is visible from within its neighborhood, including from East Austin Boulevard and Interstate 49/U.S. Highway 71, due to its identifiable signage. The subject hotel features monument signage at the main entrance to the site, facing Johnson Drive, as well as signage on the façade of the building; furthermore, additional freestanding signage is located in the northeast portion of the site. Overall, the site's accessibility attributes and the subject property's visibility characteristics are appropriate and deemed adequate.

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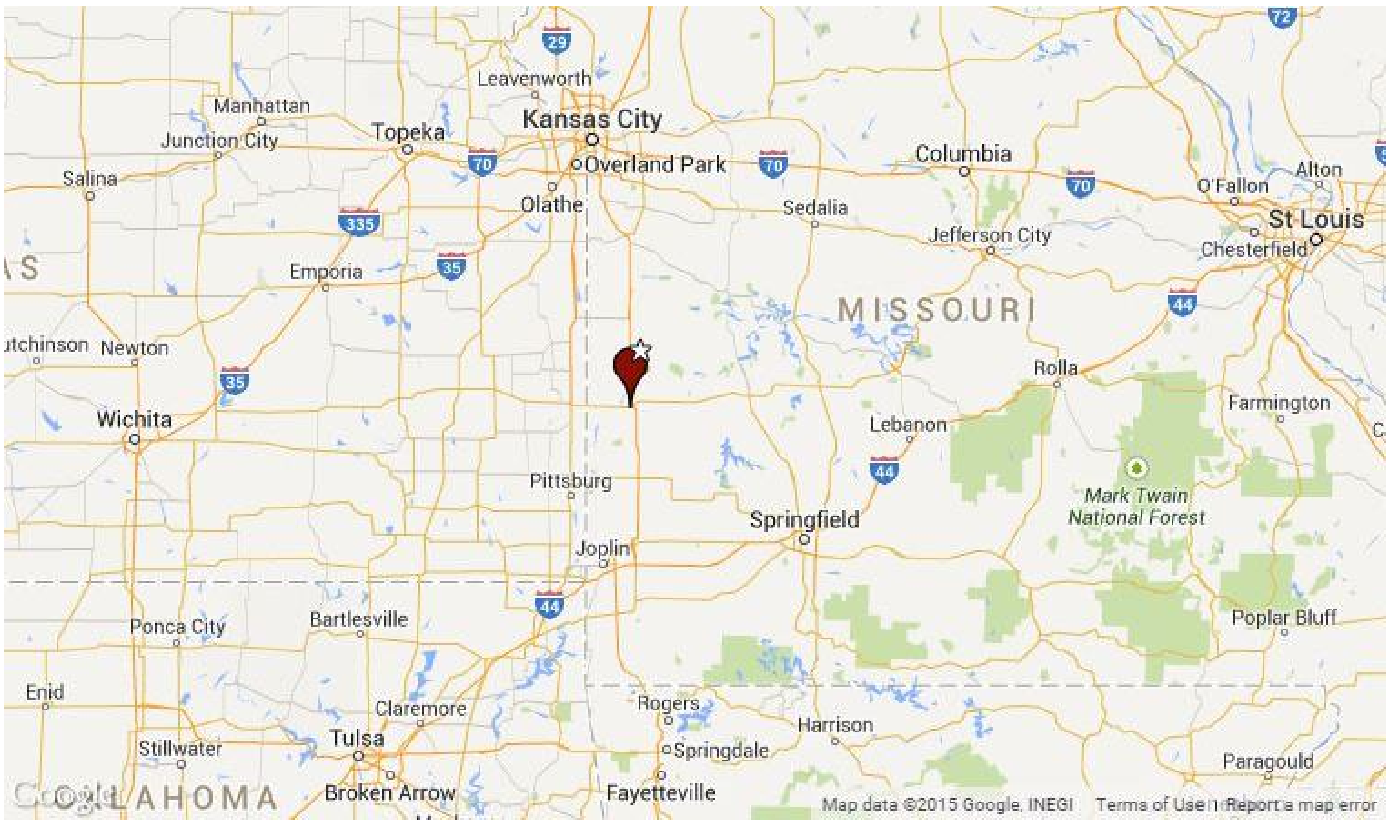
MAP OF REGIONAL ACCESS ROUTES

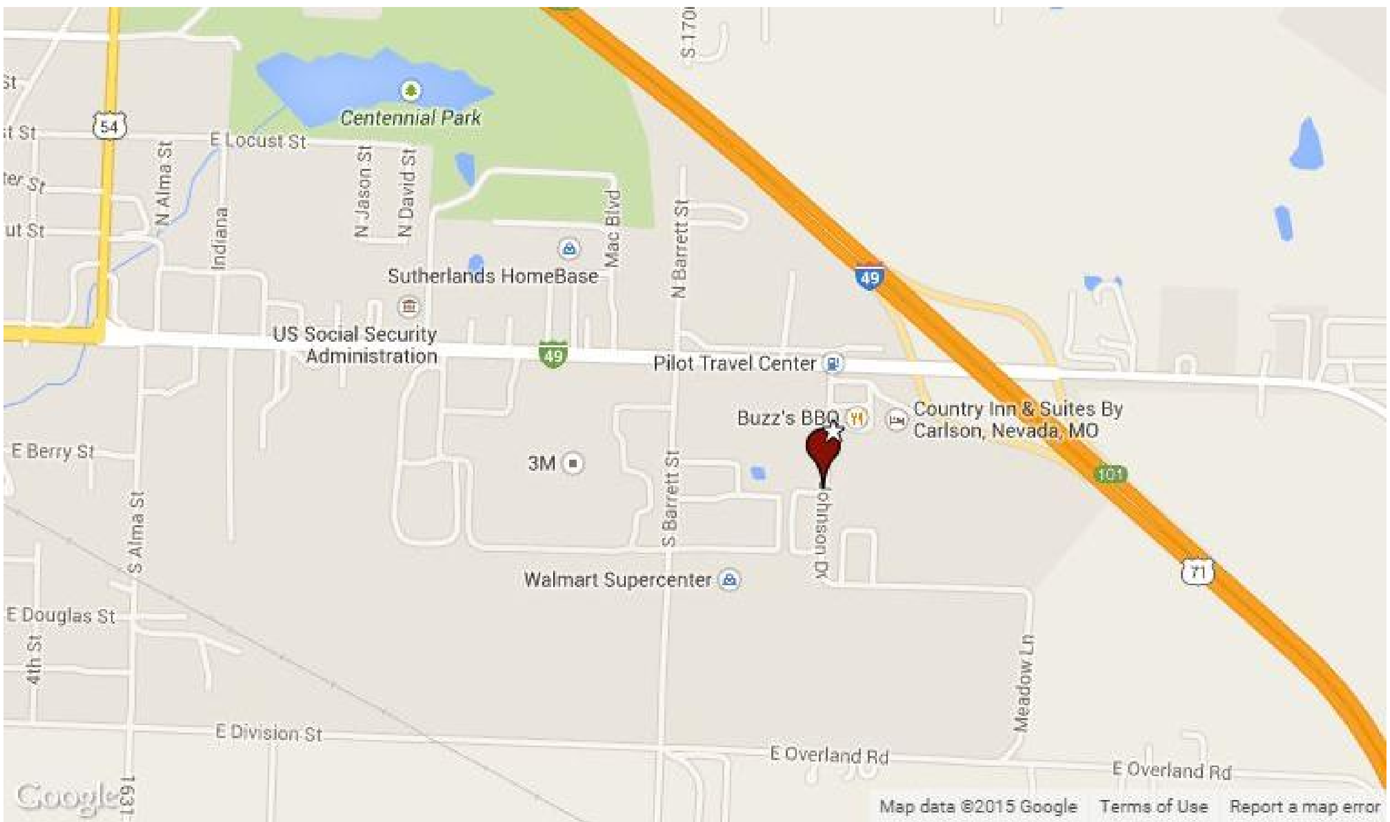


The subject property is served by the Kansas City International Airport, which is located approximately 90 miles to the north of the subject site.

Neighborhood

The subject property's eastern Nevada neighborhood is generally defined by Interstate 49/U.S. Highway 71 to the northeast, Johnson Drive to the south, and U.S. Highway 54 to the west. This neighborhood is in the stable stage of its life cycle and is characterized by Centennial Park, gas stations, supermarkets, retail and service shops, and industrial buildings. Local economic development officials noted that a Sharky's Pub & Grub restaurant is anticipated to open in the strip mall located adjacent the Walmart Supercenter parking lot and near the subject site. The new restaurant is anticipated to open by the summer of 2015. Located just south of the subject neighborhood along East Overland Road is Champion Diamonds, a baseball and softball complex that hosts youth tournaments on the weekends during the spring and summer months. In 2012, the section of U.S. Highway 71 running through this neighborhood was designated as Interstate 49. Some specific businesses and entities in the area include 3M, Country Inn & Suites by Carlson, Americas Best Value Inn & Suites, and Super 8. Restaurants located near the subject property include Buzz's BBQ, Subway, Burger King, and Sonic Drive-In. In general, we would characterize the neighborhood as 25% public park use, 20% industrial use, 25% vacant, 20% retail/restaurant use, 5% hotel use, and 5% other.

MAP OF NEIGHBORHOOD



Conclusion

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

IMPROVEMENTS
Property Overview

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

SUBJECT PROPERTY – FRONT OF HOTEL

SUBJECT PROPERTY – BACK OF HOTEL

Summary of the Facilities

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

FIGURE 3-3 FACILITIES SUMMARY

Guestroom Configuration	Number of Units
King	20
Queen/Queen	33
King Suite	11
Double Queen Suite	4
Total	68

Food & Beverage Facilities	Approx. Seating Capacity
Breakfast Dining Area	30

Meeting & Banquet Facilities	Square Footage
Meeting Room	584

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

Infrastructure	
Parking Spaces	70
Elevators	1 Guest
Life-Safety Systems	Sprinklers, Smoke Detectors
Construction Details	Wood Framing, Poured Concrete

Site Improvements and Hotel Structure

The hotel comprises one three-story building that is positioned on the south side of the site. Surface parking is located north and west of the building. Other site improvements include monument signage, located at the entrance to the hotel property, and well-kept landscaping and sidewalks; additional signage is located on the northeastern portion of the subject property. The hotel's main entrance, located on the north side of the building, leads directly into the lobby. The first floor houses the public areas and the back-of-the-house space, while the guestrooms are located on all levels of the building. The site and the structure appeared to be in excellent condition upon inspection. Management noted that a few of the entry doors to the building have required adjustments due to the settling of the building. No recent changes were noted by management.

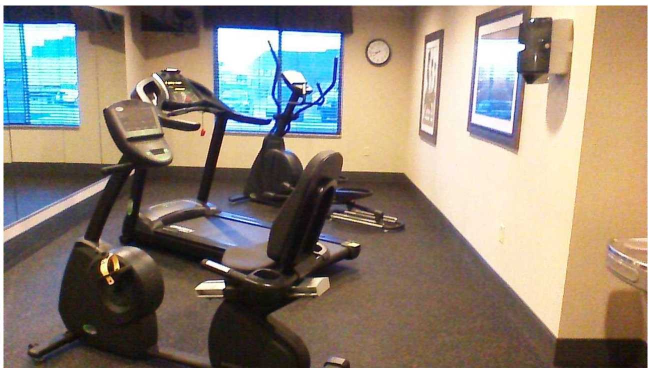
LOBBY SEATING AREA

FRONT DESK

BREAKFAST DINING AREA

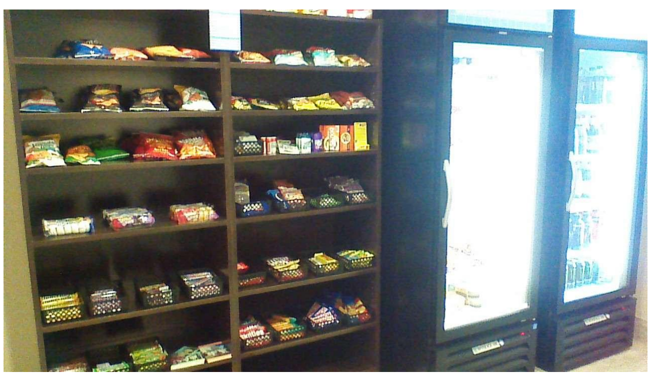
MEETING ROOM

FITNESS ROOM

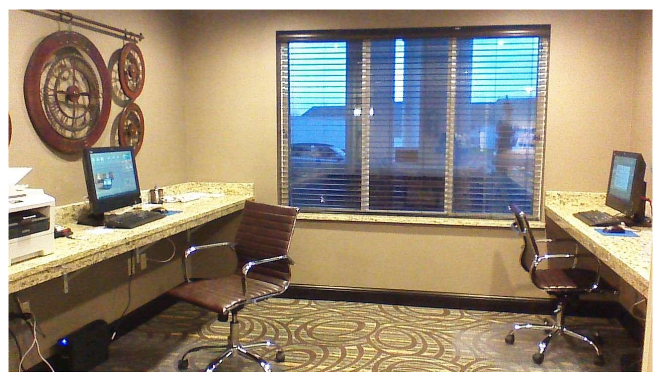


POOL

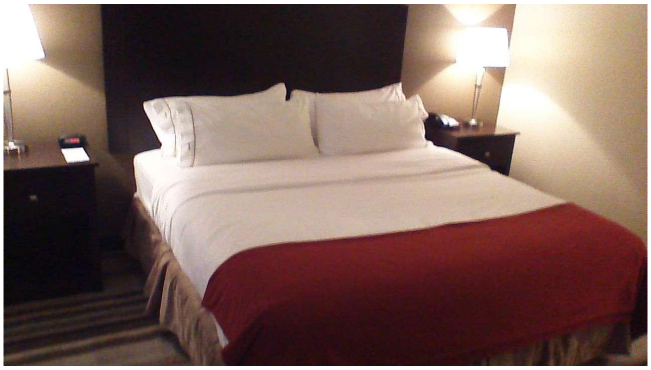
MARKET PANTRY



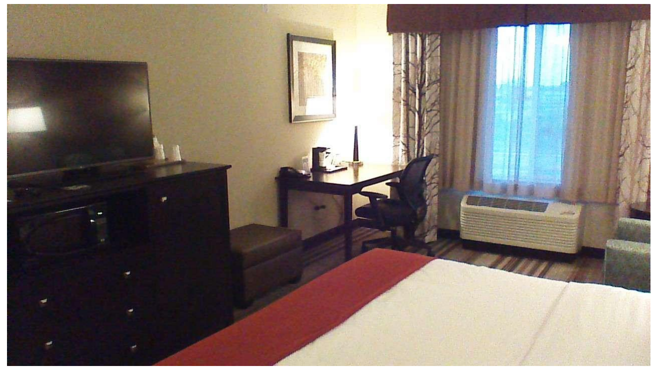
LOBBY WORKSTATION



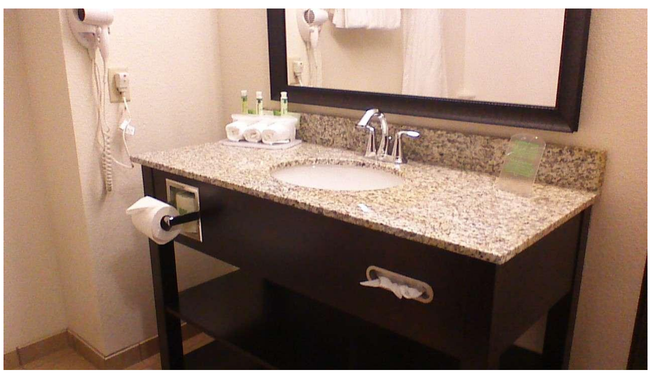
TYPICAL GUESTROOM – SLEEPING AREA



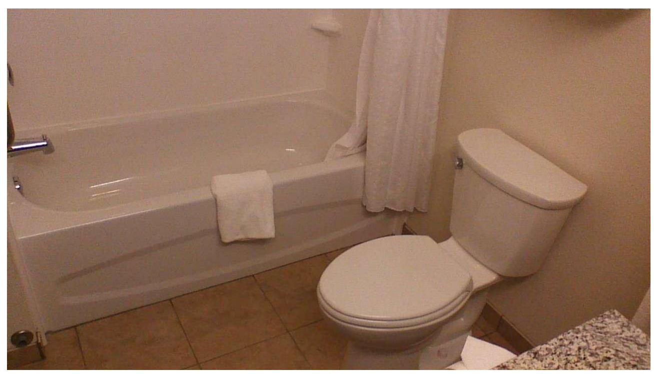
TYPICAL GUESTROOM – LIVING AREA



TYPICAL GUESTROOM BATHROOM – SINK



TYPICAL GUESTROOM BATHROOM – BATH



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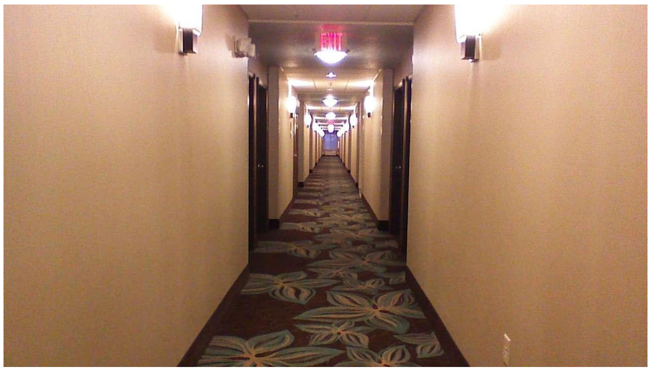
TYPICAL GUESTROOM – CORRIDOR

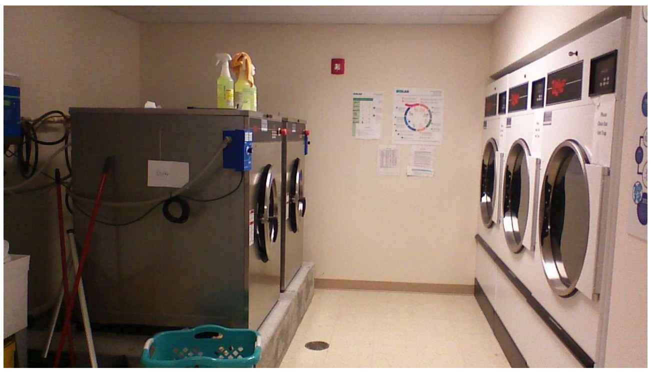


Hotel facilities and amenities include a breakfast dining area, an indoor pool, a meeting room, a fitness room, a two-computer lobby workstation, a market pantry, a guest laundry room, and vending areas. These spaces are functional, appearing to be well kept upon inspection. Given the relatively recent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

Back-of-the-House

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

LAUNDRY



KITCHEN/FOOD PREP AREA

ADA and Environmental

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

Functional Obsolescence

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

Effective Age and Remaining Economic Life

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

FIGURE 3-4 EFFECTIVE AGE AND REMAINING ECONOMIC LIFE

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

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

Capital Expenditures

According to hotel ownership, there have been no major capital expenditures since the hotel's opening in November of 2014.

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

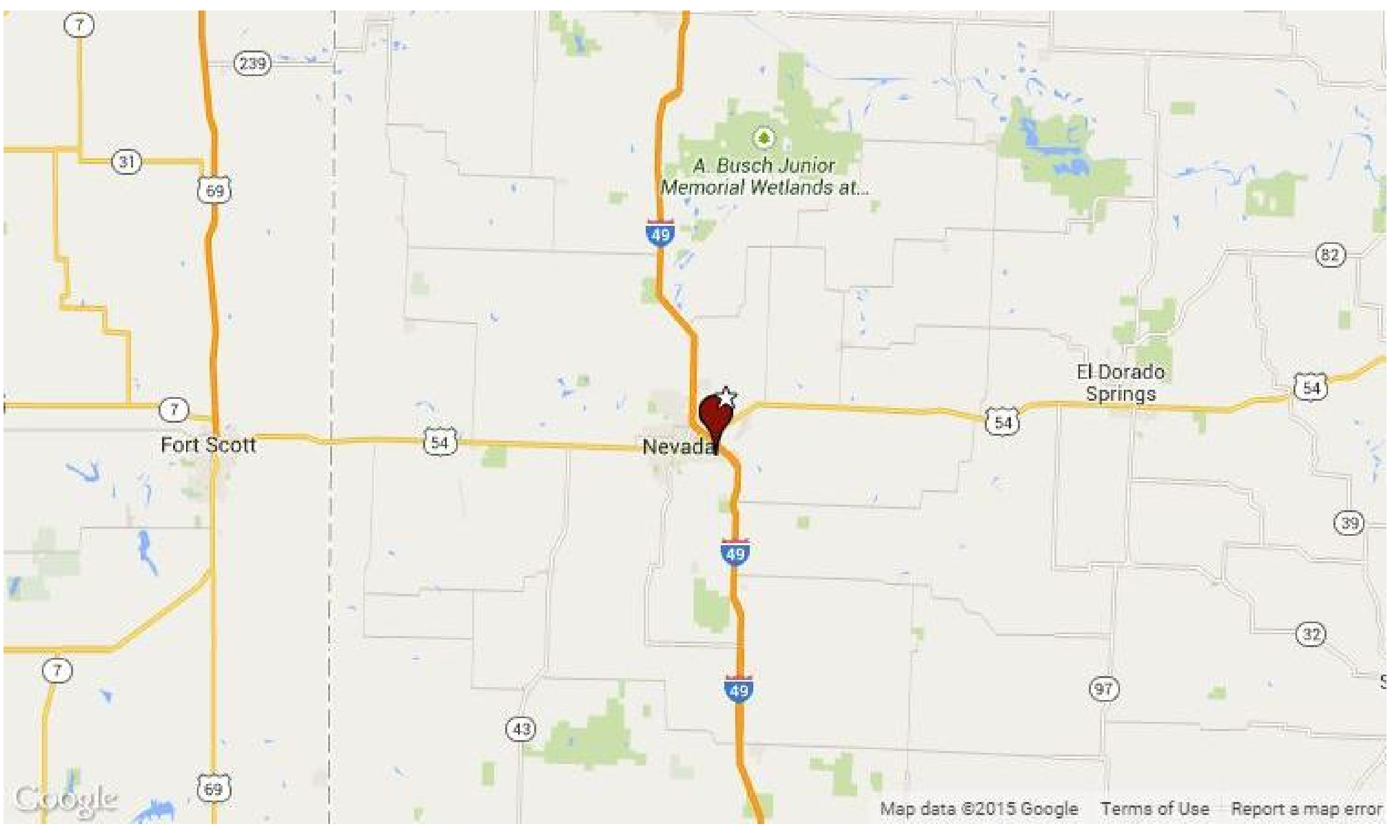
4. Market Area Analysis

Market Area Definition

The market area for a lodging facility is the geographical region where the sources of demand and the competitive supply are located. The subject property is located in the city of Nevada, the county of Vernon, and the state of Missouri. Nevada is located in western Missouri and is the county seat of Vernon County. The city was incorporated as Nevada in 1855 although it was originally known as both Hog-Eye and Fair View. During the Civil War, the pro-Union fighters from Cedar County burned the entire town of Nevada to the ground after several pro-Union fighters were killed during an attack on the Nevada Courthouse. Nevada is home to Cottey College, a small liberal arts and sciences school for women.

The following exhibit illustrates the market area.

MAP OF MARKET AREA



Economic and Demographic Review

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

These data are summarized in the following table.

FIGURE 4-1 ECONOMIC AND DEMOGRAPHIC DATA SUMMARY

	2000	2010	2014	2020	Average Annual Compounded Change 2000-10	2010-14	2014-20
Resident Population (Thousands)							
Vernon County	20.4	21.1	21.2	21.6	0.3 %	0.1 %	0.3 %
State of Missouri	5,607.3	5,995.7	6,140.6	6,404.6	0.7	0.6	0.7
United States	282,162.4	309,330.2	320,976.9	340,554.3	0.9	0.9	1.0
Per-Capita Personal Income*							
Vernon County	$25,782	$29,034	$29,653	$31,971	1.2	0.5	1.3
State of Missouri	33,545	35,813	37,461	40,462	0.7	1.1	1.3
United States	36,473	39,144	41,079	44,387	0.7	1.2	1.3
W&P Wealth Index							
Vernon County	71.3	73.8	72.2	72.0	0.4	(0.6)	(0.0)
State of Missouri	92.8	91.7	91.3	91.2	(0.1)	(0.1)	(0.0)
United States	100.0	100.0	100.0	100.0	0.0	0.0	0.0
Food and Beverage Sales (Millions)*							
Vernon County	$18	$16	$17	$18	(1.4)	1.4	1.4
State of Missouri	7,298	8,280	8,907	9,790	1.3	1.8	1.6
United States	368,842	447,396	490,340	548,160	1.9	2.3	1.9
Total Retail Sales (Millions)*							
Vernon County	$208	$204	$219	$236	(0.2)	1.8	1.2
State of Missouri	79,654	80,027	87,862	96,967	0.0	2.4	1.7
United States	3,902,969	4,149,070	4,617,326	5,187,469	0.6	2.7	2.0

* Inflation Adjusted

Source: Woods & Poole Economics, Inc.

The U.S. population has grown at an average annual compounded rate of 0.9% from 2010 through 2014. The county's population has grown more slowly than the nation's population; the average annual growth rate of 0.1% between 2010 and 2014 reflects a gradually expanding area. Following this population trend, per-capita personal income increased slowly, at 0.5% on average annually for the county between 2010 and 2014. Local wealth indexes have remained stable in recent years, registering a relatively low 72.2 level for the county in 2014.

Food and beverage sales totaled $17 million in the county in 2014, versus $16 million in 2010. This reflects a 1.4% average annual change, which is stronger than the -1.4% pace recorded in the prior decade, the latter years of which were adversely affected by the recession. Over the long term, the pace of growth is forecast to moderate to a more sustainable level of 1.4%, which is forecast through 2020. The retail sales sector demonstrated an annual decline of -0.2% registered in the decade 2000 to 2010, followed by an increase of 1.8% in the period 2010 to 2014. An increase of 1.2% average annual change is expected in county retail sales through 2020.

Workforce Characteristics

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

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

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

Industry	2000	Percent of Total	2010	Percent of Total	2014	Percent of Total	2020	Percent of Total	Average Annual Compounded Change 2000-2010	2010-2014	2014-2020
Farm	1.7	14.5 %	1.4	12.8 %	1.4	12.5 %	1.3	12.0 %	(2.0) %	(0.3) %	(0.1) %
Forestry, Fishing, Related Activities And Other	0.2	1.6	0.1	1.4	0.2	1.8	0.2	1.7	(1.9)	6.7	0.3
Mining	0.1	0.6	0.1	0.8	0.1	0.9	0.1	0.9	2.1	2.2	0.9
Utilities	0.0	0.4	0.0	0.2	0.0	0.3	0.0	0.4	(6.9)	16.6	1.3
Construction	0.6	4.9	0.4	4.1	0.4	3.9	0.5	4.1	(2.4)	(0.6)	1.0
Manufacturing	1.5	13.0	1.1	10.1	1.1	10.1	1.1	9.9	(3.2)	0.6	0.3
Total Trade	1.4	12.0	1.3	12.5	1.4	12.4	1.4	12.4	(0.4)	0.3	0.5
Wholesale Trade	0.3	2.3	0.2	2.3	0.3	2.4	0.3	2.5	(0.5)	1.5	1.2
Retail Trade	1.1	9.8	1.1	10.1	1.1	10.0	1.1	9.9	(0.4)	0.1	0.4
Transportation And Warehousing	0.4	3.3	0.4	3.5	0.3	3.1	0.3	2.9	0.0	(2.9)	(0.3)
Information	0.1	1.2	0.1	0.8	0.1	0.8	0.1	0.8	(4.2)	1.4	0.5
Finance And Insurance	0.4	3.6	0.5	4.4	0.5	4.7	0.6	4.9	1.4	2.0	1.5
Real Estate And Rental And Lease	0.2	1.8	0.2	1.7	0.2	1.8	0.2	1.9	(1.3)	1.3	1.5
Total Services	3.0	25.6	3.2	29.5	3.3	30.7	3.6	32.2	0.7	1.4	1.4
Professional And Technical Services	0.2	2.1	0.3	2.6	0.3	2.7	0.3	2.9	1.7	1.3	1.4
Management Of Companies And Enterprises	0.1	0.7	0.0	0.4	0.0	0.4	0.0	0.4	(5.2)	0.0	0.7
Administrative And Waste Services	0.2	1.6	0.2	1.7	0.2	1.7	0.2	1.9	(0.4)	1.4	1.7
Educational Services	0.2	1.7	0.3	2.8	0.3	3.0	0.4	3.1	4.1	2.4	1.3
Health Care And Social Assistance	0.9	7.8	1.1	10.7	1.2	11.3	1.4	12.3	2.5	1.7	2.0
Arts, Entertainment, And Recreation	0.1	0.9	0.1	0.8	0.1	0.9	0.1	0.9	(1.5)	2.7	0.5
Accommodation And Food Services	0.7	5.7	0.5	5.1	0.5	4.9	0.5	4.8	(1.9)	(0.3)	0.2
Other Services, Except Public Administration	0.6	5.1	0.6	5.4	0.6	5.7	0.7	5.9	(0.3)	1.8	1.4
Total Government	2.0	17.7	1.9	18.1	1.8	17.0	1.8	15.9	(0.5)	(1.2)	(0.5)
Federal Civilian Government	0.1	0.9	0.1	1.0	0.1	1.0	0.1	1.0	1.3	(0.9)	0.0
Federal Military	0.1	0.7	0.1	0.7	0.1	0.7	0.1	0.6	(0.8)	(0.7)	0.2
State And Local Government	1.9	16.2	1.8	16.4	1.7	15.3	1.6	14.3	(0.6)	(1.3)	(0.6)
TOTAL	11.5	100.0 %	10.7	100.0 %	10.9	100.0 %	11.2	100.0 %	(0.8) %	0.4 %	0.6 %
U.S.	165,371.0	—	173,626.7	—	183,038.2	—	198,343.5	—	0.7	1.3	1.3

Source: Woods & Poole Economics, Inc.

Woods & Poole Economics, Inc. reports that during the period from 2000 to 2010, total employment in the county contracted at an average annual rate of -0.8%. This trend lagged the national average, reflecting the contracting nature of the local economy throughout most of the decade until the recession in the latter years. More recently, the pace of total employment growth in the county accelerated to 0.4% on an annual average from 2010 to 2014, reflecting the initial years of the recovery.

Of the primary employment sectors, Total Services recorded the highest increase in number of employees during the period from 2010 to 2014, increasing by 181 people, or 5.7%, and rising from 29.5% to 30.7% of total employment. Of the various service sub-sectors, Health Care And Social Assistance and Other Services, Except Public Administration were the largest employers. Forecasts developed by Woods & Poole Economics, Inc. anticipate that total employment in the county will change by 0.6% on average annually through 2020. The trend is below the forecast rate of change for the U.S. as a whole during the same period.

Radial Demographic Snapshot

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

FIGURE 4-3 DEMOGRAPHICS BY RADIUS

	0.00 - 1.00 miles	0.00 - 3.00 miles	0.00 - 5.00 miles
Population			
2019 Projection	567	8,967	11,693
2014 Estimate	571	9,262	12,004
2010 Census	577	9,621	12,382
2000 Census	667	9,677	12,135
Growth 2014-2019	-0.7%	-3.2%	-2.6%
Growth 2010-2014	-1.0%	-3.7%	-3.1%
Growth 2000-2010	-13.6%	-0.6%	2.0%
Households			
2019 Projection	278	3,823	4,876
2014 Estimate	273	3,895	4,951
2010 Census	266	3,953	5,011
2000 Census	258	3,860	4,756
Growth 2014-2019	1.9%	-1.8%	-1.5%
Growth 2010-2014	2.8%	-1.5%	-1.2%
Growth 2000-2010	3.0%	2.4%	5.4%
Income			
2014 Est. Average Household Income	$47,084	$49,780	$52,848
2014 Est. Median Household Income	36,205	39,178	41,752
2014 Est. Civ Employed Pop 16+ by Occupation	254	3,918	5,282
Architect/Engineer	0	17	28
Arts/Entertain/Sports	0	28	30
Building Grounds Maint	13	192	248
Business/Financial Ops	10	104	155
Community/Soc Svcs	5	93	135
Computer/Mathematical	4	79	95
Construction/Extraction	12	119	195
Edu/Training/Library	5	114	170
Farm/Fish/Forestry	4	49	73
Food Prep/Serving	33	372	473
Health Practitioner/Tec	13	208	289
Healthcare Support	16	264	320
Maintenance Repair	13	183	251
Legal	1	40	44
Life/Phys/Soc Science	5	39	52
Management	28	426	581
Office/Admin Support	27	478	682
Production	13	198	270
Protective Svcs	3	126	154
Sales/Related	25	405	519
Personal Care/Svc	12	188	212
Transportation/Moving	11	196	306

Source: The Nielsen Company

This source reports a population of 12,004 within a five-mile radius of the subject property, and 4,951 households within this same radius. Average household income within a five-mile radius of the subject property is currently reported at $52,848, while the median is $41,752.

Unemployment Statistics

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

FIGURE 4-4 UNEMPLOYMENT STATISTICS

Year	County	State	Country
2004	5.4 %	5.9 %	5.5 %
2005	4.8	5.4	5.1
2006	4.4	4.8	4.6
2007	4.9	5.1	4.6
2008	5.6	6.1	5.8
2009	7.8	9.3	9.3
2010	7.9(M)	9.6	9.6
2011	7.1(M)	8.5	8.9
2012	5.8(M)	7.0	8.1
2013	5.6(M)	6.7	7.4
Recent Month - January			
2014	6.0 %	7.1 %	6.6 %
2015	5.3	6.1	5.7

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

Source: U.S. Bureau of Labor Statistics

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

Locally, the unemployment rate was 5.6(M)% in 2013; for this same area in 2015, the most recent month's unemployment rate was registered at 5.3%, versus 6.0% for the same month in 2014. After showing year-over-year improvement, unemployment began to rise in 2007 as the region entered an economic slowdown, and this trend continued through 2010 as the height of the national recession took hold. However, unemployment declined in 2011 as the economy rebounded, a trend that continued through 2013. Although the 2014 statistics have yet to be published, the most recent comparative period illustrates improvement, indicated by the lower unemployment rate in the latest available data for 2015. Our interviews with economic development officials reflect a positive outlook, primarily attributed to expansions at the 3M plant and Cottey College.

Major Business and Industry

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

FIGURE 4-5 MAJOR EMPLOYERS

Rank	Firm	Number of Employees
1	3M	647
2	Nevada Regional Medical Center	496
3	Nevada R-5 School System	370
4	Murphy Family Ventures	325
5	Wal-Mart Stores, Inc.	270
6	Nevada Habilitation Center	247
7	Heartland Behavioral Health Services	230
8	Cottey College	162
9	American Standard	146
10	Skills Unlimited, Inc.	115

Source: Nevada Missouri Chamber of Commerce, 2015

Vernon County's economic base is anchored by the manufacturing industry and the education sector. The area's manufacturing industry has been strengthening in recent years. The Nevada 3M facility manufactures commercial graphics and signage for semi-trucks and buildings and is the largest employer in the city and county. In 2014, 3M announced plans to invest $18.7 million to expand the manufacturing plant, and the project is expected to create 22 new jobs. Cottey College is an independent liberal arts and sciences college for women. Virginia Alice Cottey founded the college in 1884. Between 2009 and 2013, A Defining

Moment: The Campaign for Cottey College raised over $35 million for campus buildings and other strategic improvements. One of the project's goals was the construction of a new fine arts building, which broke ground in April of 2014. While Cottey has historically offered only two-year programs for Associate's Degrees, in 2011, the first of six four-year Bachelor's Degree programs were added. The growth at the 3M plant and Cottey College, along with growth at smaller local businesses, should provide stability for the local area in the near term.

Airport Traffic

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

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

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

FIGURE 4-6 AIRPORT STATISTICS - KANSAS CITY INTERNATIONAL AIRPORT

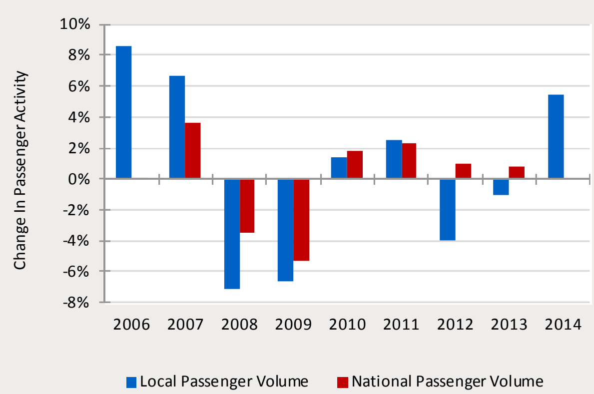
Year	Passenger Traffic	Percent Change*	Percent Change**
2005	9,730,909	—	—
2006	10,569,590	8.6 %	8.6 %
2007	11,275,951	6.7	7.6
2008	10,469,892	(7.1)	2.5
2009	9,774,972	(6.6)	0.1
2010	9,912,203	1.4	0.4
2011	10,158,452	2.5	0.7
2012	9,749,507	(4.0)	0.0
2013	9,644,264	(1.1)	(0.1)
2014	10,166,879	5.4	0.5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

*Annual average compounded percentage change from the previous year

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

Source: Kansas City International Airport

FIGURE 4-7 LOCAL PASSENGER TRAFFIC VS. NATIONAL TREND



Source: HVS, Local Airport Authority

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

Tourist Attractions

Given the rural and somewhat remote location of the subject market, leisure demand generated by tourist attractions does not exist. Limited weekend demand is generated by youth baseball and softball tournaments. This type of demand should remain in place in the near future.

Conclusion

This section discussed a wide variety of economic indicators for the pertinent market area. Nevada is experiencing a period of modest growth, primarily led by the manufacturing industry and the education sector. Our market interviews and research revealed that the city is growing at a moderate pace, and the recent addition of the Holiday Inn Express Hotel & Suites and planned addition of a new restaurant are positive developments for the services sector. The outlook for the market area is positive.

5. Supply and Demand Analysis

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

Definition of Subject Hotel Market

The 68-room Holiday Inn Express Hotel & Suites Nevada is located in Nevada, Missouri.

Historical Supply and Demand Data

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

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

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2003	214	78,110	—	45,640	—	58.4 %	$58.25	—	$34.04	—
2004	214	78,110	0.0 %	44,826	(1.8) %	57.4	59.26	1.7 %	34.01	(0.1) %
2005	214	78,110	0.0	44,656	(0.4)	57.2	61.11	3.1	34.94	2.7
2006	214	78,110	0.0	46,178	3.4	59.1	63.33	3.6	37.44	7.2
2007	214	78,110	0.0	50,941	10.3	65.2	65.34	3.2	42.61	13.8
2008	222	80,916	3.6	51,958	2.0	64.2	69.18	5.9	44.42	4.2
2009	285	104,145	28.7	52,640	1.3	50.5	73.41	6.1	37.11	(16.5)
2010	309	112,785	8.3	59,922	13.8	53.1	75.48	2.8	40.10	8.1
2011	309	112,785	0.0	65,581	9.4	58.1	78.28	3.7	45.52	13.5
2012	309	112,785	0.0	64,168	(2.2)	56.9	79.15	1.1	45.03	(1.1)
2013	309	112,785	0.0	64,907	1.2	57.5	81.82	3.4	47.09	4.6
2014	335	122,361	8.5	72,595	11.8	59.3	84.45	3.2	50.10	6.4
Average Annual Compounded Change:										
2003-2014			4.2 %		4.3 %			3.4 %		3.6 %
<u>Year-to-Date Through February</u>										
2014	309	18,231	—	10,056	—	55.2 %	$79.46	—	$43.83	—
2015	436	25,724	41.1 %	10,938	8.8 %	42.5	83.92	5.6 %	35.68	(18.6) %

Hotels Included in Sample	Competitive Status	Number of Rooms	Year Affiliated	Year Opened
Super 8 Nevada	*Secondary*	59	Mar 1985	Mar 1985
Country Inn & Suites Nevada	*Primary*	68	Oct 1998	Oct 1998
Days Inn Butler	*Not Competitive*	40	Dec 2014	Jan 1999
Comfort Inn & Suites Pittsburg	*Not Competitive*	70	Aug 2000	Aug 2000
Holiday Inn Express & Suites Pittsburg	*Not Competitive*	72	May 2009	May 2009
Sleep Inn & Suites Fort Scott	*Not Competitive*	59	Oct 2014	Oct 2014
Holiday Inn Express & Suites Nevada	***Subject Property***	**68**	**Nov 2014**	**Nov 2014**
	Total	**436**		

Source: STR Global

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

The average daily room count in 2014 was 335 for this reporting set, showing an average annual rate of change of 4.2% over the historical period. Opening dates, as available, are presented for each reporting hotel in the previous table. Due to the limited hotel supply in Nevada and the reporting requirements of STR Global, several hotels from nearby communities are included in this set. Although these additional hotels are not considered to be competitive, the data for these properties do illustrate the broader regional trends impacting the Nevada hotel market.

Regional employers and motorists traveling along Interstate 49, as well as events at area colleges, represent the primary sources of demand for the selected set of hotels in this southwest Missouri and southeast Kansas market. Occupancy for this set of hotels peaked in 2007 and then declined sharply in 2008 and 2009 as the onset of the recession coincided with significant supply growth. Aside from a modest correction in 2012, demand and occupancy levels have steadily grown since 2010. Despite an increase in supply in 2014, occupancy levels increased; however, the year-to-date data through February of 2015 show a significant decrease in occupancy, as the additional rooms have negatively affected performance during the slower winter months. Average rate for this set of hotels has steadily increased on a yearly basis during the historical period shown, starting in the high 50s during the mid-2000s and reaching the mid-80s by 2014. Early indications for 2015 point to a continuation of this trend.

The STR data for the competitive set reflect a market-wide average rate level of $84.45 in 2014, which compares to $81.82 for 2013. These occupancy and average rate trends resulted in a RevPAR level of $50.10 in 2014.

SUPPLY

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

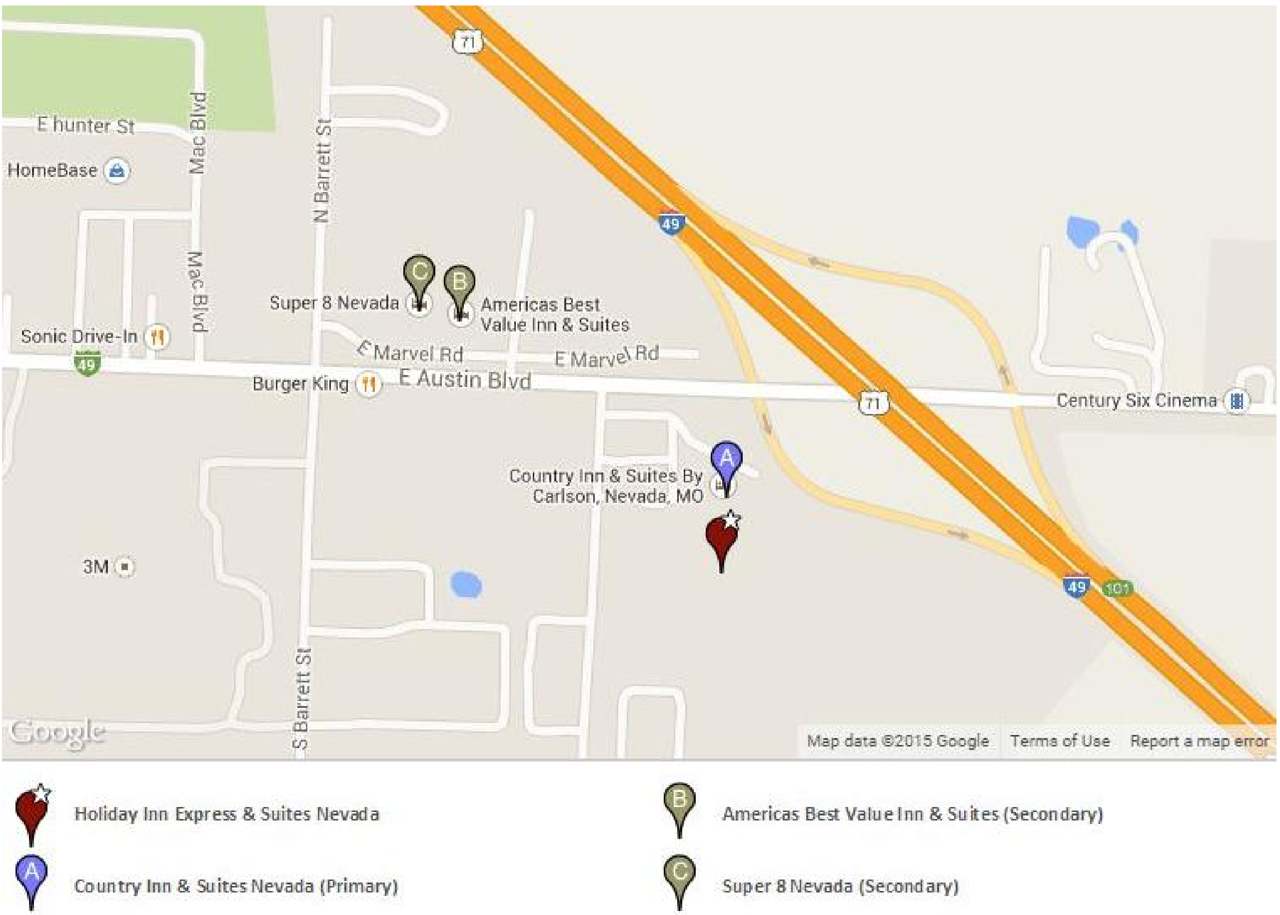
FIGURE 5-2 PRIMARY COMPETITORS – OPERATING PERFORMANCE

Property	Number of Rooms	Est. Segmentation: Commercial	Est. Segmentation: Leisure	Est. Segmentation: Group	Estimated 2012: Weighted Annual Room Count	Estimated 2012: Occ.	Estimated 2012: Average Rate	Estimated 2012: RevPAR	Estimated 2013: Weighted Annual Room Count	Estimated 2013: Occ.	Estimated 2013: Average Rate	Estimated 2013: RevPAR	Estimated 2014: Weighted Annual Room Count	Estimated 2014: Occ.	Estimated 2014: Average Rate	Estimated 2014: RevPAR	Occupancy Penetration	Yield Penetration
Holiday Inn Express Hotel & Suites Nevada	68	60 %	30 %	10 %	0	0.0 %	$0.00	$0.00	0	0.0 %	$0.00	$0.00	7	23.4 %	$99.08	$23.18	38.3 %	51.1 %
Country Inn & Suites Nevada	68	55	40	5	68	62	81.00	50.22	68	63	84.00	52.92	68	66	85.00	56.10	108.1	123.7
Sub-Totals/Averages	**136**	**55 %**	**40 %**	**5 %**	**68**	**62.0 %**	**$81.00**	**$50.22**	**68**	**63.0 %**	**$84.00**	**$52.92**	**75**	**61.8 %**	**$85.53**	**$52.85**	**101.2 %**	**116.6 %**
Secondary Competitors	107	50 %	45 %	5 %	86	56.4 %	$59.70	$33.70	86	57.4 %	$61.61	$35.39	86	60.4 %	$64.05	$38.72	99.0 %	85.4 %
Totals/Averages	**243**	**52 %**	**42 %**	**5 %**	**154**	**58.9 %**	**$69.63**	**$41.01**	**154**	**59.9 %**	**$72.03**	**$43.15**	**161**	**61.1 %**	**$74.23**	**$45.34**	**100.0 %**	**100.0 %**

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

Property	Number of Rooms	Est. Segmentation: Commercial	Est. Segmentation: Leisure	Est. Segmentation: Group	Total Competitive Level	Estimated 2012: Weighted Annual Room Count	Estimated 2012: Occ.	Estimated 2012: Average Rate	Estimated 2012: RevPAR	Estimated 2013: Weighted Annual Room Count	Estimated 2013: Occ.	Estimated 2013: Average Rate	Estimated 2013: RevPAR	Estimated 2014: Weighted Annual Room Count	Estimated 2014: Occ.	Estimated 2014: Average Rate	Estimated 2014: RevPAR
Americas Best Value Inn & Suites Nevada	48	50 %	45 %	5 %	80 %	38	57 %	$69.00	$39.33	38	58 %	$72.00	$41.76	38	61 %	$75.00	$45.75
Super 8 Nevada	59	50	45	5	80	47	56	52.00	29.12	47	57	53.00	30.21	47	60	55.00	33.00
Totals/Averages	**107**	**50 %**	**45 %**	**5 %**	**80 %**	**86**	**56.4 %**	**$59.70**	**$33.70**	**86**	**57.4 %**	**$61.61**	**$35.39**	**86**	**60.4 %**	**$64.05**	**$38.72**

MAP OF COMPETITION



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

Supply Changes

It is important to consider any new hotels that may have an impact on the subject property's operating performance. According to the local planning office, and our research and inspection (as applicable), no new hotels are expected within the subject property's competitive submarket at this time.

DEMAND

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

FIGURE 5-4 HISTORICAL MARKET TRENDS

Year	Accommodated Room Nights	% Change	Room Nights Available	% Change	Market Occupancy	Market ADR	% Change	Market RevPAR	% Change
Est. 2010	30,783	—	56,064	—	54.9 %	$66.42	—	$36.47	—
Est. 2011	33,586	9.1 %	56,064	0.0 %	59.9	68.91	3.7 %	41.28	13.2 %
Est. 2012	33,025	(1.7)	56,064	0.0	58.9	69.63	1.0	41.01	(0.6)
Est. 2013	33,586	1.7	56,064	0.0	59.9	72.03	3.5	43.15	5.2
Est. 2014	35,904	6.9	58,784	4.9	61.1	74.23	3.1	45.34	5.1
Avg. Annual Compounded Chg., Est. 2010-Est. 2014:		3.9 %		1.2 %			2.8 %		5.6 %

Demand Analysis Using Market Segmentation

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

FIGURE 5-5 ACCOMMODATED ROOM-NIGHT DEMAND

	Marketwide		Subject Property	
Market Segment	Accommodated Demand	Percentage of Total	Accommodated Demand	Percentage of Total
Commercial	18,835	52 %	382	60 %
Leisure	15,242	42	191	30
Group	1,827	5	64	10
Total	**35,904**	**100 %**	**636**	**100 %**

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

FIGURE 5-6 AVERAGE ANNUAL COMPOUNDED MARKET SEGMENT GROWTH RATES

	Annual Growth Rate				
Market Segment	**2015**	**2016**	**2017**	**2018**	**2019**
Commercial	3.0 %	2.0 %	1.0 %	0.5 %	0.0 %
Leisure	3.0	2.0	1.0	0.5	0.0
Group	2.0	1.0	0.5	0.5	0.0
Base Demand Growth	**2.9 %**	**1.9 %**	**1.0 %**	**0.5 %**	**0.0 %**

Accommodated Demand and Market-wide Occupancy

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

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

FIGURE 5-7 ACCOMMODATED DEMAND

	2014	2015	2016	2017	2018	2019
Commercial						
Base Demand	18,835	19,400	19,788	19,986	20,086	20,086
Unaccommodated Demand		5,899	6,017	6,077	6,107	6,107
Total Demand		25,298	25,804	26,062	26,193	26,193
Growth Rate		34.3 %	2.0 %	1.0 %	0.5 %	0.0 %
Leisure						
Base Demand	15,242	15,700	16,014	16,174	16,255	16,255
Unaccommodated Demand		1,328	1,354	1,368	1,375	1,375
Total Demand		17,027	17,368	17,541	17,629	17,629
Growth Rate		11.7 %	2.0 %	1.0 %	0.5 %	0.0 %
Group						
Base Demand	1,827	1,864	1,882	1,892	1,901	1,901
Total Demand		1,864	1,882	1,892	1,901	1,901
Growth Rate		2.0 %	1.0 %	0.5 %	0.5 %	0.0 %
Totals						
Base Demand	35,904	36,963	37,684	38,051	38,241	38,241
Unaccommodated Demand		7,226	7,371	7,444	7,482	7,482
Total Demand		44,189	45,054	45,496	45,723	45,723
Overall Demand Growth		23.1 %	2.0 %	1.0 %	0.5 %	0.0 %
Market Mix						
Commercial	52.5 %	57.3 %	57.3 %	57.3 %	57.3 %	57.3 %
Leisure	42.5	38.5	38.5	38.6	38.6	38.6
Group	5.1	4.2	4.2	4.2	4.2	4.2
Existing Hotel Supply	161	222	222	222	222	222
Available Rooms per Night	58,784	80,884	80,884	80,884	80,884	80,884
Nights per Year	365	365	365	365	365	365
Total Supply	161	222	222	222	222	222
Rooms Supply Growth	—	37.6 %	0.0 %	0.0 %	0.0 %	0.0 %
Marketwide Occupancy	**61.1 %**	**54.6 %**	**55.7 %**	**56.2 %**	**56.5 %**	**56.5 %**

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

6. Projection of Occupancy and Average Rate

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

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

FIGURE 6-1 HISTORICAL TRENDS

	2014	Year-to-Date Through February 2015
Holiday Inn Express Hotel & Suites Nevada		
Occupancy	23.4 %	33.8 %
Change	—	—
Occupancy Penetration	39.4 %	79.4 %
Average Rate	$99.08	$89.97
Change	—	—
Average Rate Penetration	117.3 %	107.2 %
RevPAR	$23.18	$30.38
Change	—	—
RevPAR Penetration	46.3 %	85.1 %

	2014	Year-to-Date Through February 2015
Nevada Submarket		
Occupancy	59.3 %	42.5 %
Change	3.1 %	(22.9) %
Average Rate	$84.45	$83.92
Change	3.2 %	5.6 %
RevPAR	$50.10	$35.68
Change	6.4 %	(18.6) %

Source: STR Global

Historical occupancy and rate information was limited for the subject hotel given its recent opening in late 2014. The occupancy levels shown are relatively low, given the hotel's opening during the slower winter months when demand is somewhat scarce. Local operators in Nevada noted that the opening of the subject hotel in late 2014 had a significant negative affect on their occupancy levels as demand has shifted towards the newer subject hotel. The subject hotel is currently the highest-rated hotel in this competitive Nevada market due to its strong brand affiliation and high-quality product when compared to the existing competitors. In comparison to the regional STR trend data, the subject property registered an average rate penetration level modestly above the market average for the year-to-date period through February 2015.

Forecast of Subject Property's Occupancy

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

FIGURE 6-2 FORECAST OF SUBJECT PROPERTY'S OCCUPANCY

Market Segment	2014	2015	2016	2017	2018	2019
Commercial						
Demand	18,835	25,298	25,804	26,062	26,193	26,193
Market Share	2.0 %	35.0 %	36.8 %	37.6 %	37.6 %	37.6 %
Capture	382	8,857	9,491	9,807	9,856	9,856
Penetration	44 %	114 %	120 %	123 %	123 %	123 %
Leisure						
Demand	15,242	17,027	17,368	17,541	17,629	17,629
Market Share	1.3 %	32.0 %	35.3 %	37.0 %	37.0 %	37.0 %
Capture	191	5,447	6,133	6,495	6,527	6,527
Penetration	27 %	104 %	115 %	121 %	121 %	121 %
Group						
Demand	1,827	1,864	1,882	1,892	1,901	1,901
Market Share	3.5 %	28.2 %	33.5 %	34.4 %	34.4 %	34.4 %
Capture	64	526	630	651	654	654
Penetration	75 %	92 %	109 %	112 %	112 %	112 %
Total Room Nights Captured	**636**	**14,830**	**16,254**	**16,953**	**17,038**	**17,038**
Available Room Nights	2,720	24,820	24,820	24,820	24,820	24,820
Subject Occupancy	**23 %**	**60 %**	**65 %**	**68 %**	**69 %**	**69 %**
Marketwide Available Room Nights	58,784	80,884	80,884	80,884	80,884	80,884
Fair Share	**5 %**	**31 %**	**31 %**	**31 %**	**31 %**	**31 %**
Marketwide Occupied Room Nights	35,904	44,189	45,054	45,496	45,723	45,723
Market Share	**2 %**	**34 %**	**36 %**	**37 %**	**37 %**	**37 %**
Marketwide Occupancy	**61 %**	**55 %**	**56 %**	**56 %**	**57 %**	**57 %**
Total Penetration	**38 %**	**109 %**	**118 %**	**121 %**	**121 %**	**121 %**

Based on our analysis of the subject property and market area, we have selected a stabilized occupancy level of 69%. The stabilized occupancy is intended to reflect the anticipated results of the property over its remaining economic life, given all changes in the life cycle of the hotel. Thus, the stabilized occupancy excludes from consideration any abnormal relationship between supply and demand, as well as any nonrecurring conditions that may result in unusually high or low occupancies. Although the subject property may operate at occupancies above this stabilized level, we believe it equally possible for new competition and temporary economic downturns to force the occupancy below this selected point of stability.

Average Rate Analysis

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

FIGURE 6-3 MARKET AND SUBJECT PROPERTY AVERAGE RATE FORECAST

	Areawide (Calendar Year)			Subject Property (Calendar Year)			
Year	Occupancy	Average Rate Growth	Average Rate	Occupancy	Average Rate Growth	Average Rate	Average Rate Penetration
Base Year	61.1 %	—	$74.23	23.0 %	—	$99.08	133.5 %
2015	54.6	3.5 %	76.83	60.0	4.5 %	103.54	134.8
2016	55.7	3.5	79.52	65.0	4.0	107.68	135.4
2017	56.2	3.0	81.90	68.0	3.0	110.91	135.4
2018	56.5	3.0	84.36	69.0	3.0	114.24	135.4
2019	56.5	3.0	86.89	69.0	3.0	117.66	135.4

As illustrated above, a 4.5% rate of change is expected for the subject property's room rate in 2015. This is followed by rates of 4.0% and 3.0% in 2016 and 2017, respectively. The subject property's room rate is anticipated to follow a trend similar to that of the market, increasing in the first projection year. The average-rate penetration level is expected to improve as the subject hotel continues to ramp-up towards stabilization. The subject property is likely to maintain a significant rate premium over the rest of the market given its high-quality guestroom product and newer physical plant. Anticipated future economic strength in this market should support longer-term rate improvements for the subject property.

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

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

	Historical					Projected					
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Holiday Inn Express Hotel & Suites Nevada											
Occupancy					23.4 %	59.8 %	65.5 %	68.3 %	68.6 %	68.6 %	68.6 %
Change	—	—	—	—	—	155.3 %	9.6 %	4.3 %	0.5 %	0.0 %	0.0 %
Occupancy Penetration					38.3 %	109.4 %	117.6 %	121.4 %	121.4 %	121.4 %	121.4 %
Average Rate					$99.08	$103.54	$107.68	$110.91	$114.24	$117.66	$121.19
Change	—	—	—	—	—	4.5 %	4.0 %	3.0 %	3.0 %	3.0 %	3.0 %
Average Rate Penetration					133.5 %	134.8 %	135.4 %	135.4 %	135.4 %	135.4 %	135.4 %
RevPAR					$23.18	$61.86	$70.52	$75.76	$78.42	$80.77	$83.19
Change	—	—	—	—	—	166.8 %	14.0 %	7.4 %	3.5 %	3.0 %	3.0 %
RevPAR Penetration					51.1 %	147.4 %	159.2 %	164.4 %	164.4 %	164.4 %	164.4 %

	Historical (Estimated)					Projected					
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Nevada Submarket											
Occupancy	54.9 %	59.9 %	58.9 %	59.9 %	61.1 %	54.6 %	55.7 %	56.2 %	56.5 %	56.5 %	56.5 %
Change	—	9.1 %	(1.7) %	1.7 %	2.0 %	(10.6) %	2.0 %	1.0 %	0.5 %	0.0 %	0.0 %
Average Rate	$66.42	$68.91	$69.63	$72.03	$74.23	$76.83	$79.52	$81.90	$84.36	$86.89	$89.50
Change	—	3.7 %	1.0 %	3.5 %	3.1 %	3.5 %	3.5 %	3.0 %	3.0 %	3.0 %	3.0 %
RevPAR	$36.47	$41.28	$41.01	$43.15	$45.34	$41.97	$44.29	$46.07	$47.69	$49.12	$50.59
Change	—	13.2 %	(0.6) %	5.2 %	5.1 %	(7.4) %	5.5 %	4.0 %	3.5 %	3.0 %	3.0 %

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

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

Year	Occupancy	Average Rate	RevPAR
2015/16	62 %	$104.90	$65.04
2016/17	66	108.74	71.77
2017/18	68	112.00	76.16
2018/19	69	115.36	79.60

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7. Income Capitalization Approach

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

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

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

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

Review of Operating History

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

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

FIGURE 7-1 HISTORICAL OPERATING PERFORMANCE

	2014	Partial Year			2015	Year-to-Date Ending February		
Number of Rooms:	68				68			
Paid Occupied Rooms:	636				1,355			
Days Open:	40				59			
Paid Occupancy:	23.4%			Amount	33.8%			Amount
Average Rate:	$99.08	Percentage	Available	Occupied	$89.97	Percentage	Available	Occupied
RevPAR:	$23.18	of Revenue	Room	Room	$30.38	of Revenue	Room	Room
OPERATING REVENUE								
Rooms	$63	99.7 %	$927	$99.08	$122	99.0 %	$1,793	$89.97
Other Operated Departments	0	0.0	0	0.00	0	0.0	0	0.01
Miscellaneous Income	0	0.2	2	0.25	1	1.0	19	0.94
Total Operating Revenue	63	100.0	930	99.33	123	100.0	1,811	90.91
DEPARTMENTAL EXPENSES*								
Rooms	39	61.6	571	61.00	38	31.1	557	27.94
Other Operated Departments	1	23883.2	8	0.83	0	5113.8	7	0.33
Total	39	62.2	579	61.82	38	31.1	563	28.27
DEPARTMENTAL INCOME	24	37.8	351	37.50	85	68.9	1,248	62.65
UNDISTRIBUTED OPERATING EXPENSES								
Administrative & General	20	31.6	294	31.37	20	16.0	290	14.56
Marketing	6	9.2	85	9.13	6	4.7	86	4.31
Franchise Fee	6	9.1	84	9.01	11	8.9	162	8.13
Prop. Operations & Maint.	14	21.6	200	21.41	5	4.0	73	3.66
Utilities	10	16.0	149	15.89	13	10.6	192	9.63
Total	55	87.4	813	86.82	55	44.3	803	40.30
GROSS HOUSE PROFIT	(31)	(49.6)	(462)	(49.31)	30	24.6	445	22.35
Management Fee	3	5.5	51	5.45	7	5.5	99	4.96
INCOME BEFORE NON-OPER. INC. & EXP.	(35)	(55.1)	(513)	(54.76)	24	19.1	347	17.39
NON-OPERATING INCOME AND EXPENSE								
Property Taxes	1	2.3	21	2.24	10	8.1	147	7.38
Insurance	6	9.5	88	9.43	4	3.3	60	3.03
Reserve for Replacement	5	8.4	78	8.31	5	4.1	75	3.76
Total	13	20.2	187	19.97	19	15.5	282	14.17
EBITDA LESS RESERVE	($48)	(75.3) %	($700)	($74.73)	$4	3.6 %	$65	$3.22
NOI adjusted to reflect a 3.0% mgmt fee and a 4.0% reserve	($43)	(68.4) %			$8	6.1 %		

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

Given the recent opening of the subject hotel, a year-over-year analysis of historical operating revenue and expense levels was not possible. For purposes of this appraisal, we have relied on comparable operating statements of hotels offering a similar product to that of the subject property in our positioning of the hotel's forecasted expense levels.

Comparable Operating Statements

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

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FIGURE 7-2 COMPARABLE OPERATING STATEMENTS: RATIO TO SALES

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject Stabilized $
Year:	**2011/12**	**2010**	**2012/13**	**2011/12**	**2011/12**	**2014**
Number of Rooms:	**70 to 100**	**70 to 100**	**50 to 70**	**90 to 110**	**80 to 100**	**68**
Days Open:	**365**	**365**	**365**	**366**	**366**	**365**
Occupancy:	**68%**	**68%**	**69%**	**72%**	**69%**	**69%**
Average Rate:	**$100**	**$102**	**$104**	**$103**	**$103**	**$104**
RevPAR:	**$68**	**$69**	**$71**	**$73**	**$71**	**$72**
REVENUE						
Rooms	98.4 %	98.4 %	99.7 %	96.9 %	98.9 %	99.2 %
Other Operated Departments	0.0	0.0	0.3	3.1	1.1	0.0
Rentals & Other Income	1.5	1.5	0.0	0.0	0.0	0.8
Total	100.0	100.0	100.0	100.0	100.0	100.0
DEPARTMENTAL EXPENSES*						
Rooms	22.9	22.9	22.8	25.4	20.0	22.8
Other Operated Departments	1,200.0	1,900.0	195.2	8.0	72.0	1,139.1
Total	23.1	24.2	23.3	24.8	20.6	22.8
DEPARTMENTAL INCOME	76.9	75.8	76.7	75.2	79.4	77.2
OPERATING EXPENSES						
Administrative & General	10.8	8.4	10.9	7.9	8.3	9.1
Marketing	1.6	4.1	4.0	1.6	4.5	4.2
Franchise Fee	12.3	9.7	8.8	7.7	9.0	8.9
Property Operations & Maintenance	1.9	3.1	3.7	2.8	3.9	3.6
Utilities	4.5	6.9	5.4	5.3	3.9	4.8
Total	31.1	32.2	33.0	25.3	29.5	30.7
HOUSE PROFIT	45.8	43.6	43.7	49.9	49.9	46.5
Management Fee	0.0	3.0	3.9	3.0	4.0	3.0
INCOME BEFORE FIXED CHARGES	45.8	40.7	39.8	46.8	45.9	43.5

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

FIGURE 7-3 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER AVAILABLE ROOM

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject Stabilized $
Year:	**2011/12**	**2010**	**2012/13**	**2011/12**	**2011/12**	**2014**
Number of Rooms:	**70 to 100**	**70 to 100**	**50 to 70**	**90 to 110**	**80 to 100**	**68**
Days Open:	**365**	**365**	**365**	**366**	**366**	**365**
Occupancy:	**68%**	**68%**	**69%**	**72%**	**69%**	**69%**
Average Rate:	**$100**	**$102**	**$104**	**$103**	**$103**	**$104**
RevPAR:	**$68**	**$69**	**$71**	**$73**	**$71**	**$72**
REVENUE						
Rooms	$24,902	$25,329	$26,040	$26,880	$26,056	$26,195
Other Operated Departments	12	12	70	870	282	5
Rentals & Other Income	390	390	0	0	0	203
Total	25,305	25,732	26,109	27,750	26,338	26,403
DEPARTMENTAL EXPENSES						
Rooms	5,707	5,805	5,947	6,820	5,222	5,967
Other Operated Departments	146	232	136	70	203	58
Total	5,854	6,220	6,083	6,890	5,426	6,025
DEPARTMENTAL INCOME	19,451	19,512	20,026	20,860	20,912	20,378
OPERATING EXPENSES						
Administrative & General	2,744	2,159	2,847	2,200	2,178	2,415
Marketing	402	1,049	1,053	440	1,178	1,107
Franchise Fee	3,110	2,500	2,308	2,150	2,367	2,358
Property Operations & Maintenance	476	805	976	770	1,022	956
Utilities	1,134	1,768	1,420	1,470	1,022	1,258
Total	7,866	8,280	8,604	7,030	7,767	8,094
HOUSE PROFIT	11,585	11,232	11,422	13,830	13,145	12,284
Management Fee	0	768	1,031	840	1,044	792
INCOME BEFORE FIXED CHARGES	11,585	10,463	10,391	12,990	12,101	11,492

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

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject Stabilized $
Year:	**2011/12**	**2010**	**2012/13**	**2011/12**	**2011/12**	**2014**
Number of Rooms:	**70 to 100**	**70 to 100**	**50 to 70**	**90 to 110**	**80 to 100**	**68**
Days Open:	**365**	**365**	**365**	**366**	**366**	**365**
Occupancy:	**68%**	**68%**	**69%**	**72%**	**69%**	**69%**
Average Rate:	**$100**	**$102**	**$104**	**$103**	**$103**	**$104**
RevPAR:	**$68**	**$69**	**$71**	**$73**	**$71**	**$72**
REVENUE						
Rooms	$100.48	$101.64	$103.83	$102.56	$102.74	$104.01
Other Operated Departments	0.05	0.05	0.28	3.32	1.11	0.02
Rentals & Other Income	1.57	1.57	0.00	0.00	0.00	0.81
Total	102.11	103.26	104.11	105.88	103.86	104.84
DEPARTMENTAL EXPENSES						
Rooms	23.03	23.29	23.71	26.02	20.59	23.69
Other Operated Departments	0.59	0.93	0.54	0.27	0.80	0.23
Total	23.62	24.96	24.26	26.29	21.39	23.92
DEPARTMENTAL INCOME	78.49	78.30	79.85	79.59	82.46	80.91
OPERATING EXPENSES						
Administrative & General	11.07	8.66	11.35	8.39	8.59	9.59
Marketing	1.62	4.21	4.20	1.68	4.64	4.39
Franchise Fee	12.55	10.03	9.20	8.20	9.33	9.36
Property Operations & Maintenance	1.92	3.23	3.89	2.94	4.03	3.80
Utilities	4.58	7.10	5.66	5.61	4.03	4.99
Total	31.74	33.23	34.31	26.82	30.63	32.14
HOUSE PROFIT	46.75	45.07	45.55	52.77	51.84	48.78
Management Fee	0.00	3.08	4.11	3.20	4.12	3.15
INCOME BEFORE FIXED CHARGES	46.75	41.99	41.44	49.56	47.72	45.63

The comparables' departmental income ranged from 75.2% to 79.4% of total revenue. The comparable properties achieved a house profit ranging from 43.6% to 49.9% of total revenue. We will refer to the comparable operating data in our discussion of each line item, which follows later in this section of the report.

Fixed and Variable Component Analysis

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

Inflation Assumption

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

Summary of Projections

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

FIGURE 7-5 DETAILED FORECAST OF INCOME AND EXPENSE AND TRAILING-12-MONTH OPERATING HISTORY

	Historical Operating Results											
	2014	Calendar Year			2015/16				2016/17			
Number of Rooms:	68				68				68			
Occupancy (Paid Rooms):	30%				62%				66%			
Average Rate:	$92.88				$104.90				$108.74			
RevPAR:	$27.47				$65.04				$71.77			
Days Open:	99				365				365			
Occupied Rooms (Paid):	1,991	%Gross	PAR	POR	15,388	%Gross	PAR	POR	16,381	%Gross	PAR	POR
OPERATING REVENUE												
Rooms	$185	99.2 %	$2,720	$92.88	$1,614	99.1 %	$23,735	$104.88	$1,781	99.2 %	$26,191	$108.72
Other Operated Departments	0	0.0	0	0.01	0	0.0	5	0.02	0	0.0	5	0.02
Miscellaneous Income	1	0.8	21	0.72	14	0.8	201	0.89	14	0.8	210	0.87
Total Operating Revenues	186	100.0	2,741	93.60	1,628	100.0	23,941	105.79	1,796	100.0	26,406	109.61
DEPARTMENTAL EXPENSES *												
Rooms	77	41.5	1,128	38.50	397	24.6	5,840	25.81	417	23.4	6,130	25.45
Other Operated Departments	1	8867.6	14	0.49	4	1164.2	58	0.26	4	1149.7	60	0.25
Total	78	41.7	1,142	38.99	401	24.6	5,898	26.06	421	23.4	6,191	25.70
DEPARTMENTAL INCOME	109	58.3	1,599	54.61	1,227	75.4	18,043	79.73	1,375	76.6	20,215	83.92
UNDISTRIBUTED OPERATING EXPENSES												
Administrative & General	40	21.3	584	19.93	163	10.0	2,395	10.58	170	9.5	2,498	10.37
Marketing	12	6.2	171	5.85	75	4.6	1,098	4.85	78	4.3	1,145	4.75
Franchise Fee	17	9.0	246	8.41	145	8.9	2,136	9.44	160	8.9	2,357	9.78
Prop. Operations & Maint.	19	10.0	273	9.34	45	2.8	664	2.93	54	3.0	791	3.28
Utilities	23	12.4	341	11.63	85	5.2	1,248	5.51	88	4.9	1,301	5.40
Total	110	58.9	1,615	55.16	513	31.5	7,541	33.32	550	30.6	8,091	33.59
GROSS HOUSE PROFIT	(1)	(0.6)	(16)	(0.55)	714	43.9	10,503	46.41	824	46.0	12,124	50.33
Management Fee	10	5.5	150	5.11	49	3.0	718	3.17	54	3.0	792	3.29
INCOME BEFORE NON-OPER. INC. & EXP.	(11)	(6.1)	(166)	(5.67)	665	40.9	9,784	43.24	771	43.0	11,332	47.04
NON-OPERATING INCOME AND EXPENSE												
Property Taxes	11	6.1	168	5.74	44	2.7	643	2.84	45	2.5	659	2.74
Insurance	10	5.4	149	5.07	25	1.5	370	1.64	26	1.4	379	1.58
Reserve for Replacement	10	5.6	153	5.21	65	4.0	958	4.23	72	4.0	1,056	4.38
Total	32	17.1	469	16.02	134	8.2	1,971	8.71	142	7.9	2,095	8.70
EBITDA LESS RESERVE	($43)	(23.2) %	($635)	($21.69)	$531	32.7 %	$7,813	$34.53	$628	35.1 %	$9,237	$38.34

	2017/18				Stabilized				2019/20			
Number of Rooms:	68				68				68			
Occupancy (Paid Rooms):	68%				69%				69%			
Average Rate:	$112.00				$115.36				$118.82			
RevPAR:	$76.16				$79.60				$81.99			
Days Open:	365				365				365			
Occupied Rooms (Paid):	16,878	%Gross	PAR	POR	17,126	%Gross	PAR	POR	17,126	%Gross	PAR	POR
OPERATING REVENUE												
Rooms	$1,890	99.2 %	$27,794	$111.98	$1,976	99.2 %	$29,059	$115.38	$2,035	99.2 %	$29,926	$118.83
Other Operated Departments	0	0.0	5	0.02	0	0.0	6	0.02	0	0.0	6	0.02
Miscellaneous Income	15	0.8	218	0.88	15	0.8	225	0.89	16	0.8	232	0.92
Total Operating Revenues	1,905	100.0	28,017	112.88	1,992	100.0	29,290	116.30	2,051	100.0	30,164	119.77
DEPARTMENTAL EXPENSES *												
Rooms	434	23.0	6,389	25.74	450	22.8	6,619	26.28	464	22.8	6,817	27.07
Other Operated Departments	4	1142.6	62	0.25	4	1139.1	64	0.25	4	1139.1	66	0.26
Total	439	23.0	6,451	25.99	454	22.8	6,683	26.54	468	22.8	6,884	27.33
DEPARTMENTAL INCOME	1,467	77.0	21,566	86.89	1,537	77.2	22,607	89.76	1,583	77.2	23,281	92.44
UNDISTRIBUTED OPERATING EXPENSES												
Administrative & General	176	9.2	2,591	10.44	182	9.1	2,679	10.64	188	9.1	2,759	10.95
Marketing	81	4.2	1,188	4.78	83	4.2	1,228	4.87	86	4.2	1,265	5.02
Franchise Fee	170	8.9	2,501	10.08	178	8.9	2,615	10.38	183	8.9	2,693	10.69
Prop. Operations & Maint.	63	3.3	923	3.72	72	3.6	1,060	4.21	74	3.6	1,092	4.34
Utilities	92	4.8	1,350	5.44	95	4.8	1,395	5.54	98	4.8	1,437	5.71
Total	582	30.4	8,553	34.46	610	30.6	8,977	35.64	629	30.6	9,246	36.71
GROSS HOUSE PROFIT	885	46.6	13,014	52.43	927	46.6	13,630	54.12	954	46.6	14,035	55.73
Management Fee	57	3.0	841	3.39	60	3.0	879	3.49	62	3.0	905	3.59
INCOME BEFORE NON-OPER. INC. & EXP.	828	43.6	12,173	49.05	867	43.6	12,751	50.63	893	43.6	13,130	52.13
NON-OPERATING INCOME AND EXPENSE												
Property Taxes	46	2.4	679	2.74	48	2.4	699	2.78	49	2.4	720	2.86
Insurance	27	1.4	391	1.57	27	1.4	403	1.60	28	1.4	415	1.65
Reserve for Replacement	76	4.0	1,121	4.52	80	4.0	1,172	4.65	82	4.0	1,207	4.79
Total	149	7.8	2,190	8.83	155	7.8	2,273	9.03	159	7.8	2,342	9.30
EBITDA LESS RESERVE	$679	35.8 %	$9,983	$40.22	$712	35.8 %	$10,477	$41.60	$734	35.8 %	$10,789	$42.84

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

NOI adjusted to reflect a 3.0% mgmt fee and a 4.0% reserve	($36)	(19.1) %

FIGURE 7-6 TEN-YEAR FORECAST OF INCOME AND EXPENSE

	2015/16		2016/17		2017/18		2018/19		2019/20		2020/21		2021/22		2022/23		2023/24		2024/25	
Number of Rooms:	**68**		**68**		**68**		**68**		**68**		**68**		**68**		**68**		**68**		**68**	
Occupied Rooms:	**15,388**		**16,381**		**16,878**		**17,126**		**17,126**		**17,126**		**17,126**		**17,126**		**17,126**		**17,126**	
Occupancy:	**62%**		**66%**		**68%**		**69%**		**69%**		**69%**		**69%**		**69%**		**69%**		**69%**	
Average Rate:	**$104.90**	**% of**	**$108.74**	**% of**	**$112.00**	**% of**	**$115.36**	**% of**	**$118.82**	**% of**	**$122.39**	**% of**	**$126.06**	**% of**	**$129.84**	**% of**	**$133.74**	**% of**	**$137.75**	**% of**
RevPAR:	**$65.04**	**Gross**	**$71.77**	**Gross**	**$76.16**	**Gross**	**$79.60**	**Gross**	**$81.99**	**Gross**	**$84.45**	**Gross**	**$86.98**	**Gross**	**$89.59**	**Gross**	**$92.28**	**Gross**	**$95.05**	**Gross**
OPERATING REVENUE																				
Rooms	$1,614	99.1 %	$1,781	99.2 %	$1,890	99.2 %	$1,976	99.2 %	$2,035	99.2 %	$2,096	99.2 %	$2,159	99.2 %	$2,224	99.2 %	$2,290	99.2 %	$2,359	99.2 %
Other Operated Departments	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Miscellaneous Income	14	0.8	14	0.8	15	0.8	15	0.8	16	0.8	16	0.8	17	0.8	17	0.8	18	0.8	18	0.8
Total Operating Revenue	1,628	100.0	1,796	100.0	1,905	100.0	1,992	100.0	2,051	100.0	2,113	100.0	2,176	100.0	2,242	100.0	2,308	100.0	2,378	100.0
DEPARTMENTAL EXPENSES*																				
Rooms	397	24.6	417	23.4	434	23.0	450	22.8	464	22.8	477	22.8	492	22.8	507	22.8	522	22.8	537	22.8
Other Operated Departments	4	1164.2	4	1149.7	4	1142.6	4	1139.1	4	1139.1	5	1139.1	5	1139.1	5	1139.1	5	1139.1	5	1139.1
Total	401	24.6	421	23.4	439	23.0	454	22.8	468	22.8	482	22.8	497	22.8	511	22.8	527	22.8	543	22.8
DEPARTMENTAL INCOME	1,227	75.4	1,375	76.6	1,467	77.0	1,537	77.2	1,583	77.2	1,631	77.2	1,680	77.2	1,730	77.2	1,781	77.2	1,835	77.2
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	163	10.0	170	9.5	176	9.2	182	9.1	188	9.1	193	9.1	199	9.1	205	9.1	211	9.1	217	9.1
Marketing	75	4.6	78	4.3	81	4.2	83	4.2	86	4.2	89	4.2	91	4.2	94	4.2	97	4.2	100	4.2
Franchise Fee	145	8.9	160	8.9	170	8.9	178	8.9	183	8.9	189	8.9	194	8.9	200	8.9	206	8.9	212	8.9
Prop. Operations & Maint.	45	2.8	54	3.0	63	3.3	72	3.6	74	3.6	76	3.6	79	3.6	81	3.6	84	3.6	86	3.6
Utilities	85	5.2	88	4.9	92	4.8	95	4.8	98	4.8	101	4.8	104	4.8	107	4.8	110	4.8	113	4.8
Total	513	31.5	550	30.6	582	30.4	610	30.6	629	30.6	648	30.6	667	30.6	687	30.6	708	30.6	729	30.6
GROSS HOUSE PROFIT	714	43.9	824	46.0	885	46.6	927	46.6	954	46.6	983	46.6	1,013	46.6	1,043	46.6	1,074	46.6	1,106	46.6
Management Fee	49	3.0	54	3.0	57	3.0	60	3.0	62	3.0	63	3.0	65	3.0	67	3.0	69	3.0	71	3.0
INCOME BEFORE NON-OPER. INC. & EXP.	665	40.9	771	43.0	828	43.6	867	43.6	893	43.6	920	43.6	947	43.6	976	43.6	1,005	43.6	1,035	43.6
NON-OPERATING INCOME AND EXPENSE																				
Property Taxes	44	2.7	45	2.5	46	2.4	48	2.4	49	2.4	50	2.4	52	2.4	54	2.4	55	2.4	57	2.4
Insurance	25	1.5	26	1.4	27	1.4	27	1.4	28	1.4	29	1.4	30	1.4	31	1.4	32	1.4	33	1.4
Reserve for Replacement	65	4.0	72	4.0	76	4.0	80	4.0	82	4.0	85	4.0	87	4.0	90	4.0	92	4.0	95	4.0
Total	134	8.2	142	7.9	149	7.8	155	7.8	159	7.8	164	7.8	169	7.8	174	7.8	179	7.8	185	7.8
EBITDA LESS RESERVE	$531	32.7 %	$628	35.1 %	$679	35.8 %	$712	35.8 %	$734	35.8 %	$756	35.8 %	$778	35.8 %	$802	35.8 %	$825	35.8 %	$850	35.8 %

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

Forecast of Income and Expense

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

- The subject property's occupancy level is expected to stabilize at 69.0% with an average rate of $115.36 in 2018/19. Following the stabilized year, the subject property's average rate is projected to increase along with the underlying rate of inflation.
- We have assumed that revenues associated with telephone charges would be included in the other operated departments line. We have positioned this revenue component based on comparable operating statements. We forecast the subject property's other operated departments revenue at 0.0% of rooms revenue or $0.02 per occupied room in year one, stabilizing at 0.0% of rooms revenue or $0.02 per occupied room.
- The subject property's miscellaneous income sources are limited to the hotel's vending area, guest laundry room commissions, meeting room rental fees, and miscellaneous income. Given the lack of financial operating data, we have positioned this revenue component based on comparable operating statements. We forecast the subject property's miscellaneous income to stabilize at $0.89 per occupied room by the stabilized year, 2018/19.
- We have projected rooms expense for the subject hotel at 24.6% of rooms revenue in the first year (or $25.81 per occupied room), stabilizing at 22.8% in 2018/19. We have positioned this expense line item based upon our review of the comparable operating statements.
- For other operated departments expense, primary consideration is given to the subject property's operating history; rentals and other income is forecast net of expenses.
- We have positioned the subject property's administrative and general line item based upon our review of comparable operating statements. In the first projection year, we have projected administrative and general expense for the subject property to be $2,395 per available room, or 10.0% of total revenue. By the 2018/19 stabilized year, these amounts change to $2,679 per available room and 9.1% of total revenue.
- The subject property is not reporting information and telecommunications systems as a separate line item at this time. Therefore, we have not forecast an expense in this line item going forward. We assume that all information and

telecommunications systems expenses are accounted for in the other line items of the hotel's operating statement.

- We have positioned the subject property's marketing line item based upon our review of comparable operating statements. In the first projection year, we have projected marketing expense for the subject property to be $1,098 per available room, or 4.6% of total revenue. By the 2018/19 stabilized year, these amounts change to $1,228 per available room and 4.2% of total revenue.
- The subject property is assumed to operate as a Holiday Inn Express Hotel & Suites throughout the projection period. The costs of the Holiday Inn Express Hotel & Suites affiliation are reflected in our forecast and comprise a 6% royalty fee and a 3% advertising assessment. Other charges related to the affiliation, such as frequent guest programs, are reflected in the appropriate departmental expenses, consistent with the Uniform System of Accounts for the Lodging Industry (USALI).
- We have positioned the subject property's property operations and maintenance line item based upon our review of comparable operating statements. In the first projection year, we have projected property operations and maintenance expense for the subject property to be $664 per available room, or 2.8% of total revenue. By the 2018/19 stabilized year, these amounts change to $1,060 per available room and 3.6% of total revenue.
- We have projected utilities expense for the subject property to be 5.2% of total revenue or $1,248 per available room in year one, stabilizing at 4.8% of total revenue or $1,395 per available room.
- Management fees for the subject property have been forecast at 3.0% of total revenue.
- The following tables detail the subject property's assessment history, comparable assessments, applicable tax rates, and our forecast of property tax expense.

FIGURE 7-7 SUBJECT PROPERTY'S ASSESSMENT HISTORY

	Real Property				Personal Property
Year	Land	Improvements	Real Property Total	Percent Change	Assessment
2013	$27,110	$0	$27,110	—	$0
2014	27,110	0	27,110	0.0 %	0
2015	26,520	563,120	589,640	2,075.0	208,630

Source: Vernon County Assessor

HVS

FIGURE 7-8 COUNTY-ASSESSED VALUE OF COMPARABLE HOTELS

Hotel	Number of Rooms	Land	Improvements	Total
Subject Property	68	$26,520	$563,120	$589,640
Country Inn & Suites Nevada	68	$83,700	$544,120	$627,820
Super 8 Nevada	59	39,740	355,000	394,740
America's Best Value Inn & Suites Nevada	48	54,660	855,100	909,760

Hotel	Number of Rooms	Amounts Per Room		
		Land	Improvements	Total
Subject Property	68	$390	$8,281	$8,671
Country Inn & Suites Nevada	68	$1,231	$8,002	$9,233
Super 8 Nevada	59	674	6,017	6,691
America's Best Value Inn & Suites Nevada	48	1,139	17,815	18,953

Source: Vernon County Assessor

FIGURE 7-9 PROPERTY TAX RATES

Year	Real Property Tax Rate	Personal Property Tax Rate
2012	5.51140	5.51140
2013	5.42670	5.42670
2014	5.37050	5.37050

Source: Vernon County Assessor

The subject hotel's property tax burden has been forecast in line with historical levels.

FIGURE 7-10 PROJECTED PROPERTY TAX EXPENSE

	Assessed Value				Forecast Rate of	Base Rate of Tax	Real Prop.	Pers. Prop.	Tax
Year	Land	Improvements	Personal	Total	Value Change	Burden Increase	Tax Rate	Tax Rate	Forecast
Historical	$26,520	$563,120	$208,630	$798,270	—	—	5.37	5.37	$42,871
2015/16	$26,520	$563,120	$208,630	$798,270	0.0 %	2.0 %	—	—	$43,729
2016/17	26,520	563,120	208,630	798,270	0.0	2.5	—	—	44,822
2017/18	26,520	563,120	208,630	798,270	0.0	3.0	—	—	46,166
2018/19	26,520	563,120	208,630	798,270	0.0	3.0	—	—	47,551
2019/20	26,520	563,120	208,630	798,270	0.0	3.0	—	—	48,978

- Based on our review of historical levels and comparable data, we project the subject property's insurance expense at $403 per available room by the stabilized year. This stabilized level equates to 1.4% of total revenue.
- The subject property does not report any additional significant fixed expenses.
- Based on the results of this study, our review of the subject asset and comparable lodging facilities, and our industry expertise, we estimate that a reserve for replacement of 4% of total revenues is sufficient to provide for the timely and periodic replacement of the subject property's furniture, fixtures, and equipment.

INCOME CAPITALIZATION – MORTGAGE-EQUITY TECHNIQUE

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

Mortgage Component

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

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Equity Component & Equity Yield Rate

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

FIGURE 7-11 SUMMARY OF EQUITY YIELD OR INTERNAL RATE OF RETURN REQUIREMENTS

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

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

Terminal Capitalization Rate

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

FIGURE 7-12 TERMINAL CAPITALIZATION RATES DERIVED FROM INVESTOR SURVEYS

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

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

Mortgage-Equity Method - Value Opinion

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

FIGURE 7-13 VALUE OPINION AND APPLICATION OF CAPITAL DEDUCTION, AS APPLICABLE

Value Indication Prior to Deduct:	$7,484,794
Capital Deduction, If Applicable:	0
Value Indication ("As Is") After Deduction:	$7,484,794
Rounded to:	$7,500,000

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

FIGURE 7-14 TOTAL PROPERTY VALUE AND INTERNAL RATES OF RETURN

Position	Value	Projected Yield (Internal Rate of Return) Over Holding Period
Total Property	$7,485,000	11.0 %
Mortgage	$4,865,000	4.7
Equity	$2,620,000	19.0

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

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

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

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FIGURE 7-15 VALUE OF THE MORTGAGE COMPONENT

Year	Total Annual Debt Service		Present Worth of $1 Factor at 4.7%		Discounted Cash Flow
2015/16	$305,000	x	0.954967	=	$291,000
2016/17	305,000	x	0.911963	=	278,000
2017/18	305,000	x	0.870895	=	266,000
2018/19	305,000	x	0.831676	=	254,000
2019/20	305,000	x	0.794224	=	242,000
2020/21	305,000	x	0.758458	=	231,000
2021/22	305,000	x	0.724303	=	221,000
2022/23	305,000	x	0.691686	=	211,000
2023/24	305,000	x	0.660537	=	201,000
2024/25	4,232,000 *	x	0.630792	=	2,670,000
			Value of Mortgage Component		$4,865,000

*10th year debt service of $305,000 plus outstanding mortgage balance of $3,927,000

FIGURE 7-16 VALUE OF THE EQUITY COMPONENT

Year	Net Income to Equity		Present Worth of $1 Factor at 19.0%		Discounted Cash Flow
2015/16	$226,000	x	0.840429	=	$190,000
2016/17	323,000	x	0.706320	=	228,000
2017/18	374,000	x	0.593612	=	222,000
2018/19	407,000	x	0.498888	=	203,000
2019/20	429,000	x	0.419280	=	180,000
2020/21	451,000	x	0.352375	=	159,000
2021/22	473,000	x	0.296146	=	140,000
2022/23	497,000	x	0.248889	=	124,000
2023/24	520,000	x	0.209174	=	109,000
2024/25	6,059,000 *	x	0.175796	=	1,065,000
			Value of Equity Component		$2,620,000

FIGURE 7-17 VALUE OF THE EQUITY, DEBT AND TOTAL PROPERTY

Year	Net Income Available for Debt Service		Present Worth of $1 Factor at 11.0%		Discounted Cash Flow
2015/16	$531,000	x	0.901263	=	$479,000
2016/17	628,000	x	0.812275	=	510,000
2017/18	679,000	x	0.732073	=	497,000
2018/19	712,000	x	0.659790	=	470,000
2019/20	734,000	x	0.594645	=	436,000
2020/21	756,000	x	0.535931	=	405,000
2021/22	778,000	x	0.483015	=	376,000
2022/23	802,000	x	0.435323	=	349,000
2023/24	825,000	x	0.392341	=	324,000
2024/25	10,291,000 *	x	0.353602	=	3,639,000
			Total Property Value		$7,485,000

*10th year net income of $850,000 plus sales proceeds of $9,441,000

Direct Capitalization

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

FIGURE 7-18 DERIVED CAPITALIZATION RATES

Year	Net Operating Income	Market Value "As Is"	Derived Capitalization Rate
2014 Historical*	($36,000)	$7,500,000	-0.5 %
Forecast 2015/16	531,000	$7,500,000	7.1
Deflated Stabilized (2015/16) Dollars	655,000	$7,500,000	8.7

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

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

Overall Discount Rate and Discounted Cash Flow Analysis

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

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

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

FIGURE 7-19 OVERALL DISCOUNT RATES DERIVED FROM SALES AND INVESTOR SURVEYS

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

Based on our review of these surveys, sales transactions, and interviewing market participants, we have selected a discount rate of 11.00% for our analysis. Utilizing this discount rate, the discounted-cash-flow procedure is summarized as follows. The capital deduction, if applicable, is applied in this analysis as shown.

FIGURE 7-20 VALUE DERIVED BY APPLICATION OF OVERALL DISCOUNT RATE

Year	Net Income	Discount Factor @ 11.00%	Discounted Cash Flow
2015/16	$531,000	0.90090	$478,378
2016/17	628,000	0.81162	509,699
2017/18	679,000	0.73119	496,479
2018/19	712,000	0.65873	469,016
2019/20	734,000	0.59345	435,593
2020/21	756,000	0.53464	404,188
2021/22	778,000	0.48166	374,730
2022/23	802,000	0.43393	348,009
2023/24	825,000	0.39092	322,513
2024/25	10,291,000 *	0.35218	3,624,448
		Estimated Market Value, Prior to Deduct	$7,463,055
		Capital Deduction (If Applicable)	0
		Estimated Market Value, After Deduct	$7,463,055
		Rounded To	**$7,500,000**

Reversion Analysis

11th Year's Net Income	$876,000
Capitalization Rate	9.0%
Total Sales Proceeds	$9,733,333
Less: Transaction Costs @ 3.0%	292,000
Net Sales Proceeds	$9,441,333

*10th year net income of $850,000 plus sales proceeds of $9,441,000

Conclusion

Using the income capitalization approach, the subject property was valued by a mortgage-equity valuation analysis and a straightforward discounted-cash-flow analysis. Based on our review of each method and their inherent strengths and weaknesses, as well as investor attitudes and methodologies, we have reconciled the value indication via the income capitalization approach to $7,500,000, or $110,300 per room.

8. Sales Comparison Approach

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

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

FIGURE 8-1 SUMMARY OF SELECTED COMPARABLE SALES

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

Review of Comparable Sales

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

FIGURE 8-2 COMPARABLE SALES ADJUSTMENT GRID

Elements of Comparison	Subject Property	Sale #1 Hilton Garden Inn St. Louis O'Fallon, O'Fallon, Missouri	Sale #2 Hampton Inn Oklahoma City Northwest, Oklahoma City, Oklahoma	Sale #3 Hampton Inn Tulsa Sand Springs, Tulsa, Oklahoma	Sale #4 Best Western Plus Texarkana Inn & Suites, Texarkana, Arkansas	Sale #5 Hampton Inn Maumelle, Maumelle, Arkansas	Sale #6 Hampton Inn & Suites Omaha Downtown, Omaha, Nebraska
Sale Price		$13,500,000	$11,230,000	$4,900,000	$4,100,000	$6,300,000	$19,775,000
Number of Rooms	68	122	97	71	76	71	139
Price per Room		$110,656	$115,773	$69,014	$53,947	$88,732	$142,266
Year Open	2014	2003	1997	2001	2009	2011	2007
Date of Sale	Apr-14	December-14	May-14	May-14	December-13	November-13	July-13
Adjustments for Transaction Characteristics (Per Room)							
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment		0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Adjusted Sales Price		110,656	115,773	69,014	53,947	88,732	142,266
Financing Terms		Cash Equivalent	Cash Equivalent	Cash Equivalent	Cash Equivalent	Cash Equivalent	Cash Equivalent
Adjustment		0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Adjusted Sales Price		110,656	115,773	69,014	53,947	88,732	142,266
Conditions of Sale		Normal	Normal	Normal	Normal	Normal	Normal
Adjustment		0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Adjusted Sales Price		110,656	115,773	69,014	53,947	88,732	142,266
Market Conditions		Similar	Inferior	Inferior	Inferior	Inferior	Inferior
Adjustment		0.0 %	5.0 %	5.0 %	10.0 %	10.0 %	10.0 %
Adjusted Sales Price		110,656	121,562	72,465	59,342	97,606	156,493
Adjusted Price		$110,656	$121,562	$72,465	$59,342	$97,606	$156,493
Adjustments for Property Characteristics							
Location/Market		Similar	Similar	Similar	Similar	Similar	Superior
Adjustment		0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	(10.0) %
Physical Condition/Facilities		Inferior	Inferior	Inferior	Inferior	Similar	Inferior
Adjustment		10.0 %	10.0 %	10.0 %	5.0 %	0.0 %	5.0 %
Other Revenue Sources		Superior	Similar	Similar	Similar	Similar	Similar
Adjustment		(10.0) %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Market Orientation (RevPAR)	$71.77	$88.44	$76.96	$63.29	$43.48	$61.74	$99.06
Adjustment		(18.9) %	(6.7) %	13.4 %	65.1 %	16.2 %	(27.6) %
Cumulative Percentage Adjustment		(18.9) %	3.3 %	23.4 %	70.1 %	16.2 %	(32.6) %
Net Adjust. for Property Characteristics		(20,865)	3,952	16,946	41,579	15,850	(50,943)
Adjusted Price Per Room		$89,790	$125,514	$89,411	$100,921	$113,456	$105,550

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

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

Conclusion

Prior to adjustments, the comparable sales transacted for amounts ranging from $54,000 to $116,000 per room. Following quantitative and qualitative adjustments, we have positioned an appropriate value at $89,000 to $126,000 per room, or $6,100,000 to $8,500,000, for the 68-room subject property.

Gross Rooms Revenue Multiplier

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

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

FIGURE 8-3 GROSS ROOMS REVENUE MULTIPLIERS

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

Gross Room Revenue Multipliers for the Subject Property, as indicated by the Income Approach	
Based on Year One Forecast	4.65
Based on Deflated Stabilized Forecast	4.21

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

9. Cost Approach

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

Personal Property

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

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

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

Replacement Cost for Insurance Purposes

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

[10] Ibid.

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

For the purpose of developing a replacement cost estimate using the Marshall & Swift Commercial Estimator program, the building has been classified as a Class D, Rank 3 hotel structure. Based on information obtained from the subject property's ownership or management, the total area of the building is estimated to be 49,826 square feet. The following chart reflects the summary of the Marshall & Swift estimate.

FIGURE 9-1 MARSHALL & SWIFT ESTIMATE

Date of Query:	April 7, 2014
Occupancy:	limited-service
Class:	Class D
Height (Feet):	10
Rank:	3
Total Area (Square Feet):	49,826
Number of Stories (Section):	3
Number of Elevators:	1
Shape:	2
Number of Rooms:	68

Basic Structure	Unit	Cost Per SF	Total
Base Cost	49,826	$69.45	$3,460,416
Exterior Walls	49,826	15.86	790,240
Heating & Cooling	49,826	8.55	426,012
Elevator (s)	49,826	1.50	74,732
Sprinklers	49,826	3.16	157,450
		Total Cost:	**$4,908,850**
		Rounded to:	**$4,900,000**
		Per Room:	**$72,059**

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

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

FIGURE 9-2 ESTIMATE OF REPLACEMENT COST FOR INSURANCE PURPOSES

Replacement Cost of Building:	$4,900,000
Less Exclusions (10%)	490,000
Insurable Value of Structures	$4,410,000
Plus Furniture, Fixtures, & Equipment	$816,000
Total Insurable Value:	$5,226,000
Rounded to:	**$5,200,000**
Per Room:	**$76,471**

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

10. Reconciliation of Value Indications

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

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

Income Capitalization Approach

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

Sales Comparison Approach

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

Cost Approach

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

Value Conclusion

Based on our analysis, it is our opinion that the “as is” market value of the fee simple interest in the real and personal property of the Holiday Inn Express Hotel & Suites Nevada, as of April 7, 2015, is:

$7,500,000

SEVEN MILLION FIVE HUNDRED THOUSAND DOLLARS

This value estimate equates to $110,300 per room. The estimates of market value include the land (if applicable), the improvements, and the furniture, fixtures, and equipment. The appraisal assumes that the hotel is open and operational.

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

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

11. Statement of Assumptions and Limiting Conditions

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

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

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

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

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

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

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

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

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

HVS

12. Certification

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

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

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

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

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

Daniel P. McCoy, MAI
Managing Director, Senior Partner
MM&R Valuation Services, Inc.
State Appraiser License (MO) 2010001717

Daniel McCoy, MAI

EMPLOYMENT

2006 to present	HVS CONSULTING AND VALUATION SERVICES St. Louis, Missouri
2006	CONSUMER CREDIT COUNSELING SERVICE OF NORTHERN COLORADO Fort Collins, Colorado
2004 – 2005	ACADIA CORPORATION Bar Harbor, Maine

EDUCATION AND OTHER TRAINING

BS – Truman State University

Other Specialized Training Classes Completed:

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

EDUCATION AND OTHER TRAINING (CONTINUED)

Foundations in Sustainability: Greening the RE – 7 hours
Land and Site Evaluation – 7 hours
General Demonstration Report Writing – 7 hours
Fundamentals of Separating Real, Personal Property, and Intangible Business Assets – 15 hours
REO and Foreclosure – 5 hours
The Evolution of Finance & the Mortgage Market – 4 hours
Michigan Law – 2 hours
Supervising Class – 4 hours
Environmental Issues for Appraisers – 5 hours
Risky Business – Ways to Minimize Your Liability – 5 hours
Appraisal Applications of Regression Analysis – 7 hours
USPAP Updates – 2009, 2010, 2012, 2014

STATE CERTIFICATIONS

Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Mississippi, Missouri, North Dakota, Ohio, Tennessee, Virginia, Wisconsin

PROFESSIONAL AFFILIATIONS

Appraisal Institute – Designated Member (MAI)

PUBLISHED ARTICLES

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

EXAMPLES OF CORPORATE AND INSTITUTIONAL CLIENTS SERVED

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

EXAMPLES OF PROPERTIES APPRAISED OR EVALUATED

PORTFOLIO ANALYSIS

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

ALABAMA

Courtyard by Marriott, Dothan
Hampton Inn & Suites, Dothan

ALASKA

Bristol Bay Lodge, Bristol Bay
Comfort Inn, Kodiak

ARIZONA

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

ARKANSAS

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

CALIFORNIA

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

COLORADO

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

DISTRICT OF COLUMBIA

Courtyard Washington Navy Yard
Marriott Wardman

FLORIDA

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

GEORGIA

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

ILLINOIS

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

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

INDIANA

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

IOWA

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

KANSAS

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

KENTUCKY

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

LOUISIANA

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

MARYLAND

Comfort Inn, Hunt Valley
Legacy Hotel, Rockville

MICHIGAN

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

MINNESOTA

Windom Family Inn, Windom
Super 8, Worthington

MISSISSIPPI

Hilton Garden Inn, Jackson

MISSOURI

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

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

MONTANA

Proposed Red Lion Hotel, Polson

NEBRASKA

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

NEW JERSEY

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

NEW MEXICO

Hyatt Albuquerque, Albuquerque

NORTH CAROLINA

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

OHIO

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

OKLAHOMA

Crowne Plaza, Oklahoma City

OREGON

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

PENNSYLVANIA

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

SOUTH CAROLINA

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

SOUTH DAKOTA

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

TENNESSEE

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

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

TEXAS

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

VIRGINIA

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

WASHINGTON

DoubleTree, Vancouver
Marcus Whitman Hotel, Walla Walla

WISCONSIN

Aloft, Green Bay
Hilton Inn, Milwaukee

WYOMING

Candlewood Suites, Cheyenne

State of Missouri

Department of Insurance, Financial Institutions and Professional Registration
Division of Professional Registration
Real Estate Appraisers Commission

State Certified General Real Estate Appraiser

VALID THROUGH JUNE 30, 2016
ORIGINAL CERTIFICATE/LICENSE NO. 2010001717

DANIEL PATRICK MCCOY
TS WORLDWIDE, LLC DBA HVS
413 S HOWES ST
FORT COLLINS CO 80521
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Varena Beauchamp
EXECUTIVE DIRECTOR

Jane A. Rackers
DIVISION DIRECTOR