

CBRE HOTELS

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APPRAISAL REPORT

GURNEYS MONTAUK RESORT & SEAWATER SPA
290 Old Montauk Highway
Montauk, Suffolk County, New York
CBRE, Inc. File No. 18-047NY-0190

Board of Directors

GURNEYS INN RESORT & SPA LTD.
290 Old Montauk Highway
Montauk, New York

www.cbre.com/valuation
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VALUATION & ADVISORY SERVICES

February 14, 2018

Board of Directors

GURNEYS INN RESORT & SPA LTD.
290 Old Montauk Highway
Montauk, New YorkRE: Appraisal of Gurneys Montauk Resort & Seawater Spa
290 Old Montauk Highway
Montauk, Suffolk County, New York
CBRE, Inc. File No. 18-047NY-0190

The Board of Directors:

At your request and authorization, CBRE, Inc. has prepared an appraisal of the market value of the referenced property. Our analysis is presented in the following appraisal report.

The subject is a 109-room resort hotel and spa property located at 290 Old Montauk Highway in Montauk, Town of East Hampton, Suffolk County, New York. The improvements were constructed on or about 1938 and more recently and largely renovated in 2016 and are situated on an 11.13 acre site including land to the high water mark of the Atlantic Ocean. The hotel is operated as an independent resort hotel. Unique to the property is that it has a renowned spa on an oceanfront site on the east end of Long Island, 90 miles east of Manhattan.

Based on the analysis contained in the following report, the market value of the subject is concluded as follows:

MARKET VALUE CONCLUSION			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
As Is	Fee Simple Estate	February 15, 2018	\$84,000,000
Compiled by CBRE			

The value allocation of the subject has been concluded as follows:

AS IS VALUE ALLOCATION	
Interest Appraised - Allocation	Value Conclusion
Fee Simple Estate	
As Is Value	\$84,000,000
Personal Property	\$1,800,000
Business Enterprise Value	\$0
Real Property Value - As Is	\$82,200,000
Compiled by CBRE	

The report, in its entirety, including all assumptions and limiting conditions, is an integral part of, and inseparable from, this letter.

The following appraisal sets forth the most pertinent data gathered, the techniques employed, and the reasoning leading to the opinion of value. The analyses, opinions and conclusions were developed based on, and this report has been prepared in conformance with, the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute. It also conforms to Title XI Regulations and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) updated in 1994 and further updated by the Interagency Appraisal and Evaluation Guidelines promulgated in 2010.

The intended use and user of our report are specifically identified in our report as agreed upon in our contract for services and/or reliance language found in the report. No other use or user of the report is permitted by any other party for any other purpose. Dissemination of this report by any party to any non-intended users does not extend reliance to any such party, and CBRE will not be responsible for any unauthorized use of or reliance upon the report, its conclusions or contents (or any portion thereof).

It has been a pleasure to assist you in this assignment. If you have any questions concerning the analysis, or if CBRE can be of further service, please contact us.

Respectfully submitted,

CBRE - VALUATION & ADVISORY SERVICES



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Certification

We certify to the best of our knowledge and belief:

1. The statements of fact contained 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 present or prospective interest in or bias with respect to the property that is the subject of this report and have no personal interest in or bias with respect to the parties involved with this assignment.
4. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
5. 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.
6. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
7. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, as well as the requirements of the State of New York.
8. 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 Standards of Professional Appraisal Practice of the Appraisal Institute.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. As of the date of this report, Edward R. Eschmann, MAI, MRICS and Mark T. Godfrey, MAI, MRICS have completed the continuing education program for Designated Members of the Appraisal Institute.
11. Edward R. Eschmann, MAI, MRICS has and Mark T. Godfrey, MAI, MRICS has not made a personal inspection of the property that is the subject of this report.
12. No one provided significant real property appraisal assistance to the persons signing this report.
13. Valuation & Advisory Services operates as an independent economic entity within CBRE, Inc. Although employees of other CBRE, Inc. divisions may be contacted as a part of our routine market research investigations, absolute client confidentiality and privacy were maintained at all times with regard to this assignment without conflict of interest.
14. Edward R. Eschmann, MAI, MRICS and Mark T. Godfrey, MAI, MRICS have not provided any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

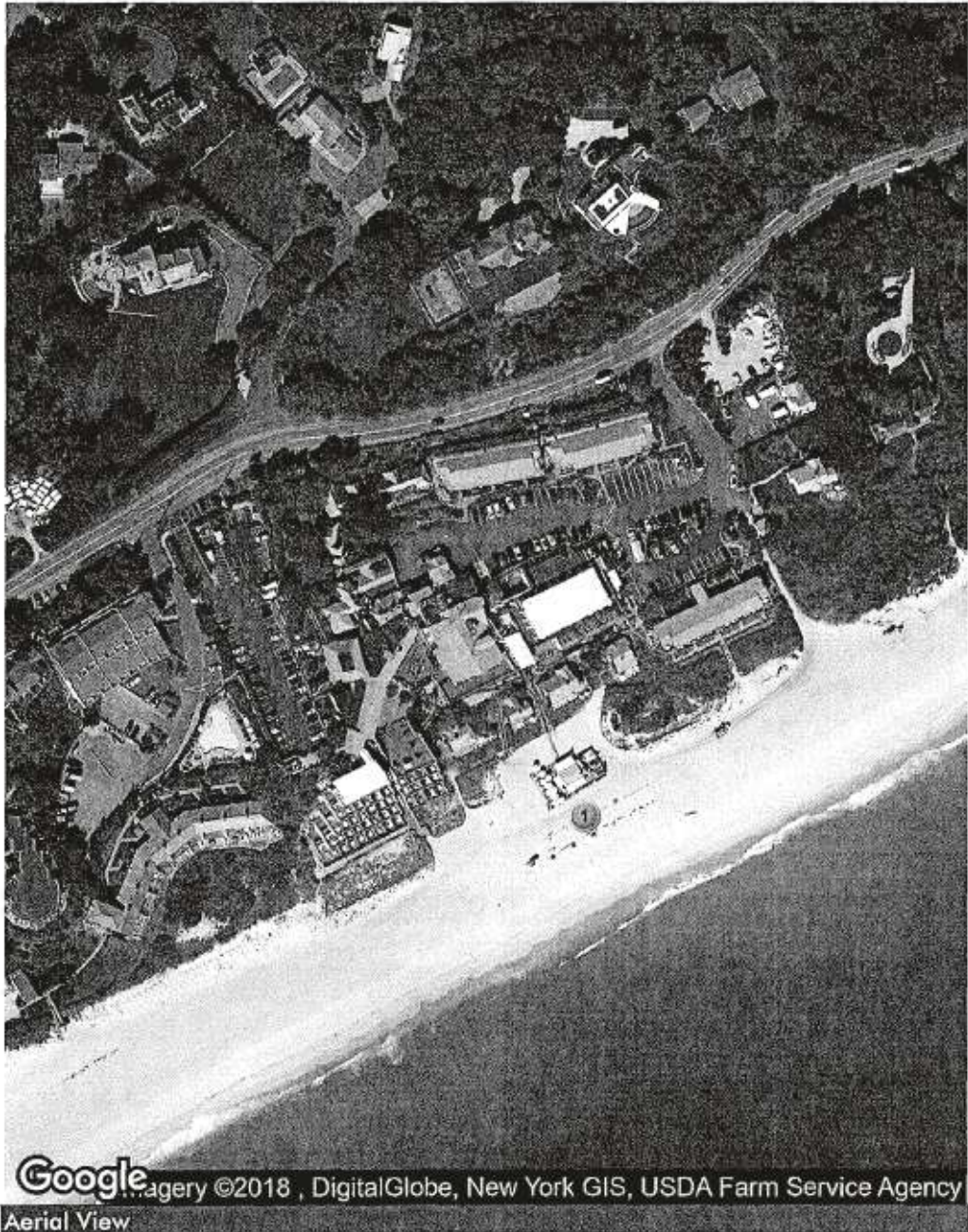


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Mark T. Godfrey, MAI, MRICS
NYS 46-51688

Subject Photographs



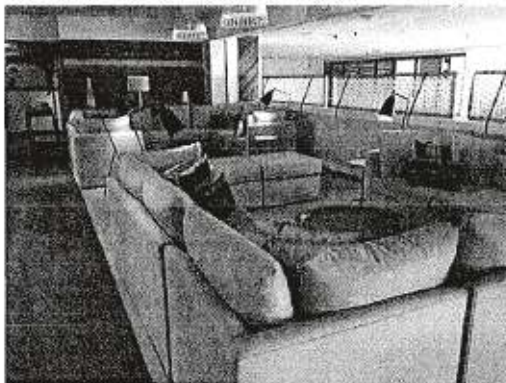
Subject Photographs



Front Desk Reception



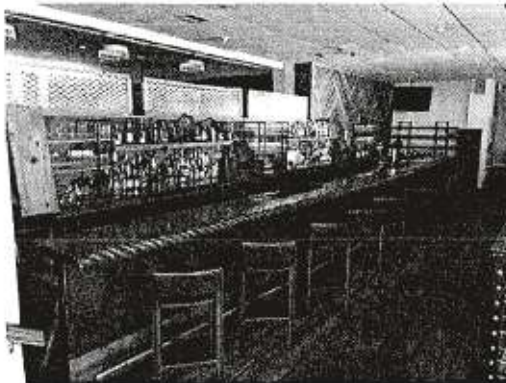
Oceanfront view



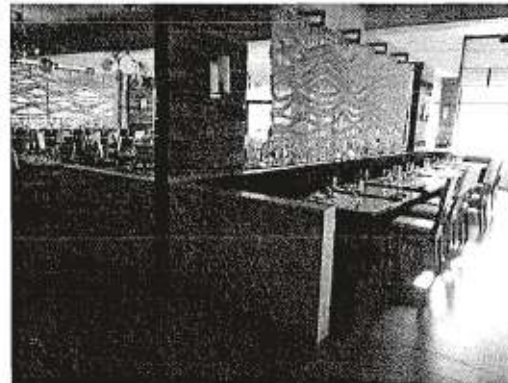
Lobby lounge/seating area



Entry to Tillies off lobby restaurant



Scarpetta's Bar area

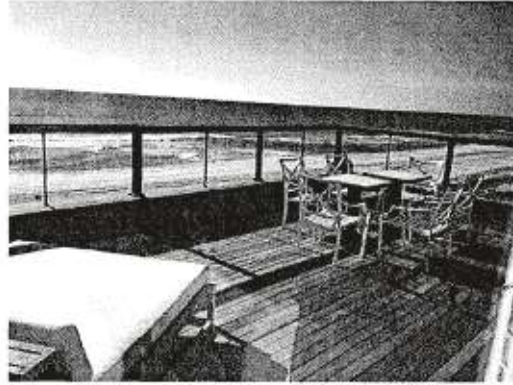


Scarpetta's dining area

Subject Photographs



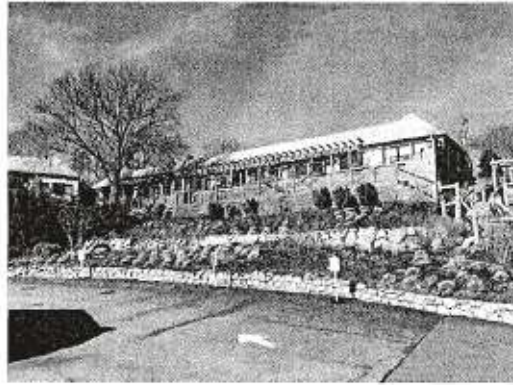
Standard Room w king bed (in Forward Watch)



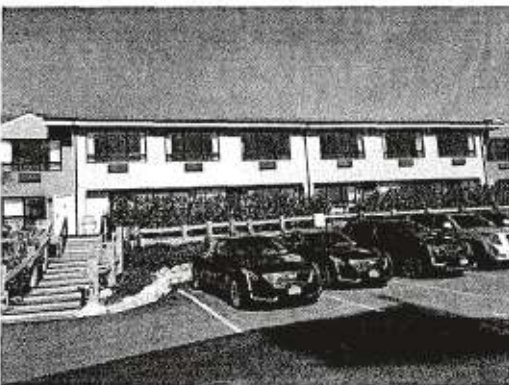
Deck / terrace off (Forward Watch bldg.)



Outdoor common area – fire pit area



Flying Bridge Building

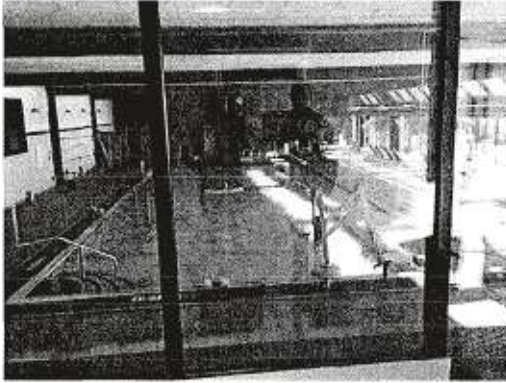


Promenade Building



Forecastle Building

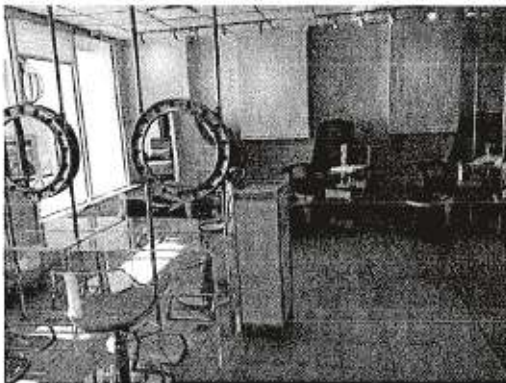
Subject Photographs



Indoor Seawater pool



Standard spa treatment room



Spa Salon



Rooftop common area for tented functions



Unrenovated double (part of skippers qtrs.)



Typical guest bathroom

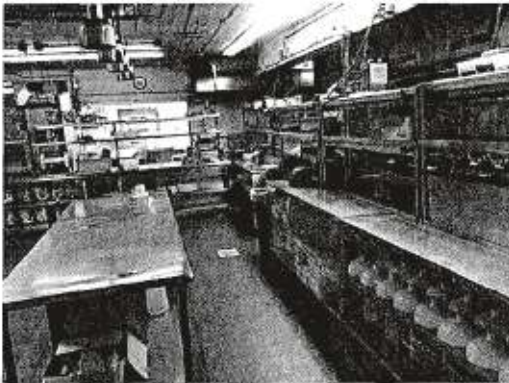
Subject Photographs



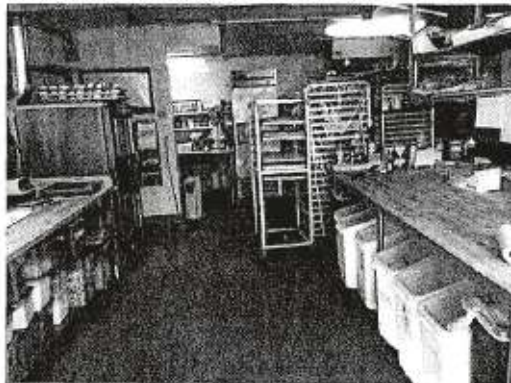
Standard King



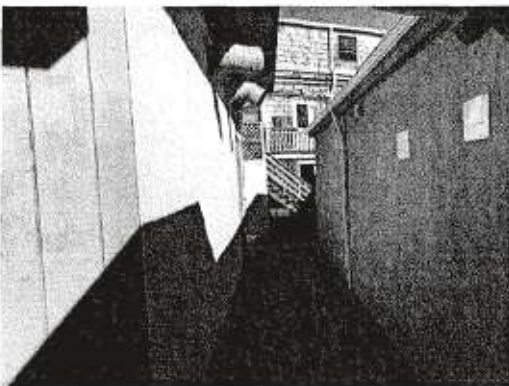
Skippers Suite bedroom / bath



Food Prep / main kitchen line



Bakery / pasta kitchen



Back of House area



Back of House area / employee dining area

Executive Summary

Property Name	Gurneys Montauk Resort & Seawater Spa	
Location	290 Old Montauk Highway, Montauk, Suffolk County, New York 11954	
Highest and Best Use		
As If Vacant	Hotel	
As Improved	Hotel	
Property Rights Appraised	Fee Simple Estate	
Date of Report	March 6, 2018	
Date of Inspection	February 13, 2018	
Estimated Exposure Time	12 Months	
Estimated Marketing Time	12 Months	
Land Area	10.62 AC	462,607 SF
Improvements		
Property Type	Hotel	(Resort)
Number of Buildings	13	
Number of Stories	1-3 stories	
Number of Rooms	109	
Restaurant/Lounge	Scarpetta Beach, Tillie's, Corso, Regent Cocktail Club and Beach Club	
Meeting Space	Banquet Hall; Breakout Meeting rooms	
Total/Largest Meeting Space	6,000 SF Indoor, 6,000 SF and 12,000 SF outdoor tented spaces	
Total Meeting Space Per Guest Room	55 SF	
Property Amenities	Indoor seawater pool, spa w 40 treatment rooms, salon, 3 eateries, fire pit terrace, private oceanfront beach with 1,500+ feet frontage	
Year Built	1926-1980	Renovated: 2014-2016
Condition	Good	
Buyer Profile	Investor-Regional	

Financial Indicators

Current/Trailing 12 Mos. Occupancy	65.4%
Projected Year 1 Occupancy	63.0%
Stabilized Occupancy	63.0%
Estimated Stabilization	February-2018
Current/Trailing 12 Mos. Average Daily Rate	\$577.04
Projected Year 1 Average Daily Rate	\$605.90

Projected Inflation Rates	ADR	Expenses
Year 1	5.0%	3.0%
Year 2	5.0%	3.0%
Year 3	3.0%	3.0%
Stabilized	3.0%	3.0%
Going-In Capitalization Rate	5.50%	
Discount Rate	7.50%	
Terminal Capitalization Rate	6.50%	

Year 1 Operating Data

	Total	Per Room
Total Revenue	\$38,863,976	\$356,550.24
Operating Expenses	\$34,354,371	\$315,177.72
Expense Ratio	88.40%	
Net Operating Income (EBITDA)	\$4,509,604	\$41,372.52

VALUATION

	Total	Per Room
Market Value As Is On February 15, 2018		
Sales Comparison Approach	\$80,000,000	\$733,944.95
Income Capitalization Approach	\$84,000,000	\$770,642.20

CONCLUDED MARKET VALUE

Appraisal Premise	Interest Appraised	Date of Value	Value
As Is	Fee Simple Estate	February 15, 2018	\$84,000,000

Compiled by CBRE

STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT)**Strengths/ Opportunities**

- The subject is well located in a resort area 90 miles from a major metropolitan area, New York City;
- The subject has a very strong reputation;
- The subject is well capitalized and operated by experienced management team;
- Much of the property has had significant upgrades in recent past;
- The property is an oceanfront resort located on pristine Atlantic Coastline on the east end of Long Island, in renowned "Hamptons" area.

- There have been no new hotels constructed in the immediate area of the subject;
- The subject offers luxury accommodations catering to a luxury demographic;
- The subject outperforms the competitive set and the market by a wide margin;
- There is virtually no vacant land available for new construction of hotels, and

Weaknesses/ Threats

- The subject is located on the east end of Long Island, New York that historically has seasonal peaks and valleys;
- Challenges exist in operating seasonally, retaining top quality employees, staffing up seasonally and training new personnel;
- The subject is currently operated as an independent hotel, albeit is typical to the area;
- The subject is in a mostly built up area with very significant barriers to entry, which leaves little room for growth of new demand generators;
- As a seasonal resort, it is very dependent on summer seasonal tourist draw, and thus the weather can have an impact on day to day and even year over year revenue performance;
- The subject is a drive to destination location that has challenges getting to the area in peak operating months;
- The subject can experience instability due to potential weak economic conditions;
- Interest rate risk
- Equities (stock market) and financial (bond and banking) market risk

EXTRAORDINARY ASSUMPTIONS

An extraordinary assumption is defined as "an assumption directly related to a specific assignment, as of the effective date of the assignment results, which if found to be false, could alter the appraiser's opinions or conclusions." ¹

- This appraisal has no extraordinary assumptions.

HYPOTHETICAL CONDITIONS

A hypothetical condition is defined as "a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purposes of analysis." ²

- None noted

¹ The Appraisal Foundation, USPAP, 2016-2017 ed., 3.

² The Appraisal Foundation, USPAP, 2016-2017 ed., 3.

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Introduction

OWNERSHIP AND PROPERTY HISTORY

Title to the property is currently vested in the name of Gurneys Inn Resort & Spa Ltd and has been for over the past thirty-five years. As of the date of the appraisal, we are not aware of any listings or contracts of sale of the property.

INTENDED USE OF REPORT

This appraisal is to be used for internal purposes, and no other use is permitted.

INTENDED USER OF REPORT

This appraisal is to be used by Gurneys Inn Resort & Spa Ltd., and no other user may rely on our report unless as specifically indicated in the report.

Intended Users - the intended user is the person (or entity) who the appraiser intends will use the results of the appraisal. The client may provide the appraiser with information about other potential users of the appraisal, but the appraiser ultimately determines who the appropriate users are given the appraisal problem to be solved. Identifying the intended users is necessary so that the appraiser can report the opinions and conclusions developed in the appraisal in a manner that is clear and understandable to the intended users. Parties who receive or might receive a copy of the appraisal are not necessarily intended users. The appraiser's responsibility is to the intended users identified in the report, not to all readers of the appraisal report.³

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the market value of the subject property.

DEFINITION OF VALUE

The current economic definition of market value agreed upon by agencies that regulate federal financial institutions in the U.S. (and used herein) is as follows:

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 is 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;
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;

³ Appraisal Institute, *The Appraisal of Real Estate*, 14th ed. (Chicago: Appraisal Institute, 2013), 50.

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.⁴

EXPOSURE/MARKETING TIME

The exposure/marketing time is a function of price, time, and use. It is not an isolated estimate of time alone. In consideration of these factors, we have analyzed the following:

EXPOSURE/MARKETING TIME DATA		
Investment Type	Exposure/Mktg. (Months)	
	Range	Average
Comparable Sales Data	0.0 - 10.0	10.0
CBRE Hotels Luxury		
National Data	3.0 - 12.0	6.8
PwC Luxury Hotels		
National Data	3.0 - 12.0	6.8
RERC Hotels		
National Data	n/a - n/a	5.3
Local Market Professionals	6.0 - 12.0	9.0
CBRE Exposure Time Estimate	12 Months	
CBRE Marketing Period Estimate	12 Months	
PwC Real Estate Investor Survey & Situs RERC Real Estate Report		

INTEREST APPRAISED

The value estimated represents the Fee Simple Estate and is defined as follows:

Fee Simple Estate - Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.⁵

SCOPE OF WORK

This Appraisal Report is intended to comply with the reporting requirements set forth under Standards Rule 2 of USPAP. The scope of the assignment relates to the extent and manner in which research is conducted, data is gathered and analysis is applied. CBRE, Inc. completed the following steps for this assignment:

⁴ Interagency Appraisal and Evaluation Guidelines; December 10, 2010, Federal Register, Volume 75 Number 237, Page 77472.

⁵ *Dictionary of Real Estate Appraisal*, 78.

Extent to Which the Property is Identified

The property is identified through the following sources:

- postal address
- assessor's records
- legal description
- site plan and survey

Extent to Which the Property is Inspected

CBRE, Inc. inspected both the interior and exterior of the subject, as well as its surrounding environs on the effective date of appraisal. We did not inspect the roof nor did we make a detailed inspection of the mechanical systems. We are not qualified to render an opinion regarding the adequacy or condition of these components. The client is urged to retain an expert in this field if detailed information is required. We must assume the mechanical systems are adequate for the current operations.

The extent of the inspection included a tour with Michael Nenner, the on-site general manager. This included the following:

- Various subject room, suites, and cottages throughout the property compound
- subject public/common areas including the Tillies, Scarpetta's, Lobby Reception, Outdoor terraces, rooftop, fire pit deck, spa and fitness facilities and parking areas
- the subject back of the house areas including the hotel laundry, kitchen(s), dry storage, employee housing, receiving, mechanical areas, backup generator and back office areas

This inspection sample was considered an adequate representation of the subject property and is the basis for our findings.

Type and Extent of the Data Researched

CBRE reviewed the following:

- applicable tax data
- zoning requirements
- flood zone status
- demographics
- income and expense data
- comparable data

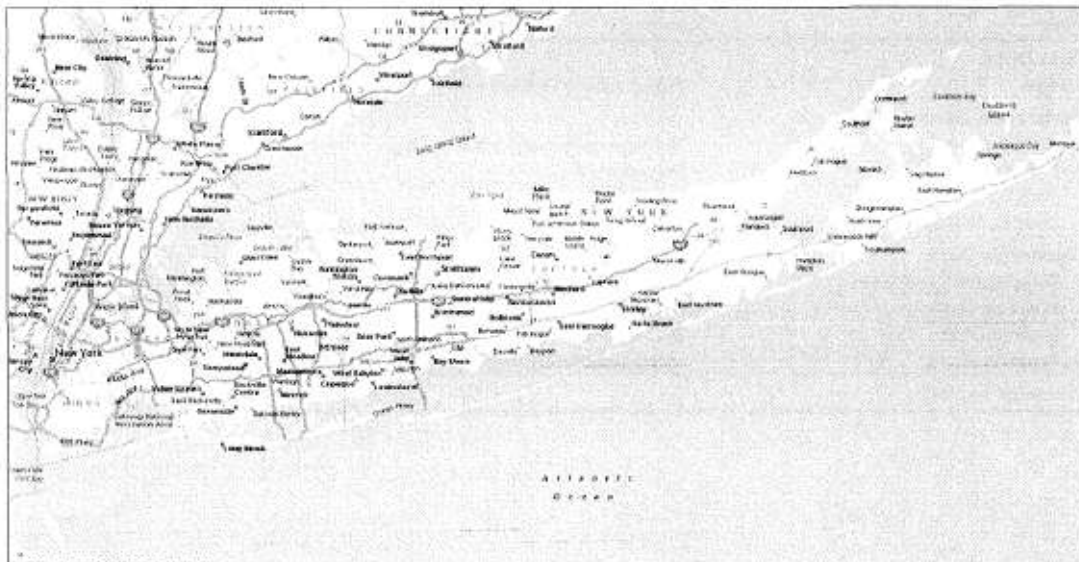
Type and Extent of Analysis Applied

CBRE, Inc. analyzed the data gathered through the use of appropriate and accepted appraisal methodology to arrive at a probable value indication via each applicable approach to value. The steps required to complete each approach are discussed in the methodology section.

Data Resources Utilized in the Analysis

DATA SOURCES	
Item:	Source(s):
Site Data	
Size	Public record verified with survey
Improved Data	
Building Area	Management provided drawings
No. Bldgs.	inspection
Parking Spaces	inspection
Year Built/Developed	Public record
Economic Data	
Deferred Maintenance:	inspection
Building Costs:	NA
Income Data:	Management provided historical operations
Expense Data:	Management provided historical operations
Compiled by CBRE	

Area Analysis



Location

The subject is situated in the hamlet of Montauk, which is located in the Town of Easthampton, Suffolk County, Long Island, New York approximately 90 miles east of Manhattan. Montauk is located in the Nassau-Suffolk Primary Metropolitan Statistical Area (PMSA) which is the sixth densest populated area in the nation. The towns in Nassau County (North Hempstead, Hempstead and Oyster Bay) represent some of the most densely populated areas in the country, while Suffolk County is overall less dense and populated. Suffolk County occupies the eastern two-thirds of Long Island and is bounded on the north by the Long Island Sound, on the west by Nassau County, and on the south by the Atlantic Ocean. Nassau County occupies the western one-third of Long Island and is bounded on the north by the Long Island Sound, on the west by Queens County, on the south by the Atlantic Ocean, and on the east by Suffolk County.

Population

The following statistics are available through the U.S. Census Bureau. Projections are based upon the 2010 census, and are applied to an urban growth simulation model. Historical population statistics for the county, the MSA, and the state are summarized as follows:

SELECTED AREA DEMOGRAPHICS

	Nassau County- Suffolk County	New York
Population		
2022 Total Population	2,929,102	20,596,596
2017 Total Population	2,885,540	20,096,494
2010 Total Population	2,832,882	19,378,102
2000 Total Population	2,753,913	18,976,457
Growth 2017 - 2022	0.30%	0.49%
Growth 2010 - 2017	0.26%	0.52%
Growth 2000 - 2010	0.28%	0.21%
Households		
2022 Total Households	969,213	7,708,587
2017 Total Households	958,328	7,541,950
2010 Total Households	948,450	7,317,755
2000 Total Households	916,686	7,056,860
Growth 2017 - 2022	0.23%	0.44%
Growth 2010 - 2017	0.15%	0.43%
Growth 2000 - 2010	0.34%	0.36%
2017 Median Household Income	\$100,247	\$60,832
2017 Average Household Income	\$130,950	\$91,876
2017 Per Capita Income	\$43,867	\$35,087
2017 Median Value of Owner Occupied Housing Units	\$444,994	\$310,628
2017 Pop 25+ College Graduates	801,823	4,948,546
Age 25+ Percent College Graduates - 2017	39.6%	35.5%
Source: ESRI		

Between 2010 and 2017, the population of Nassau and Suffolk County has increased by approximately 0.26% per year, underperforming the state which increased 0.52% per year. Population growth is forecasted to increase over the next five years at a greater higher rate, but will continue to underperform the overall state.

The number of households has increased moderately over the past five years and is expected to continue to increase through 2022. The number of households within Nassau and Suffolk Counties is expected to increase by 0.23% per year through 2022, slightly less than the 0.44% growth per year expected in overall New York State over the next five years.

Transportation

Long Island is traversed by an extensive network of roadways. These roadways account for approximately 65% of all freight movement and 90% of all other travel on Long Island. The main east/west corridors include the Long Island Expressway (L.I.E.), the Northern State Parkway, and the Southern State Parkway. The main north/south corridors include the Meadowbrook Parkway,

the Wantagh Parkway, the Seaford-Oyster Bay Expressway, and the Sagtikos (Sunken Meadow) Parkway. It should be noted that the Long Island Expressway is the only commercial east-west artery which permits trucks, while the Seaford-Oyster Bay Expressway is the primary north/south commercial highway.

Supplementing these primary thoroughfares are a number of local commercial routes including Jericho Turnpike (Route 25), Northern Boulevard (Route 25A), Montauk Highway (Route 27A) and Sunrise Highway (Route 27). All of these routes are east/west roadways which interconnect and comprise the main network which serves to circulate traffic throughout Long Island.

As a result of congested roadways, many Long Islanders commute to New York City via the Long Island Rail Road. The Long Island Railroad (LIRR) provides direct access to Manhattan and New York City. The LIRR is the largest commuter railroad in the United States with 134 stations on 117 miles of track. The railroad employs more than 5,900 people and operates more than approximately 742 trains per day.

Government

Each incorporated municipality within the Nassau-Suffolk, NY, MSA has its own zoning ordinances and building codes. The subject is located in the Town of Islip, which has a comprehensive zoning plan and building code that provides specific guidelines for development of all types of properties and is considered to have had a positive effect on the development of the area.

Employment

The following chart outlines total employment and the composition of the different employment industries in the Nassau-Suffolk area. The figures shown below reflect the historical employment between 2007 and 2016.

ANNUAL EMPLOYMENT BY INDUSTRY NASSAU-SUFFOLK COUNTY 2007-2016 ('000's)											
Industry	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Avg. Ann. Growth
Goods Producing	133.8	136.4	140.1	134.2	134.1	136.8	141.4	142.3	143.6	148.2	-0.5%
Construction	72.0	73.1	65.0	61.1	60.6	62.3	67.9	71.3	74.1	76.7	6.5%
Manufacturing	61.8	63.3	75.1	73.1	73.5	74.5	73.5	71.0	71.5	71.6	-1.6%
Service Producing	1,111.0	1,110.8	1,088.6	1,095.7	1,111.1	1,123.3	1,139.4	1,149.7	1,163.7	1,180.2	0.6%
Trade, Transportation & Utilities	273.7	272.4	257.2	256.6	259.4	263.1	267.6	272.2	273.9	276.0	0.1%
Information	27.9	27.1	27.3	25.1	24.4	24.0	23.6	21.8	20.3	19.3	-2.3%
Financial Activities	29.2	35.0	30.8	30.4	31.0	32.2	32.6	33.2	33.4	32.2	-0.9%
Real Estate & Business Services	164.2	163.1	153.6	152.8	158.3	163.7	168.2	169.4	171.5	175.1	0.7%
Education & Health Services	212.0	217.0	223.1	227.9	233.4	237.6	240.5	244.7	251.7	260.2	2.3%
Arts & Hospitality	99.2	99.4	98.4	100.8	106.1	110.9	115.6	118.5	120.7	122.3	2.3%
Other Services	52.7	53.6	52.7	53.1	54.5	55.1	56.1	57.3	58.1	58.8	1.2%
Government	202.1	203.2	206.7	209.0	205.0	199.1	195.2	192.6	194.1	195.7	-0.3%
Total Employment	1,244.8	1,247.2	1,228.7	1,229.9	1,245.2	1,260.1	1,280.8	1,292.0	1,307.3	1,328.5	0.5%
Employment Change											
Goods Producing	1.4%	-0.9%	-9.3%	-4.2%	-0.1%	1.0%	3.5%	1.3%	1.6%	1.9%	
Service Producing	1.9%	0.0%	-2.0%	0.6%	1.4%	1.2%	1.3%	0.9%	1.2%	1.4%	
Total Employment	1.8%	-0.1%	-2.9%	0.1%	1.2%	1.3%	1.6%	1.0%	1.3%	1.5%	

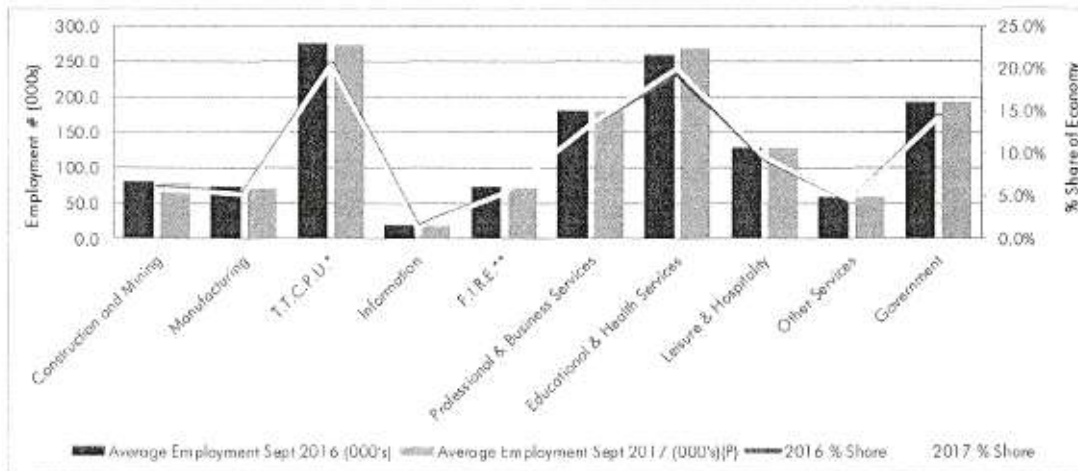
Source: US Bureau of Labor Statistics

The table presented above indicates that annual employment in the area has grown by 0.5% per year during the period between 2007 and 2016. The area experienced declines in overall employment in 2008 and 2009 following the onset of the past national economic recession. The most recent year has experienced an increase in overall employment as various industries in the Nassau-Suffolk area have shown signs of growth. The area is predominantly a service oriented economy, with approximately 89% of the current employment within the services producing sector. From 2007 to 2016, the services producing sector experienced average annual growth of 0.6% or a total growth of 6.2%. As indicated by these figures, increases in the services sectors have offset declines in the goods producing sector of the economy. This trend is expected to continue as technological breakthroughs continue to occur, thus reducing the amount of labor required in many fields. Many manufacturing jobs are also being exported to other regions in the nation and the world.

The following table illustrates the increase in employment for the most recently reported month over the same month of the previous year. As indicated, total employment is up 0.7% from the prior year's figures.

NON-AGRICULTURAL INSURED EMPLOYMENT BY MAJOR INDUSTRY DIVISION					
September 2016 to 2017 Comparison - Not Seasonally Adjusted					
NASSAU-SUFFOLK MSA					
INDUSTRY	Average Employment Sept 2016 (000's)	SHARE	Average Employment Sept 2017 (000's)(P)	SHARE	CHANGE
Construction and Mining	80.3	6.0%	78.0	5.8%	-2.9%
Manufacturing	72.0	5.4%	70.2	5.2%	-2.5%
T.T.C.P.U.*	274.8	20.6%	274.6	20.4%	-0.1%
Information	19.2	1.4%	18.7	1.4%	-2.6%
F.I.R.E.**	72.6	5.4%	72.5	5.4%	-0.1%
Professional & Business Services	178.5	13.4%	179.7	13.4%	0.7%
Educational & Health Services	259.3	19.4%	268.8	20.0%	3.7%
Leisure & Hospitality	126.8	9.5%	128.8	9.6%	1.6%
Other Services	59.0	4.4%	59.7	4.4%	1.2%
Government	192.2	14.4%	192.5	14.3%	0.2%
TOTALS	1,334.7	100.0%	1,343.5	100.0%	0.7%
* Trade, Transportation, & Public Utilities		** Finance/Insurance/Real Estate		*** Preliminary Data	
Source: U.S. Bureau of Labor Statistics; Compiled by CBRE, Inc.					

Area Analysis



In terms of economic contribution, the Trade, Transportation & Public Utilities sector is currently the largest, accounting for 20.4% of total employment in Long Island. Five of ten MSA sectors saw employment decreases on a year over year basis, however the employment increases in other divisions led to an overall employment increase of 0.7%. Year-over-year improvement is largely attributable to the Educational and Health Services sector, which saw a 3.7% jump over the same time in the prior year.

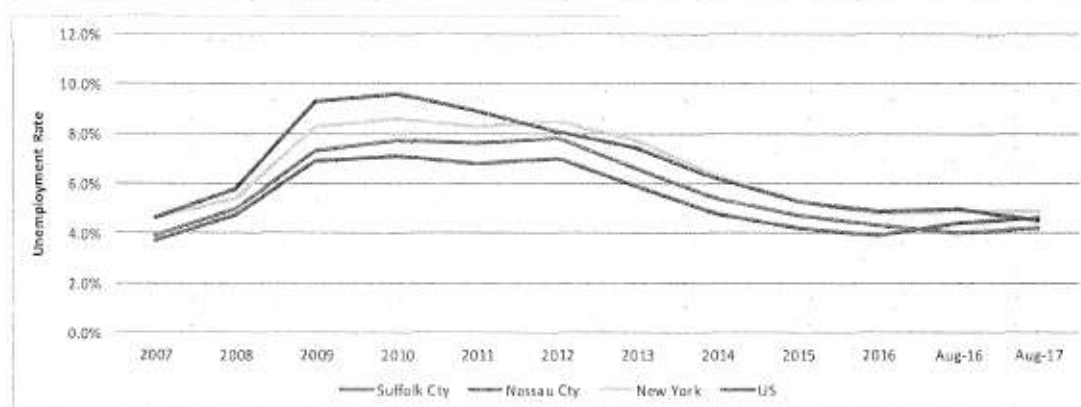
Unemployment Rate

The following table and chart summarize the current and historical unemployment rates for Suffolk County, Nassau County, New York State, and the U.S.

UNEMPLOYMENT												
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Aug-16	Aug-17
Suffolk Cty	3.9%	5.0%	7.3%	7.7%	7.6%	7.8%	6.6%	5.4%	4.7%	4.3%	4.0%	4.2%
Nassau Cty	3.7%	4.7%	6.9%	7.1%	6.8%	7.0%	5.9%	4.8%	4.2%	3.9%	4.4%	4.6%
New York	4.6%	5.4%	8.3%	8.6%	8.3%	8.5%	7.7%	6.3%	5.3%	4.8%	4.9%	4.9%
US	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%	6.2%	5.3%	4.9%	5.0%	4.5%

Aug-17 City Percentages are preliminary

Source: Bureau of Labor Statistics, Compiled by CBRE



Unemployment increased between 2008 and 2010 as a result of the recession. However, the local unemployment rate is showing signs of continued stabilization as the annual unemployment rate continues to improve. The most recent data indicates that the preliminary August 2017 unemployment rate was 20 basis points higher in both Suffolk and Nassau County, compared to the prior year, and was recorded at 4.2% and 4.6%, respectively. Historically, both Nassau and Suffolk County have had employment rates less than both New York State and the US, and this trend has continued.

Top Employers

The following represents the top ten employers in the Nassau/Suffolk Metropolitan Division:

NASSAU-SUFFOLK TOP EMPLOYERS	
Employer	No. of Employees
Northwell Health (formerly North-Shore-LIJ)	31,153
New York State	20,304
Catholic Health Services	16,784
Nassau County	16,391
Federal Government	11,075
Suffolk County	8,100
Stop & Shop	7,700
Winthrop University Hospital	6,960
Long Island Rail Road	5,056
Walmart	4,550

Source: U.S. Department of Labor, Bureau of Labor Statistics; Newsday Data

Moody's Analytics

Moody's Economy.com provides the following Nassau County-Suffolk County, NY metro area economic summary as of Sep-17. The full Moody's Economy.com report is presented in the Addenda.

NASSAU COUNTY-SUFFOLK COUNTY, NY - ECONOMIC INDICATORS												
Indicators	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Gross Metro Product (C09\$ Bil)	154.6	158.4	158.5	159.6	161.4	161.5	163.6	167.2	169.7	171.0	174.8	178.3
% Change	-0.2	2.5	0.0	0.7	1.1	0.0	1.3	2.2	1.5	0.8	2.2	2.1
Total Employment (Ths)	1,244.6	1,261.8	1,281.1	1,293.1	1,308.8	1,328.9	1,344.7	1,352.3	1,359.9	1,361.0	1,366.8	1,376.2
% Change	1.2	1.4	1.5	0.9	1.2	1.5	1.2	0.6	0.5	0.1	0.4	0.7
Unemployment Rate (%)	7.2	7.4	6.1	5.0	4.5	4.2	4.1	4.0	4.0	4.4	4.6	4.7
Personal Income Growth (%)	4.5	7.1	0.0	4.0	3.5	2.4	1.5	3.0	3.4	3.3	3.2	3.2
Median Household Income (\$ Ths)	87.8	89.1	90.6	91.9	94.1	96.9	99.4	101.3	103.5	105.8	108.2	110.6
Population (Ths)	2,847.1	2,850.1	2,855.0	2,857.8	2,857.8	2,854.1	2,854.0	2,855.2	2,856.5	2,857.1	2,857.8	2,858.9
% Change	0.4	0.1	0.2	0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Net Migration (Ths)	3.1	-5.0	-0.3	-4.0	-5.8	-7.7	-5.8	-4.7	-4.7	-5.4	-5.6	-4.7
Single-Family Permits (#)	1,970.0	1,180.0	1,658.0	1,824.0	1,730.0	1,517.0	1,837.7	2,824.4	3,338.5	3,327.6	3,392.9	3,440.8
Multifamily Permits (#)	639.0	522.0	517.0	298.0	568.0	279.0	326.9	420.6	536.0	562.1	577.6	585.8
Fbfa House Price (1995Q1=100)	240.7	236.1	237.3	244.1	254.1	264.6	276.3	286.1	290.8	293.4	298.5	306.1

Source: Moody's Economy.com

Recent Performance

Nassau County-Suffolk County is not quite firing on all cylinders, but its key engines are supporting self-sustaining expansion. Led by healthcare, job growth has mostly tracked ahead of the state and Northeast in 2017, although a more complete count from the Quarterly Census of Employment and Wages hints at downward revisions. Consumers remain hindered by high delinquency rates that owe primarily to bad mortgages, but there is some good news. An onerous foreclosure overhang is finally abating, improving in three straight months as of June for the first time since 2013. This, combined with stronger hourly earnings growth, has single-family house prices rising at their fastest clip in years.

Healthcare

Health services will remain the backbone of Long Island's economy, but growth will settle into more sustainable territory. High levels of wealth and a disproportionately large share of seniors have helped healthcare grow at approximately double the national rate for most of 2017. With Republicans' last-ditch effort to repeal the Affordable Care Act this year out of the way, there should be less uncertainty, encouraging further investment by providers.

To date, though, unknowns surrounding the insurance market have barely registered for Northwell Health, Nassau-Suffolk's top employer by far. The hospital network's aggressive expansion has made it both the largest and fastest-growing major private employer in the New York City metro area, per Crain's New York Business. However, the network has more recently sought to grow its footprint by opening numerous facilities elsewhere in the state, dampening its local impact a tad.

Demographics

While a population that skews older supports healthcare, it will create obstacles elsewhere. An aging population means a higher share of retirees, exacerbating worker shortages. In addition, the composition of residents means a smaller share of young adults, contributing to the lowest birthrate among the nation's 25 largest metro areas or divisions. This is exacerbated by net out-migration, particularly from Suffolk County. Weak natural population gains and an inability to attract enough new residents will keep the labor market tight, suppressing job growth. One silver lining, however, is that below-average overseas immigration makes Long Island a bit more insulated from tighter border controls than many of its New York peers.

Linkages

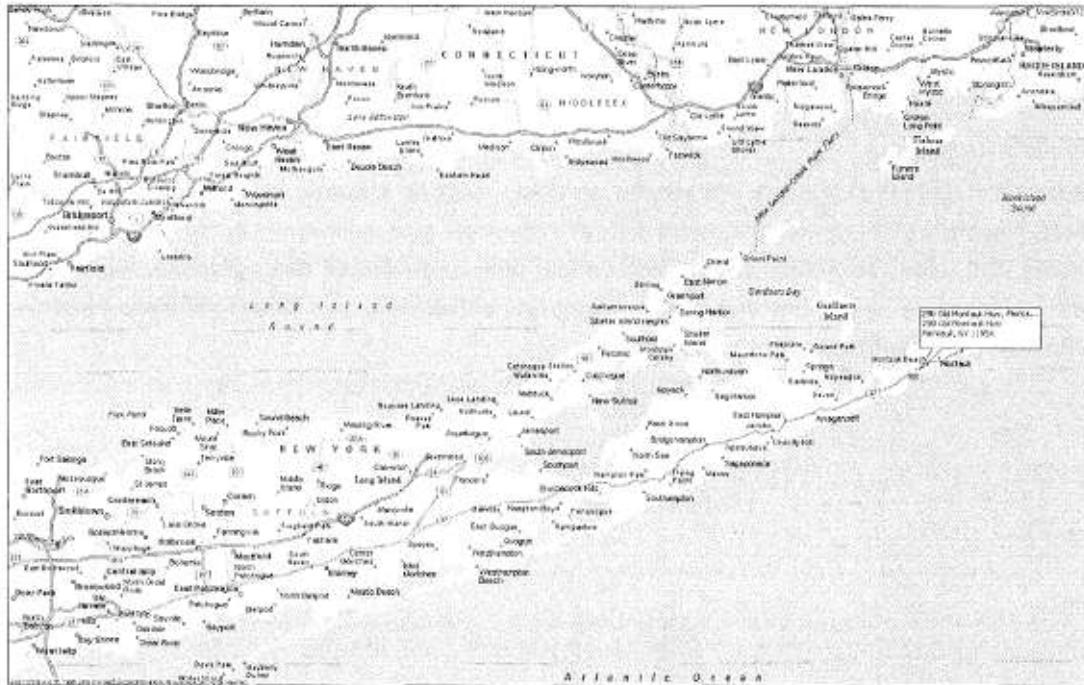
While interaction with New York City's dynamic economy remains vital, Nassau-Suffolk will fail to fully leverage its neighbor. Many workers in the Big Apple's thriving high-tech sector are opting for city living, preventing their high incomes from spilling over into Long Island. New York City's growing tech scene positions Nassau-Suffolk's share of tech employment to fall behind that of the Big Apple by the end of the decade. These dynamics are choking off already-weak venture capital funding and making it challenging for Long Island-based firms to hire programmers.

Meanwhile, troubles with the Long Island Railroad will further disturb linkages with New York City. A series of major issues at Penn Station, the western terminus for most LIRR trains, could ultimately discourage commuters from living in NASSAU-SUFFOLK. With census data showing that one of every four dollars earned by Long Islanders originates in New York City, this would prove costly.

Moody's Conclusion

Nassau County-Suffolk County will remain on track, even as it moves far more slowly than its peers. Healthcare will remain the metro division's lifeblood, and spillover from New York City will remain vital, albeit somewhat diminished. Longer term, unfavorable demographics, high costs, and infrastructure issues that make Long Island less attractive to commuters will keep Nassau-Suffolk an underperformer.

Neighborhood Analysis



LOCATION

The subject is located in the hamlet of Montauk in the easternmost part of the Town of East Hampton, Suffolk County, New York. The location is on the South-Fork of Long Island in Suffolk County, approximately 90 miles east of Manhattan.

BOUNDARIES

The neighborhood boundaries are detailed as follows:

North:	Fort Pond Bay and Napeague Bay
South:	Atlantic Ocean
East:	Block Island Sound
West:	Hamlet of Amagansett

LAND USE

Land uses within the subject neighborhood consist predominately of single-family dwellings, with commercial development largely concentrated in the central business districts of the various hamlets comprising the south fork, including Montauk. Large scale retail and office development is purposefully prohibited in the subject's town of East Hampton zoning code to help ensure the more

rural farming and summer resort characteristics of the town as found predominately east of Hampton Bays. Today retail businesses and office users are largely located in small downtown district buildings, such as Montauk, Amaganset, East Hampton, Sagaponik and Bridgehampton.

The downtown business district of Montauk is found nearly at the easternmost end of Long Island. Montauk Point, which is the easternmost point houses the Montauk Point lighthouse on state park grounds which is largely undeveloped area. The Montauk business area is a small village area with a small strip of are about ¼ - ½ mile long strip along Montauk Highway housing retail shops, convenience stores, tourist shops, restaurants and necessities, motels, all largely mixed uses catering to the seasonal summer tourists that come to the area as well as for the local year round population. Year-round and summer-season businesses are concentrated here, with small and larger hotel/motels that range from mid-scale motels to upscale luxury-service oriented hotels that are spread through the hamlet. Many hotels were mom-pop type businesses and several converted to condominiums or cooperatives in a wave of conversions back in the 1980's. The small hotels and resorts are all independent hotels, and there are no franchised hotels found in the area. Many hotels along the Oceanfront have upgraded over the last two decades to supply a quality product offering. Larger properties such as Gurney's Panoramic View, Windward Shores currently offer an upscale product and attract an upscale clientele. The waterfront area at the south shore consists of the Atlantic Ocean's white sandy beaches to rocky shores near the Lighthouse at the point. At the northern side of Montauk, Montauk Harbor is found which has a large and rich history in the marine and fishing culture. Montauk boasts to be the largest fishing industry on Long Island albeit much of it is geared to the private boating industry at this point. Commercial fisheries remain and all are housed in the harbor. The US Coast Guard is also stationed in Montuak Harbor. The Harbor is known for its deep water, the marinas and moorings will routinely handle vessels up to 200 feet.

GROWTH PATTERNS

Historically, and purposefully, growth has been limited in the Town of East Hampton, as well as in Montauk, but has taken place on a small scale in the form of repurposing existing buildings, and there has been an emphasis placed on historic preservation. Growth is mostly in residential single family homes where spot construction is found. Larger multi-site developments are few as land and regulations are limited and there are significant restrictions in terms of zoning.

ACCESS

Primary access to the subject neighborhood is provided by Old Montauk Highway (Route 27a), which connects to Sunrise Highway (Route 27) further west through Hampton Bays.

The Long Island Rail Road provides rail service seven days per week via the Montauk Branch between Montauk and New York City, with the nearest (last) station stop located in the hamlet of Montauk. Local Suffolk County buses also provide limited service to neighboring areas.

WATERWAYS

Montauk is largely influenced by the surrounding waterways, that most immediately include Atlantic Ocean, Block Island Sound, Napeague Bay and Fort Pond and Montauk Lake and Harbor. The area is well known for its fishing harbors from long ago as it offers the nearest safe and protected harbor to the Ocean fishing grounds. It is known for its deep water harbor offering seamen and whaling ships a respite from the ocean. Through to today, the harbor is very popular, yet it is used for both fishing charter, commercial vessels and transient private vessels of upward to 200+ feet in length. Several private and a public marina is located in Montauk Harbor. Montauk prides itself on its fishing and tourist history.

DEMOGRAPHICS

Selected neighborhood demographics the subject zip code-11954, Suffolk County and New York Metropolitan area are shown in the following table:

290 Old Montauk Highway Montauk, NY 11954	11954	Suffolk	NYC Metro
Population			
2021 Population (Estimated)	3,704	1,528,923	22,281,992
2016 Population	3,563	1,512,574	21,576,908
2010 Population	3,325	1,493,350	20,852,971
2000 Population	3,849	1,419,369	20,181,238
Annual Growth 2016 - 2021 (Estimated)	0.76%	0.20%	0.55%
Annual Growth 2010 - 2016	1.11%	0.22%	0.65%
Households			
2021 Households (Estimated)	1,590	511,764	8,081,358
2016 Households	1,527	506,314	7,849,066
2010 Households	1,422	499,922	7,631,053
2000 Households	1,591	469,299	7,349,339
Annual Growth 2016 - 2021 (Estimated)	1.15%	0.20%	0.45%
Annual Growth 2010 - 2016	0.81%	0.21%	0.59%
Annual Growth 2000 - 2010	1.94%	0.53%	0.81%
Income			
2016 Median HH Inc	\$77,008	\$91,258	\$67,890
2016 Estimated Average Household Income	\$102,824	\$117,115	\$101,261
2016 Estimated Per Capita Income	\$44,565	\$39,620	\$37,377
Age 25+ College Graduates - 2016	1,070	364,204	5,723,891
Age 25+ Percent College Graduates - 2016	30.0%	24.1%	26.5%
Source: Nielsen/Claritas			

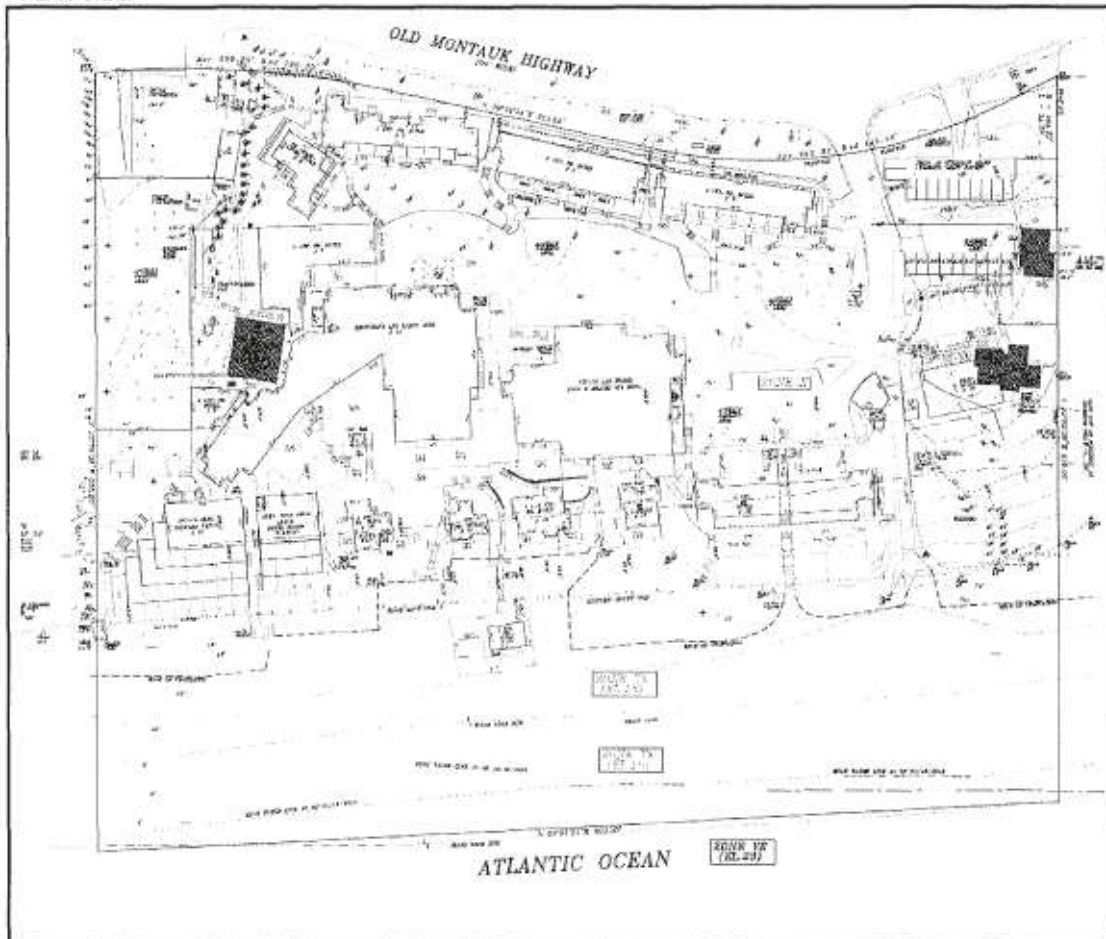
CONCLUSION

As shown in the previous chart, population and the number of households within the subject's neighborhood have grown moderately over the last six years within the subject zip code. Forecasted figures indicate that both the neighborhood's population and number of households will continue to increase over the next five years. However, the projected changes are relatively minimal and are not anticipated to drastically alter the current neighborhood characteristics over the near term. The neighborhood currently has a middle-income demographic profile with a median household income of \$77,008. It is appreciated however that this is calculated on year-round residency whereby the higher demographic population that comes to the area seasonally is not represented in that statistic.

Income information on second-home residents and tourists could not be uncovered but is definitively considerably higher. It should further be noted that the projected population and household changes do not consider the second-home market that has increasingly caused lower-income year-round residents to leave the area, as luxury second-homes are constructed and pricing them out.

The subject improvements appear to conform to surrounding neighborhood infrastructure and support services. The area benefits from good access and nearby community amenities reflected by Montauk's central business district and its many water amenities. The long-term outlook for the neighborhood is for stable performance with future growth.

PLAT MAP



Site Analysis

The following chart summarizes the salient characteristics of the subject site.

SITE SUMMARY			
Physical Description			
Gross Site Area	11.13 Acres	484,823 Sq. Ft.	
Net Site Area	10.62 Acres	462,607 Sq. Ft.	
Primary Road Frontage	Montauk Highway	1,458 Feet	
Average Depth	655 Feet		
Shape	Irregular		
Topography	Sloping southerly		
Zoning District	A Residence		
Flood Map Panel No. & Date	36103C263H	25-Sep-09	
Flood Zone	Zone X		
Adjacent Land Uses	Residential and hotel		
Earthquake Zone	N/A		
Comparative Analysis		<u>Rating</u>	
Visibility	Average		
Functional Utility	Assumed adequate		
Traffic Volume	Average		
Adequacy of Utilities	Assumed adequate		
Landscaping	Average		
Drainage	Assumed adequate		
Utilities		<u>Provider</u>	<u>Adequacy</u>
Water	SCWA		Yes
Sewer	Private Septic and Town of Eastham		Yes
Natural Gas	National Grid		Yes
Electricity	PSEG		Yes
Telephone	Various		Yes
Mass Transit	Suffolk County		Yes
Other		<u>Yes</u>	<u>No</u> <u>Unknown</u>
Detrimental Easements			x
Encroachments			x
Deed Restrictions			x
Reciprocal Parking Rights			x
Source: Various sources compiled by CBRE			

INGRESS/EGRESS

Ingress and egress is available to the site via two 30-foot access road cuts on the eastern and western side of the property along Old Montauk Highway.

Old Montauk Highway is a two-way paved roadway maintained by Suffolk County. Street improvements include asphalt paving and driveway cuts and street lighting. Street parking is not permitted.

ENVIRONMENTAL ISSUES

CBRE, Inc. is not qualified to detect the existence of potentially hazardous material or underground storage tanks which may be present on or near the site. The existence of hazardous materials or underground storage tanks may affect the value of the property. For this appraisal, CBRE, Inc. has specifically assumed that the property is not affected by any hazardous materials that may be present on or near the property.

ADJACENT PROPERTIES

The adjacent land uses are summarized as follows:

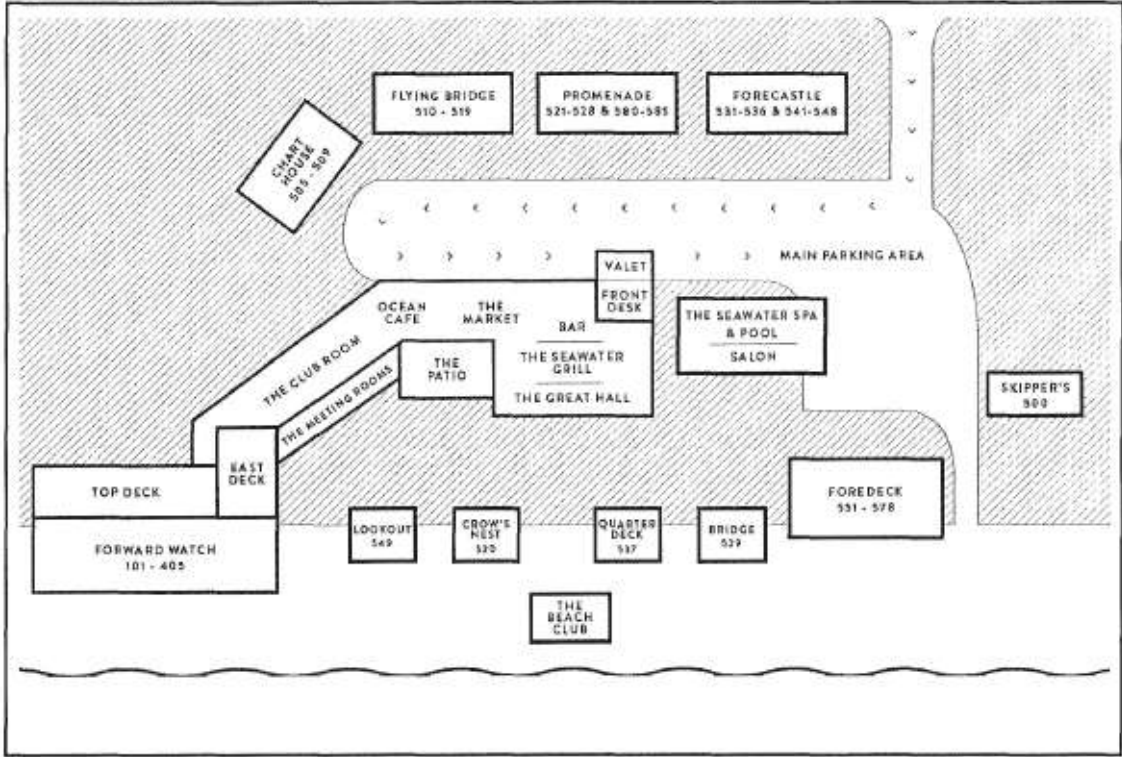
North:	Residential Uses
South:	Atlantic Ocean
East:	Residential Use and motel
West:	Residential Uses and hotel

The adjacent properties in maintained condition.

CONCLUSION

The site is well located and there are no apparent conditions that would prevent it from being developed with its highest and best use.

IMPROVEMENTS LAYOUT



Improvements Analysis

The following chart shows a summary of the improvements.

IMPROVEMENTS SUMMARY				
Property Type	Hotel	(Resort)		
Number of Buildings	1			
Number of Stories	1-4			
Year Built	1926-1980	Renovated:	2014-2016	
Number of Guest Rooms	109			
Restaurant/Lounge	Scarpetta Beach, Tillie's, Corso, Regent Cocktail Club and Beach Club			
Meeting/Banquet Rooms	Banquet Hall; Breakout Meeting rooms			
Property Amenities	Indoor seawater pool, spa w 40 treatment rooms, salon, 3 eateries, fire pit terrace, private oceanfront beach with 1,500+ feet frontage			
Site Coverage	7.6%			
Land-to-Building Ratio	4.41 : 1			
Parking Spaces	171			
Parking Ratio (per 1,000 SF GBA)	1.66			
ROOM TYPE MIX				
Room Type	Comments	Floor area	No. Rooms	Percent of Total
Ocean View Rooms				
Standard	King, Partial Ocean View	283	13	11.9%
Deluxe	King renovated Partial Ocean View	310	10	9.2%
Superior	King, Full Ocean View	380	10	9.2%
Deluxe Junior Suite	King and Queen Sofa bed renovated Partial Ocean View	537	9	8.3%
Ocean Front Rooms				
Standard	King Room Ocean frontage	309	19	17.4%
Deluxe	King room renovated and ocean frontage	356	23	21.1%
Deluxe DD	Double Queen renovated and ocean frontage	356	15	13.8%
Standard Junior Suite	1 King 1 Queen sofa bed, ocean front	479	1	0.9%
Standard Two Bedroom	2 bedroom detached cottage, ocean front	805	4	3.7%
1 Bed Cottage	1 bedroom detached cottage, ocean front	478	1	0.9%
2 Bed Cottage	2 bedroom detached cottage, ocean front	1000	2	1.8%
3 Bed Cottage	3 bedroom detached cottage, ocean front	1478	2	1.8%
Total:		43,944	109	100.0%
Source: Various sources compiled by CBRE				

Building plans and specifications were not provided for the preparation of this appraisal. The following is a description of the subject improvements and basic construction features derived from CBRE's physical inspection.

The following is a description of the subject improvements and basic construction features derived from CBRE's inspection.

YEAR BUILT

The subject was built in 1938 and was most recently renovated in 2016.

DESIGN AND LAYOUT

The property is comprised of 13 various buildings with varying accommodations and amenities in each building. The front entrance to the hotel is accessed via a driveway off Old Montauk Highway. The property slopes southerly and the driveway slopes toward the ocean similarly. The main access is gained inside the property line, well off the roadside frontage. The property entrance is covered with an attached porte cochere.

The ground level of the hotel houses the lobby, registration desk, and administrative areas, a grab and go snack shop, and two restaurants.

ROOMS

The subject consists of 15 varying buildings on the site and room accommodations are in within eleven of the buildings. The main building with lobby and restaurant, beach club, back of the house areas and linen storage building are the only buildings without accommodations. The guest rooms are mostly in good condition. The foredeck building with 24 rooms is more vintage having older styling and furnishings and at some point, in near future are likely to receive an upgrade. The rooms generally have well-appointed accommodations with newer hard and soft goods including drapes, bedding, tables, wallpaper, wall-prints, chairs, tables, flat panel televisions, and furniture such as armoires and dressers, and lighting. The bathrooms are a mix of stone and ceramic and with shower enclosures of plate glass. The standard rooms at the subject will feature either one king size or two queen sized beds, while the suites at the facility will feature a queen pullout sofa. Rooms are equipped with coffee machines, small wet bars and a full kitchen in detached cottages.

The general interior room finishes are summarized as follows:

Floors:	Commercial Carpeting, Stone and Ceramic tiling
Walls:	Varied with Wall Vinyl, Paint, Stone and Ceramic tiling paint and wall prints
Ceilings:	Paint
Lighting:	Fluorescent/incandescent

Bathrooms:	Standard bathrooms feature stand-in shower, toilet and vanity.
Furnishings:	King, or queen size bedding, dresser, flat panel television & armoire, desk & chair, side chair, end table, lamps, pictures and mirrors. Larger suites also include sofas, coffee tables and other related home furnishings and kitchens.
Room Amenities/ Kitchenettes:	Guest suites feature a built-in hair dryer, iron and board, two-line phone, wet bar, mini-refrigerator, and coffee-maker.

RESTAURANT/LOUNGE

The facility's restaurants range from a Scarpetta's full service dining for dinner, Tillies, for breakfast and lunch and a grab and go snack bar. Meeting space ranges from indoor ballroom with breakout rooms and two – three open flat deck areas for al fresco tented functions.

RESTAURANT/LOUNGE FACILITIES		
Name	Seating Capacity	Type
Scarpetta's Indoors	88	Italian American Fushion
Scarpetta's Outdoors	120	"
Tillies Inddors	80	Continental Bkfst / Lunch
Additional Seating add on	25	"
Compiled by CBRE		

MEETING/BANQUET ROOMS		
Name	Size (SF)	Type/Comments
Main Ballroom	6,000	indoor space
Tented Area Event space 1	12,000	Outdoor tenting above pool
Tented Area Event space 2	2,000	Outdoor tenting
Compiled by CBRE		

SPA

The subject has the renowned Gurneys Seawater Spa, a spa that was ahead of its time when originally conceived. It has 40 treatment rooms, men's and women's locker rooms, hair and nail salon and an attached fitness facility. The spa is large, with 40 treatment rooms considerate of 109 rooms in the hotel, it is also somewhat dated in its architecture and styling. The pool is a larger rectangular seawater spa pool. The pool is noted to have been renovated and mechanical

equipment replaced in last four years. The pool appears well cared for, in good condition and is functional in its use.

CONSTRUCTION CLASS

Building construction class is as follows:

C - Masonry/concrete ext. walls & wood/steel roof & floor struct., exc. concrete slab on grade

The construction components are assumed to be in working condition and adequate for the building.

The overall quality of the facility is considered to be average to good for the neighborhood and age. However, CBRE, Inc. is not qualified to determine structural integrity and it is recommended that the client/reader retain the services of a qualified, independent engineer or contractor to determine the structural integrity of the improvements prior to making a business decision.

FOUNDATION/FLOOR STRUCTURE

The foundation is assumed to be of adequate load-bearing capacity to support the improvements. The floor structure is summarized as follows:

Ground Floor: Concrete slab on compacted fill

EXTERIOR WALLS

The exterior walls are a combination of concrete block and or frame stud, covered with a weathered and painted wood siding in most areas.

ROOF COVER

The building has a pitched shingle roof in most areas. The pool is covered with a concrete slab and weatherproofed.

HVAC

The room HVAC systems are comprised of electric PTAC units and common areas, such as the lobby and eateries and the spa and meeting space have central HVAC system. We assume it all to be in good working order and adequate for the building.

ELECTRICAL

The electrical system is comprised of copper three phase underground wiring. There is a separate electric shed/room with the main distribution service. The property includes 2 back up generators that are noted to provide full power to the property electric needs.

PLUMBING

The plumbing system is mix of cast iron copper and PVC and is assumed to be in good working order and adequate for the building.

PUBLIC RESTROOMS

There are varied public restrooms in the facility and are well kept and assumed adequate. They are assumed built to local code.

LIFE SAFETY AND FIRE PROTECTION

Fire protection equipment consists of sprinkler systems. It is assumed the improvements have adequate fire alarm systems, fire exits, fire extinguishers, fire escapes and/or other fire protection measures to meet local fire marshal requirements. CBRE, Inc. is not qualified to determine adequate levels of safety & fire protection, whereby it is recommended that the client/reader review available permits, etc. prior to making a business decision.

SECURITY

There are closed circuit security cameras throughout the property for security.

AMENITIES/ADDITIONAL SERVICES

The hotel also includes the oceanfront beach, numerous day beds and lounges at the ocean front beach.

PUBLIC LOBBY FACILITIES

The interior finish of the public lobby area includes hardwood and stone tile flooring, commercial carpet with painted textured or decorative papered walls. It is modern classic and well cared for.

PUBLIC CORRIDORS

The subject's guestrooms are accessible via varied interior and exterior corridors. The public corridor finish is well kept and cared for.

PARKING AND DRIVES

The property features an about 171 surface spaces, including reserved handicapped spaces. Parking areas and vehicle drives are paved and considered to be in average condition. Patron parking areas are centrally located within the complex, and on the northwest corner of the site. Parking is adequate for guest room patrons, but clearly not enough for an influx of outside patrons frequenting the restaurant and day beach guests. It is noted that parking is one of the more challenging tasks to manage on a daily basis especially weekends in peak summer months. Given the need, the property has a valet parking for vehicles.

LANDSCAPING

Landscaping is considered to be in average condition and well maintained.

FUNCTIONAL UTILITY

The current design characteristics of the subject appear to meet modern standards. The floor plans are considered to feature functional layouts and the overall layout of the property is considered functional in utility. The unit mix appears functional and no conversion is warranted.

ADA COMPLIANCE

Common areas of the property appear to have handicap accessibility. The property is sloped rather steeply from the roadside to the Ocean frontage and accessibility to all portions of the property with ADA compliance is a challenge. The client/reader's attention is directed to the specific limiting conditions regarding ADA compliance.

ENVIRONMENTAL ISSUES

CBRE, Inc. is not qualified to detect the existence of any potentially hazardous materials such as lead paint, asbestos, urea formaldehyde foam insulation, or other potentially hazardous construction materials on or in the improvements. The existence of such substances may affect the value of the property. For the purpose of this assignment, we have specifically assumed there are no hazardous materials that would cause a loss in value to the subject.

PROPERTY IMPROVEMENT PLAN COST

Our inspection of the property indicated no significant items of deferred maintenance.

ECONOMIC AGE AND LIFE

CBRE, Inc.'s estimate of the subject improvements effective age and remaining economic life is depicted in the following chart:

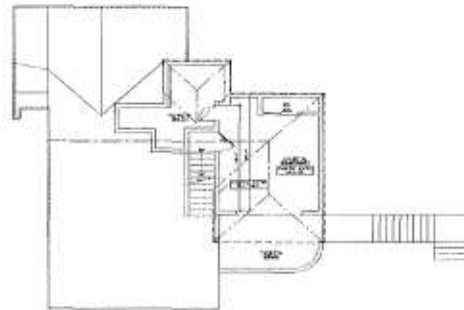
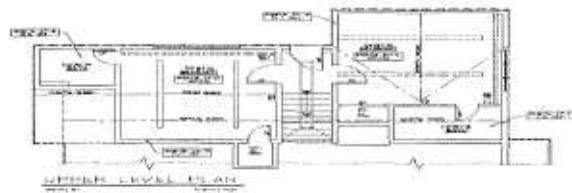
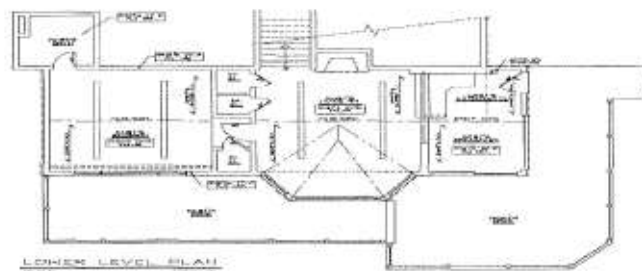
ECONOMIC AGE AND LIFE	
Actual Age	80 Years
Effective Age	10 Years
MVS Expected Life	45 Years
Remaining Economic Life	35 Years
Accrued Physical Incurable Depreciation	22.2%
Compiled by CBRE	

The remaining economic life is based upon our on-site observations and a comparative analysis of typical life expectancies as published by Marshall and Swift, LLC, in the Marshall Valuation Service cost guide. While CBRE, Inc. did not observe anything to suggest a different economic life, a capital improvement program could extend the life expectancy.

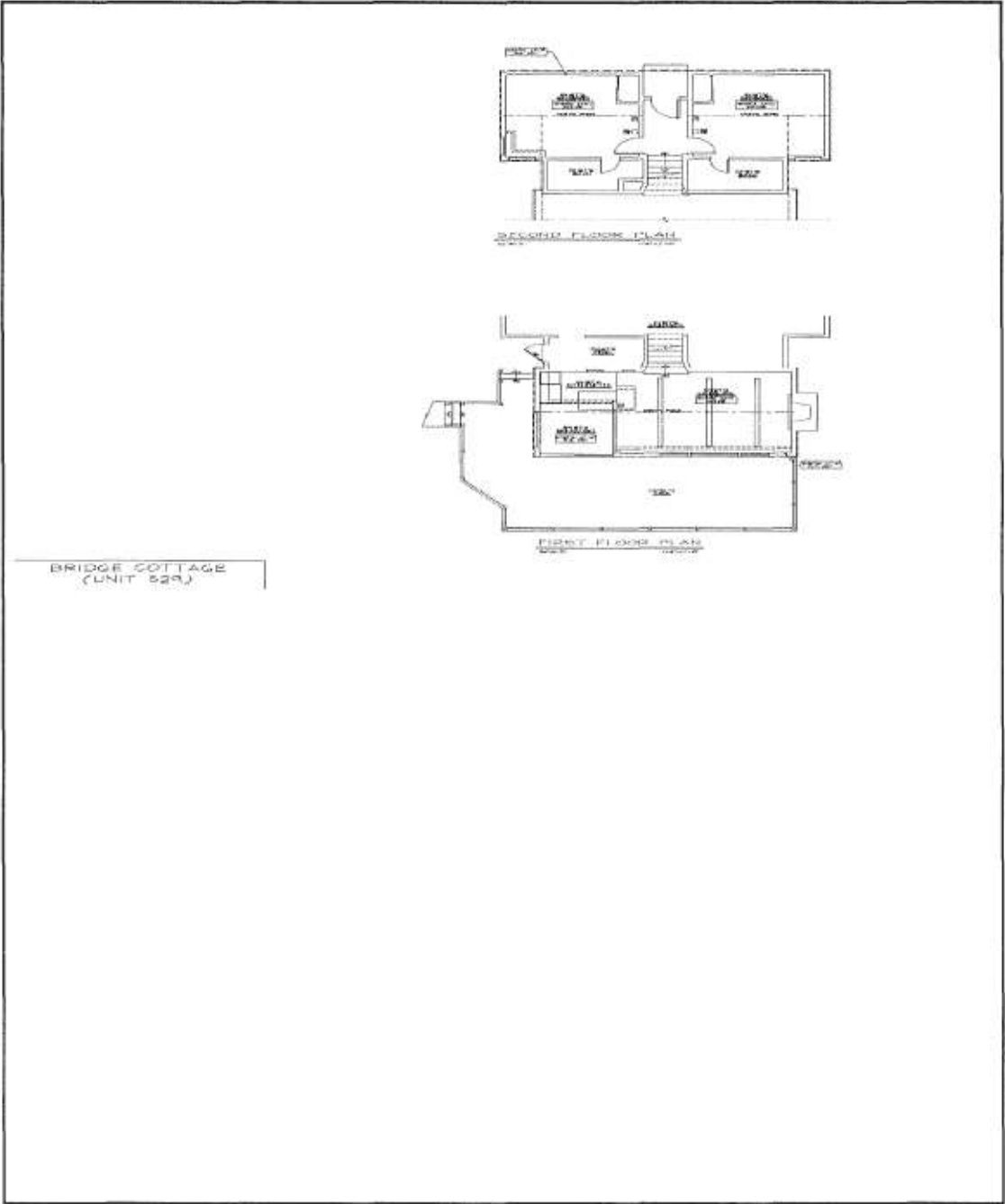
CONCLUSION

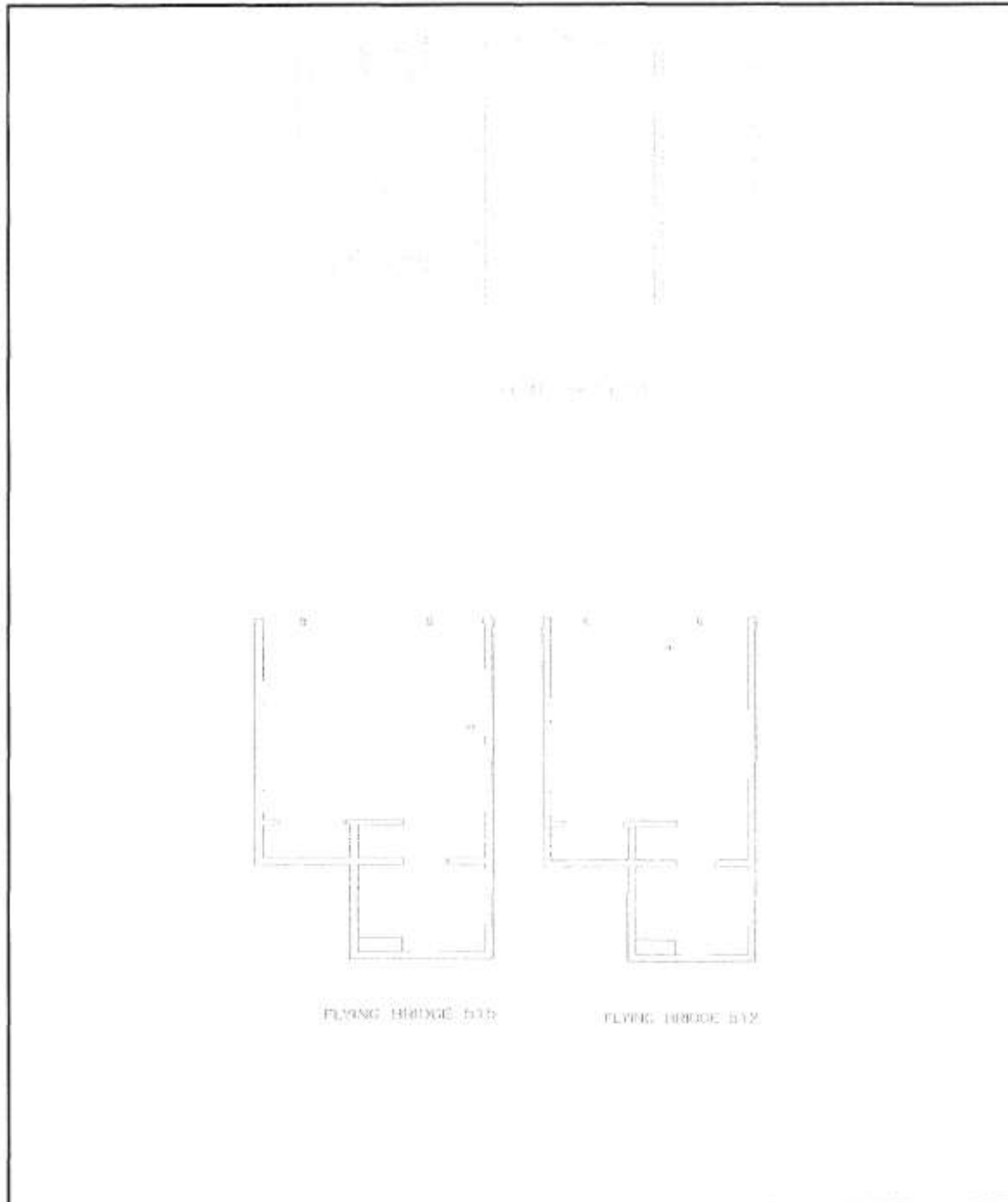
The improvements are in good overall condition. Overall, there are no known factors that adversely impact the marketability of the improvements.

UNIT FLOOR PLANS

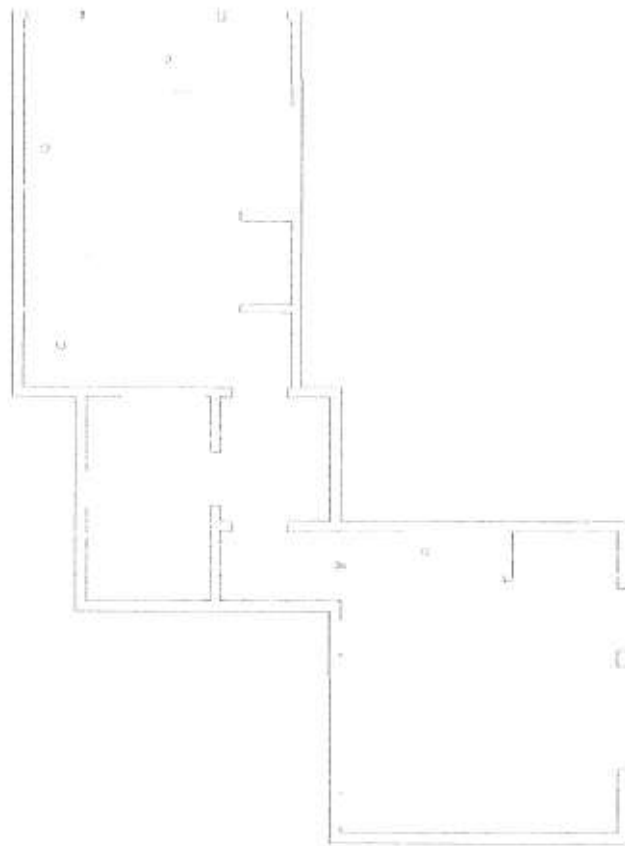
FIRST FLOOR PLAN
UNIT 549SECOND FLOOR PLAN
UNIT 549LOOKOUT COTTAGE
(UNIT 549)UPPER LEVEL PLAN
UNIT 537LOWER LEVEL PLAN
UNIT 537QUARTER DECK COTTAGE
(UNIT 537)

UNIT FLOOR PLANS



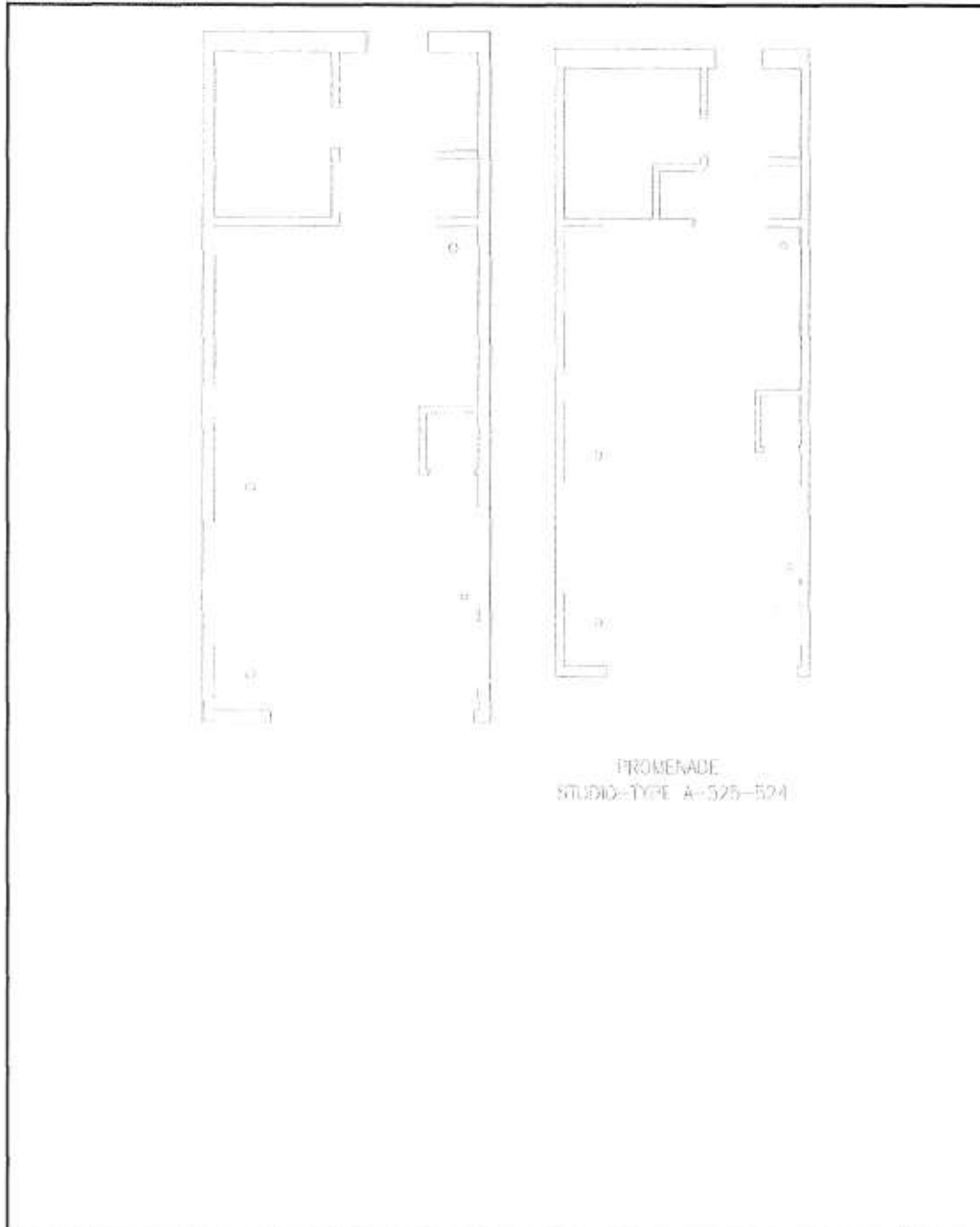


UNIT FLOOR PLANS

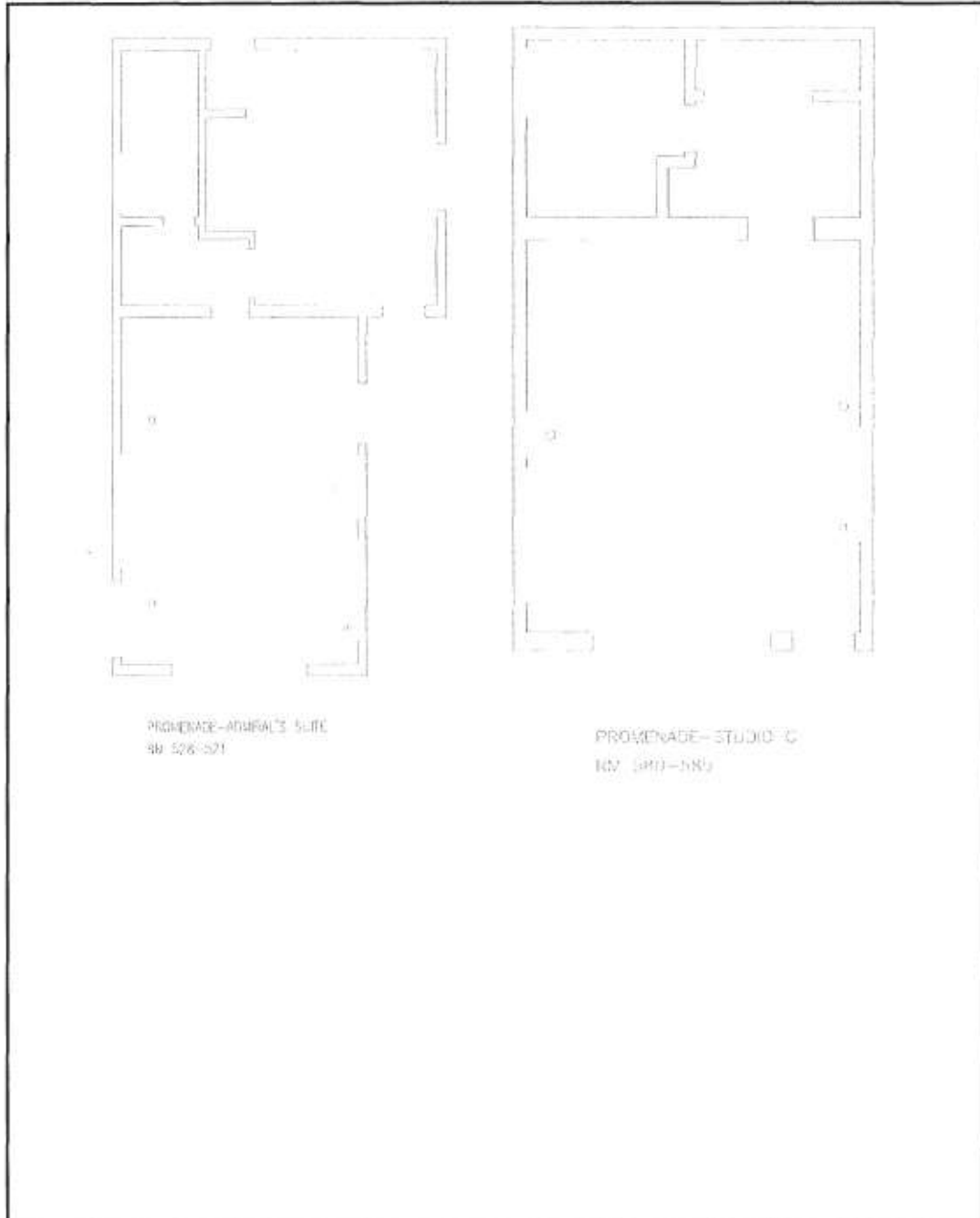


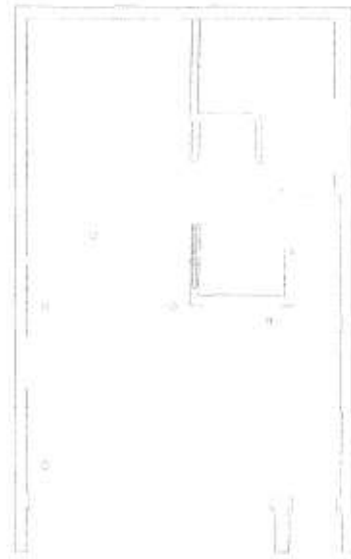
FLYING BRIDGE 511

UNIT FLOOR PLANS



UNIT FLOOR PLANS





PROVEE - SUITE A
RM. 501-504



FORECASTLE - STATEROOM
RM. 551-553-555

Zoning

The following chart summarizes the subject's zoning requirements.

ZONING SUMMARY	
Current Zoning	A Residence
Legally Conforming	No - See Comments
Uses Permitted	Residential Uses
Zoning Change	Not likely
Category	Zoning Requirement
Minimum Lot Size	40,000 Sq. Ft.
Minimum Lot Width	50 Feet
Maximum Height	25 Feet
Minimum Setbacks	
Front Yard	80 Feet
Street Side Yard	45 Feet
Interior Side Yard	45 Feet
Rear Yard	45 Feet
Maximum Bldg. Coverage	15%
Total Lot coverage	40%
Subject's Actual FAR	0.23 : 1
Source: Zoning Schedule Site Plan and Town Zoning Dept.	

ANALYSIS AND CONCLUSION

The improvements represent a pre-existing legally-nonconforming use and, if damaged, would require special permit applications from the Town of East Hampton, Suffolk County and Suffolk County Health Department. Additional information may be obtained from the appropriate governmental authority. For purposes of this appraisal, CBRE has assumed the information obtained is correct.

Tax and Assessment Data

The following summarizes the local assessor's estimate of the subject's market value, assessed value, and taxes, and does not include any furniture, fixtures or equipment. The CBRE estimated tax obligation is also shown.

AD VALOREM TAX INFORMATION				
300-87-3-28.1	Parcel Description	2016	2017	Pro Forma
Assessor Estimated Market Value		51,466,102	53,271,930	
Equalization rate		0.0059000	0.0057000	
Assessed Value		\$303,650	\$303,650	
Assessed Value @		100%	100%	100%
		\$303,650	\$303,650	\$303,650
General Tax Rate	(per \$1,000 A.V.)	966.57	972.71	1,001.89
General Tax:		\$293,499	\$295,363	\$304,224
Special Assessments:				
Effective Tax Rate	(per \$1,000 A.V.)	966.57	972.71	1,001.89
Total Taxes		\$293,499	\$295,363	\$304,224
Source: Assessor's Office				

CONCLUSION

Based on the foregoing information, the subject's current assessment is considered within our valuation analysis. There is no current town wide plan for reassessment and properties are not reassessed upon sale or transfer. Based on the foregoing, the total taxes for the subject have been estimated as \$304,224 for the base year of our analysis.

As of the appraisal date, all taxes are current per the Town of Easthampton tax receiver's office.

Market Analysis

Understanding the relationship between supply and demand is a critical component of any appraisal, particularly with respect to hotels. Unlike other property types, hotels essentially lease their rooms on a daily basis. While this characteristic allows for an immediate response to changes in market conditions, it also requires a high level of management intensity. There is an inverse relationship between occupancy and average daily rate (ADR), and raising or lowering rates typically has an immediate impact on room-nights sold. Effective management entails finding the proper balance that allows for the maximization of revenue.

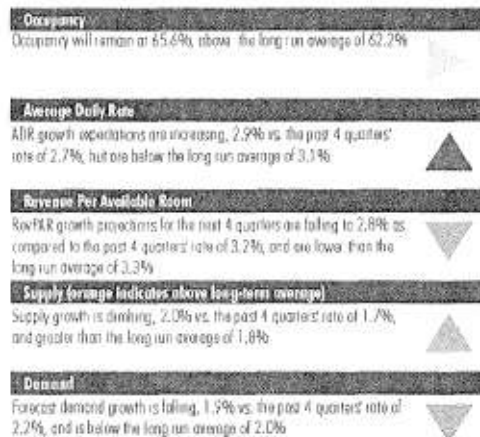
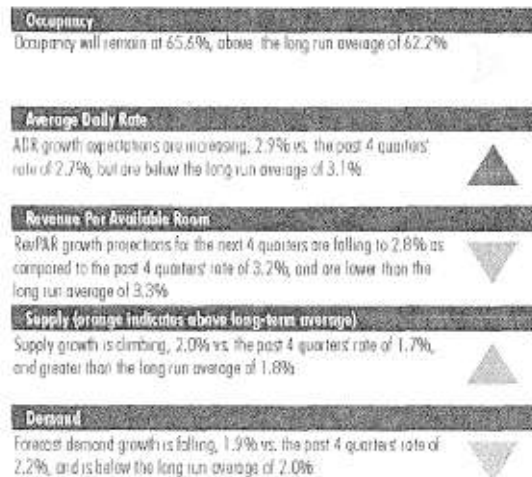
In this section we first identify the Subject property's competitive set (e.g., those hotels that tend to compete for the same sources of demand). We then identify relevant demand sources, analyze historical growth patterns and assess the potential for growth (or lack thereof) in demand by segment. The result is a projection of future market performance. Lastly, we conclude with a projection of occupancy and ADR for the Subject property, taking into consideration its competitive strengths and weaknesses relative to the overall market.

Some hotels are more directly competitive than others based on their locations, facilities, branding, etc. This disparity in the level of competitiveness can be handled in a number of ways. Some appraisers assign a percentage to each property and include only a portion of their guest rooms in the competitive set. This technique, while theoretically sound, is highly subjective and the overall analysis can be extremely sensitive to the assumptions made. Alternatively, we have chosen to address this issue through our projected penetration rates. For example, the introduction of a new property that is only marginally competitive will have a limited impact on the Subject property's penetration level, whereas a directly competitive property will likely have a substantial effect. Regardless of the method employed, properly assessing the relationship between supply and demand and its impact on the Subject property and market occupancy requires a level of professional judgment.

NATIONAL OVERVIEW

Hotel Market Summary

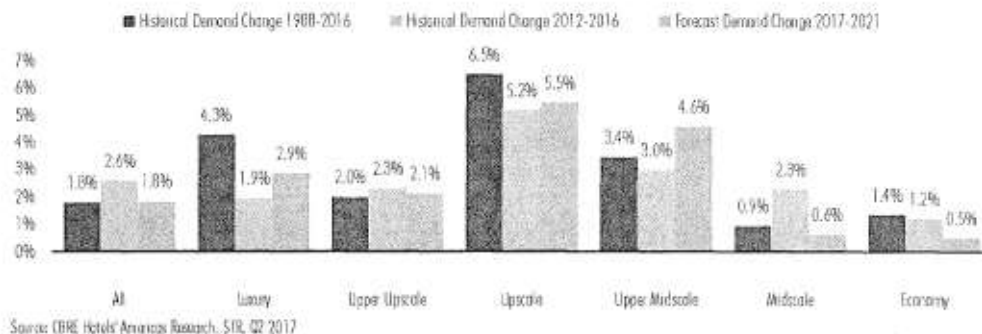
The demand for U.S. lodging accommodations continued to increase through the first half of 2017. Per STR, lodging demand grew by 2.5% during the first half of the year. This marks 30 consecutive quarters of growth in lodging demand since the fourth quarter of 2009. The net result of the first half rise in demand was a 0.7% bump in occupancy for the period.



CBRE Hotels' Americas Research is forecasting a 0.3% increase in occupancy for the entirety of 2017, along with another 0.1% rise in 2018. This would result in nine consecutive years of rising occupancy levels, equaling a similar streak during the prosperous period from 1992 through 2000.

Despite lofty occupancy levels, the pace of ADR growth continues to decelerate. CBRE projects that room rates will grow by 2.5% in 2017, followed by another 2.3% in 2018. Because they lagged during the initial stages of the industry recovery, economy properties, along

with those located in secondary or tertiary markets, are now projected to achieve the greatest gains in ADR and RevPAR. On the other end of the spectrum luxury and upper-upscale properties are forecast to attain the highest occupancy levels.



Investment Activity

According to Real Capital Analytics, "hotel deal volume was \$13.5 billion for the first half of 2017, essentially flat compared to the same period in 2016. Bullet points as published by RCA as of Second Quarter, 2017 are provided below:

- There is a recent disparity of growth with sales volume climbing in Non-Major Metros (NMM) even as it falters in the 6 Major Metros (6MM). This disparity is a function of activity in key markets as well as differences in deal structure.
- Activity for these megadeals was up 49% YOY on sales of \$978m. This megadeal activity was concentrated in the NMM with 75% of the deal volume in these smaller locales. Within the NMM, mega-deal volume was up 200% YOY in Q2'17.
- The megadeal activity was not the sole driver of deal volume in the NMM, however. Single asset sales form the bedrock of the market as underwriting one building and income stream at a time focuses investors on property market risks. Single asset deal volume grew 30% YOY in Q2'17. Clearly investors are becoming comfortable again with the risks presented by the certain segments of the hotel market.
- On a relative basis, hotels look inexpensive in the current market. Over the long run hotel cap rates have averaged 8.6% and current cap rates are roughly at this average. Every other property sector has current cap rates well below their long-run averages.
- Hotel cap rates began increasing sharply in 2015 and especially into 2016 but this pace of increase has moderated in recent quarters. Cap rates were up only 20 bps YOY in Q2'17 versus a 40 bps YOY increase in Q2'16.

Investment Rates

Investment rate data from the latest Real Estate Investor Surveys published by PWC (formerly Korpacz), RERC, and CBRE Hotels for luxury, full service, limited service and extended stay properties are illustrated in the following table:

HOTEL INVESTOR SURVEY DATA						
Source/Type	Discount Rate		Overall Cap Rate		Terminal Cap Rate	
	Range	Average	Range	Average	Range	Average
RERC (2nd Qtr. 2017)						
Hotels	9.00% - 10.00%	9.60%	7.50% - 8.00%	7.80%	8.00% - 9.00%	8.50%
CBRE Hotels (1st Half 2017 - CBD)						
Economy				9.19%		
Full Service				7.70%		
Luxury				6.98%		
Select Service				7.70%		
PwC Survey: (1st Qtr. 2017)						
Luxury	6.50% - 12.00%	9.53%	4.00% - 9.00%	7.00%	5.50% - 9.50%	7.18%
Full Service	8.00% - 13.00%	10.19%	6.00% - 10.00%	7.90%	7.00% - 10.00%	8.40%
Limited Service	8.50% - 13.00%	11.00%	7.50% - 11.00%	9.06%	7.75% - 11.00%	9.66%
Select Service	8.00% - 11.00%	9.90%	6.50% - 10.00%	8.60%	7.00% - 10.75%	9.03%
Compiled by: CBRE						

The PwC survey stated that the "post-election surge in consumer and business sentiment suggests momentum for 2017... Looking ahead, earlier concerns related to economic and political uncertainty appear to have moderated since the end of the election cycle.

This translated to slight upticks in some of the reported ranges and averages of discount and capitalization rates for each segment during the most recent quarter surveyed. Full service capitalization rates moved 12 basis points over the third quarter of 2016 while select service registered a 5-basis point increase. RERC reports cap rates have increased 20 basis points since 1st Qtr. of 2017 while discount rates have decreased 30 basis points.

CONCLUSION

Occupancy figures will remain above the long-term average for the foreseeable future. As new supply continues to grow, however, RevPAR growth will be muted compared to the most recent quarters. The decelerating growth will present some challenges for some hoteliers. Skilled hotel operators and their ability to control costs will enable continued profit growth. Overall transaction activity through the first half of 2017 is roughly equal year prior. Barring any global shocks to the global economy, the hospitality market will continue to experience positive growth through 2017 and 2018. While the outlook beyond that is a little murkier, there are still plenty of national and international investors who are eager to place capital into well-established and emerging markets.

LONG ISLAND, NEW YORK AREA HOTEL MARKET ANALYSIS

Hotel Horizons

Hotel Horizons® is a series of econometrically derived reports prepared on a quarterly basis that analyzes the historical and expected performance of 59 major U.S. lodging markets, as well as our national summary report of the entire U.S. lodging industry. Hotel Horizons® reports contain five years of forecast data and five years of historical market performance information. A variety

of economic, demographic, and other benchmarking statistics appear in the reports to provide the reader with a deeper understanding of local market conditions.

PKF Hospitality Research, A CBRE Company (PKF-HR), prepares hotel market forecasts based on accepted econometric procedures and sound judgment. The product name for the PKF-HR forecasts is Hotel Horizons®. The two-stage process for producing the forecasts firstly involves econometric estimation of future hotel market activity and financial performance based on historical relationships between economic and hotel market variables, and secondly, a judgmental review of modeled outputs by experienced hotel market analysts. The hotel industry expertise of PKF dates back to the 1930s. PKF-HR and others believe that errors in forecasting are minimized by relying on both data analytics and judgment.

Econometric forecasting represents one of the most sophisticated approaches to gaining insight into future economic activity. Unlike some forecasting methods used in business practice, the models that underlie econometric forecasts contain variables based in economic theory. The forecasts come from historical relationships, similar to statistical correlations, among hotel market measures and economic variables. The measures for the variables come from actual market transactions involving individuals and firms interacting in the economy.

Gaining insight into the futures of complicated economic environments requires the introduction of multi-level forecasting models. Several equations often need to be identified and estimated to model complex economic conditions such as the national economy. Multi-equation models have considerable appeal for economic forecasting because they explicitly recognize the interdependence of relationships commonly encountered in markets. Perhaps the best example of this type of model is one that involves both the demand side and the supply side of markets, in which prices of goods are set by the interaction of buyers and sellers. Thus, price appears as a variable in both the demand and supply equations.

A committee of hotel experts from PKF-HR and CBRE Hotels performs a thorough review of each model prediction. These assessments are made by locally-based hotel experts working in the various offices around the U.S. The quarterly forecasts for the current and forecast period years are subject to review. The committee modifies the model's market prediction when there is compelling evidence that factors have come into play that the model could not possibly foresee. A Super Bowl-type event, as an extreme example, would cause the committee's forecast to differ noticeably from the model's prediction—not only in the city in which the event will occur, but also competing cities within the region. In most instances, however, the committee either defers to the model prediction or makes modest adjustments.

According to Hotel Horizons®, the hotel outlook for all chain-affiliated properties in the West Palm Beach lodging market is shown below, and includes both the full- and limited-service segments. As indicated below, the local market trends are improving which is primarily due to continued improved overall economic conditions.

LONG ISLAND AREA HOTEL OUTLOOK

- Total Market -

Year	Occupancy	ADR		RevPAR	
		\$ Amount	% Change	\$ Amount	% Change
2011	67.9%	\$123.87	N/A	\$84.05	7.3%
2012	69.5%	\$131.16	5.9%	\$91.09	8.4%
2013	72.6%	\$135.65	3.4%	\$98.55	8.2%
2014	70.9%	\$139.73	3.0%	\$99.04	0.5%
2015	73.1%	\$144.23	3.2%	\$105.47	6.5%
2016	73.4%	\$149.43	3.6%	\$109.75	4.1%
Forecast 2017	73.3%	\$154.80	3.6%	\$113.42	3.3%
Forecast 2018	73.1%	\$159.52	3.0%	\$116.62	2.8%
Forecast 2019	73.0%	\$163.25	2.3%	\$119.24	2.2%
Forecast 2020	72.8%	\$167.76	2.8%	\$122.15	2.4%

Source: CBRE Hotel Horizons, 4th Quarter, 2016

According to Hotel Horizons®, the hotel outlook for Upper tier properties in the Long Island lodging market is shown below. As indicated below, the local market trends are improving moderately over the last several years. This is primarily due to improved economic conditions in the metropolitan New York area.

LONG ISLAND AREA HOTEL OUTLOOK

- All Upper Tier Properties

Year	Occupancy	ADR		RevPAR	
		\$ Amount	% Change	\$ Amount	% Change
2011	68.6%	\$141.51	N/A	\$97.06	4.0%
2012	69.9%	\$152.10	7.5%	\$106.31	9.5%
2013	71.4%	\$156.07	2.6%	\$111.46	4.8%
2014	69.8%	\$160.57	2.9%	\$112.02	0.5%
2015	72.1%	\$166.54	3.7%	\$120.12	7.2%
2016	72.9%	\$168.84	1.4%	\$123.16	2.5%
Forecast 2017	72.2%	\$174.04	3.1%	\$125.66	2.0%
Forecast 2018	71.5%	\$179.09	2.9%	\$128.04	1.9%
Forecast 2019	71.6%	\$183.41	2.4%	\$131.34	2.6%
Forecast 2020	71.6%	\$188.72	2.9%	\$135.14	2.9%

Source: CBRE Hotel Horizons, 4th Quarter, 2016

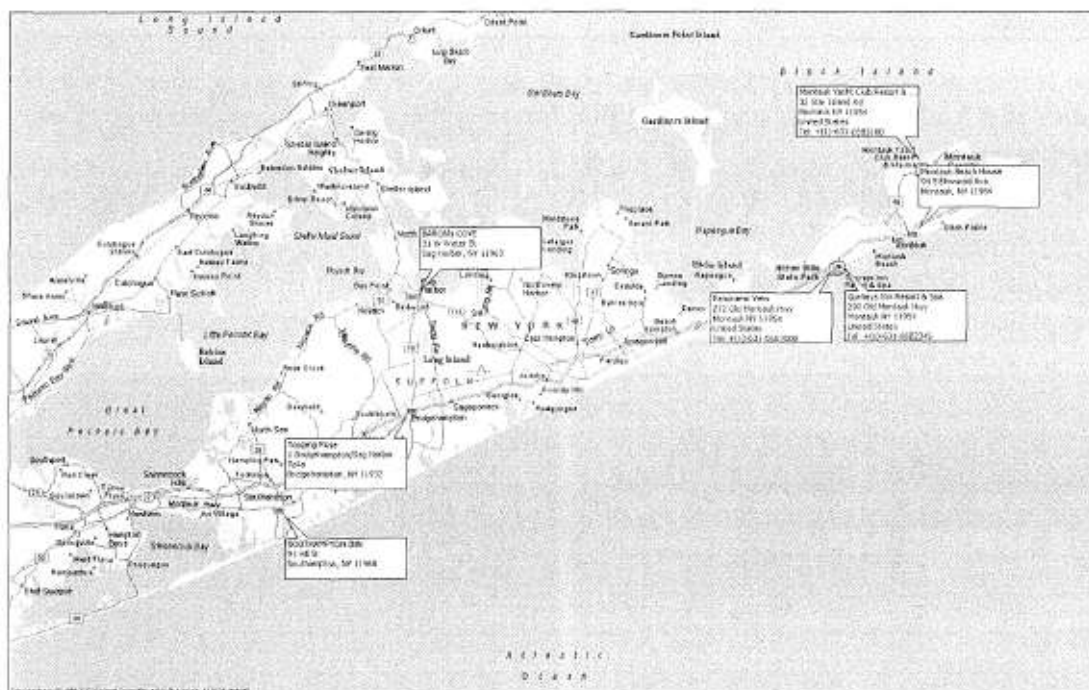
COMPETITIVE HOTEL MARKET ANALYSIS

The subject is classified as a luxury resort hotel and is located in an area commonly referred to as east end of Long Island, and/or the Hamptons. Hotel development in the area consists of a variety of independent resort motels / hotels. They range from smaller limited service motels,

mom pop operations to full service institutional type properties. The hotels are generally located proximate to the oceanfront or within the downtown populated areas of Montauk, Easthampton, Southampton and Sag Harbor, each considered resort communities.

Summary of Competitive Properties

The following table provides a summary of the subject's competitive hotel set. These comparables were based on the location and amenities offered in the local area.



PRIMARY COMPETITIVE HOTELS

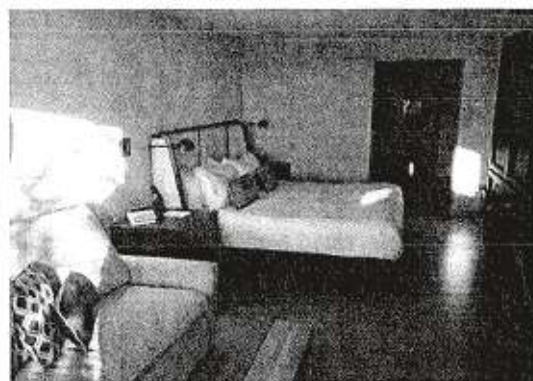
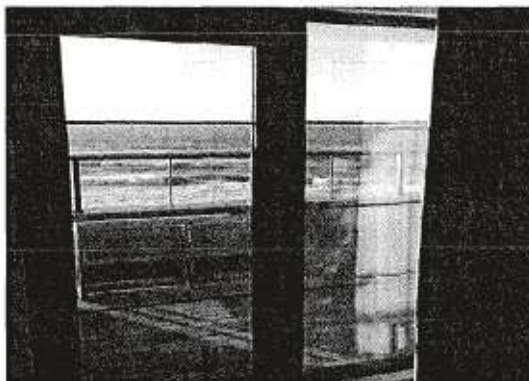
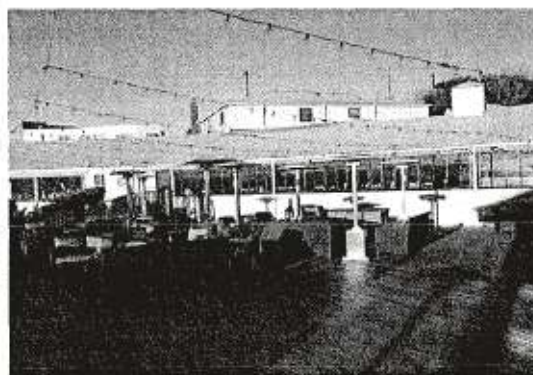
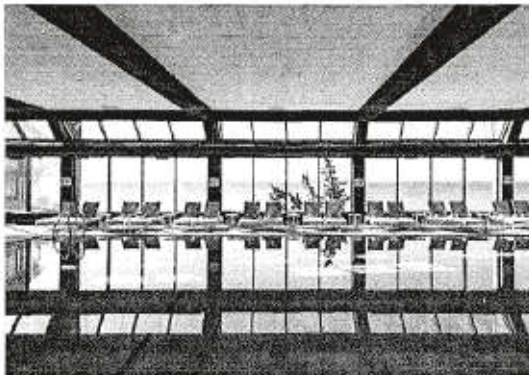
Property	Number of Rooms	Percentage Competitive	Year Built	12 Months Ending February 1, 2018						RevPAR Penetration
				Occ	Yr. Open	Occupancy Penetration	ADR	ADR Penetration	RevPAR	
Gurneys Inn Resort & Spa	109	100%	1926/R2016	65%	100%	108%	\$577.04	124%	\$377.63	140%
Montauk Beach House	33	100%	1950%/R2014	60% - 65%	60%	90% - 120%	\$565 - \$575	109% - 135%	\$350 - \$360	125% - 135%
Tappings Rose	22	100%	2013	60% - 65%	100%	90% - 100%	\$455 - \$465	90% - 100%	\$270 - \$280	100% - 110%
Borans Cove	67	100%	1984/R2016	60% - 65%	100%	90% - 120%	\$515 - \$525	90% - 120%	\$315 - \$325	115% - 125%
Montauk Yacht Club	107	100%	1928/R2015	60% - 65%	75%	90% - 120%	\$335 - \$345	70% - 80%	\$210 - \$220	75% - 85%
Southampton Inn	90	100%	1973/R2016	55% - 60%	100%	85% - 95%	\$325 - \$335	65% - 75%	\$175 - \$185	60% - 70%
Panoramic View	37	100%	1958/R2012	45% - 50%	50%	70% - 80%	\$655 - \$665	120% - 150%	\$290 - \$300	105% - 115%
Overall Totals/Averages	465						\$465.49		\$268.98	
Compiled by CBRE										

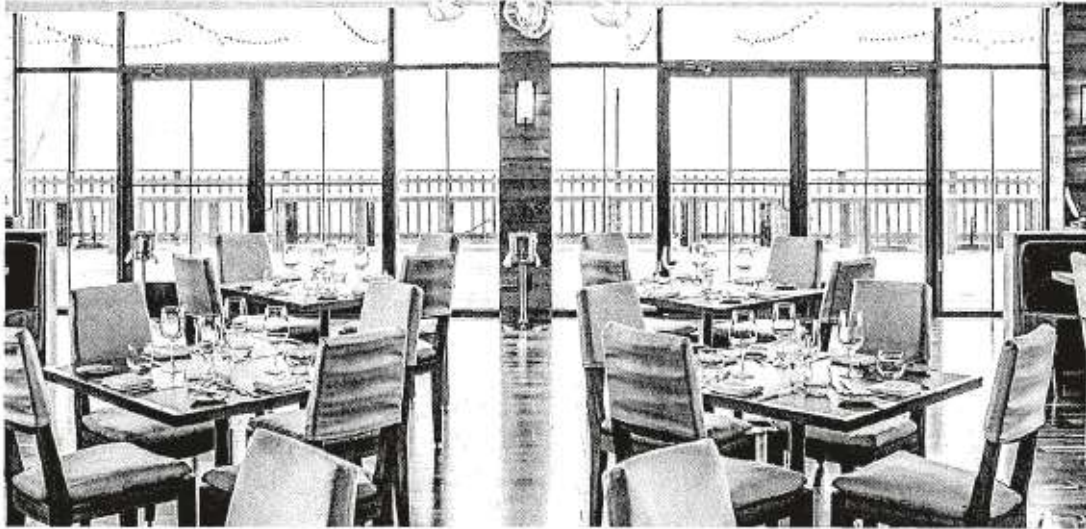
PRIMARY COMPETITION											
Estimated 2018 Market Mix											
Property	Location	Number of Rooms	Corp. Individual	Group	Leisure	Restaurant	Lounge	Business Center	Pool	Spa	Exercise Facilities
Gurneys Inn Resort & Spa	Montauk, NY	109	10%	5%	85%	Y	Y	Y	Y	Y	Y
Montauk Beach House	Montauk, NY	33	5%	5%	90%	Y	Y	Y	Y	N	Y
Toppings Rose	Easthampton, NY	22	5%	5%	90%	Y	Y	Y	Y	Y	Y
Barons Cove	Sag Harbor, NY	67	5%	5%	90%	Y	Y	Y	Y	Y	Y
Montauk Yacht Club	Montauk, NY	107	5%	5%	90%	Y	Y	Y	Y	Y	Y
Southampton Inn	Southampton, NY	90	5%	5%	90%	Y	Y	Y	Y	N	Y
Panoramic View	Montauk, NY	37	5%	5%	90%	N	N	Y	Y	N	Y
Overall Totals/Averages		465	6%	5%	89%						
Compiled by CBRE											

The primary competitive set, including the subject, has a total of 465 rooms. The trailing 12 month as of 12/31/2017 occupancy and ADR achieved by these properties was roughly 61% and \$465, respectively.

SUBJECT PROPERTY

GURNEYS INN AND SEA WATER SPA





The subject, Gurneys Montauk Resort and Seawater Spa, is a 109-unit beachfront resort and (renowned) seawater spa in Montauk on the east end of Long Island, NY. The property, once known for being a timeshare that has run its course, and was a distressed restructuring in a transaction occurring in 2013. It was in fair condition in 2012 at the time and was largely renovated and converted into an upscale beachfront, free market rental resort. In 2013, the new investor negotiated a buyout of much of the timeshare interest and negotiated to have the remaining timeshares relinquish their interest by 2018, 5 years after the initial restructure purchase. The new investor, infused needed capital into the property renovating much of the common area facilities and reposition the interior of the rooms/units under ownership into a chic modern styling as seen above. Rooms were equipped with HDTVs, iPod docks and free WiFi, sprinkler systems and upgrades to mechanicals systems, plus wet bars and pull-out sofas in

some. Many rooms also feature private verandas, while 1- and 2-bedroom suites have separate living areas and private terraces facing the Atlantic Ocean.

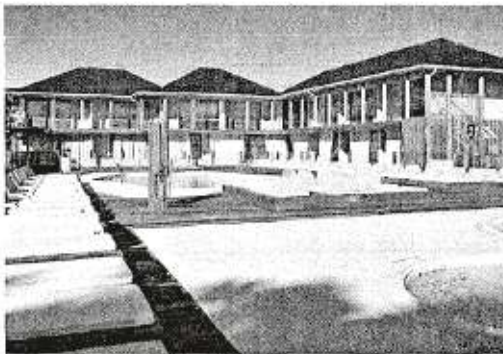
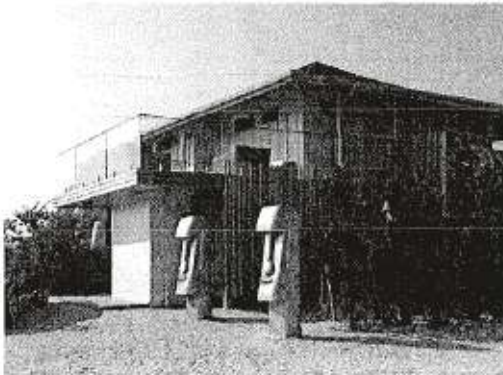
Property amenities include its high-quality beachfront restaurant and bars, as well as its renowned yet to be renovated full-service spa, a recently renovated heated indoor saltwater pool and gym. In 2014, the property had an estimated ADR of \$405 and occupancy of 48%. In 2015, as the property became more established as an upscale partially free market offering, the property had an estimated ADR of \$415 and occupancy at 62%. Owners continued improvement to the property and current ADR is upward of \$560 and expectation is for continued improvement. The ownership has re-established the property as the premier resort on the east end of Long Island.

Gurneys by far has the greatest set of amenities verses all in the competitive set.

PRIMARY COMPETITION

Not listed in order of competitiveness.

MONTAUK BEACH HOUSE

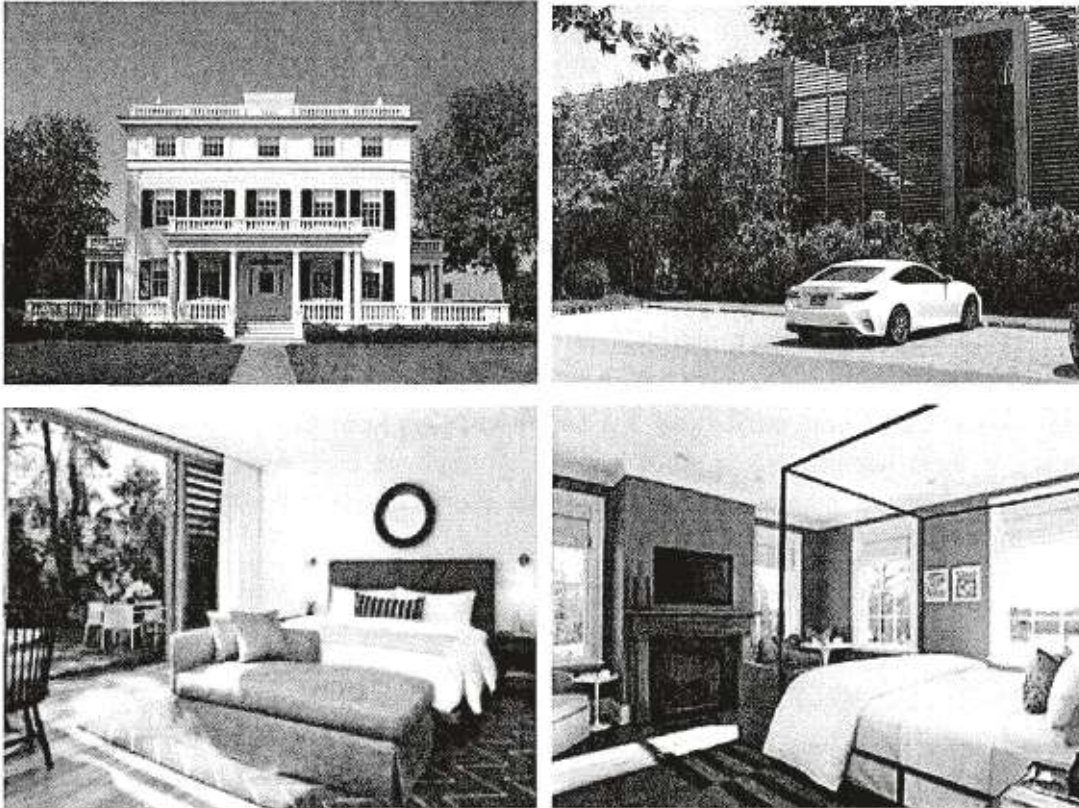


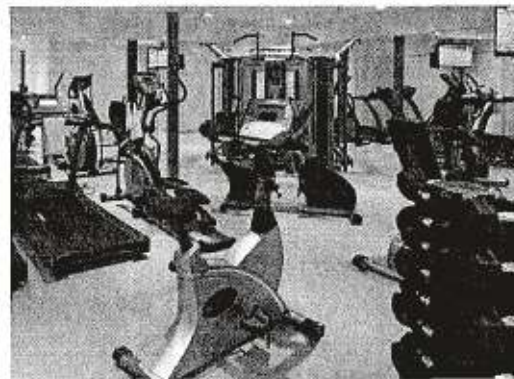
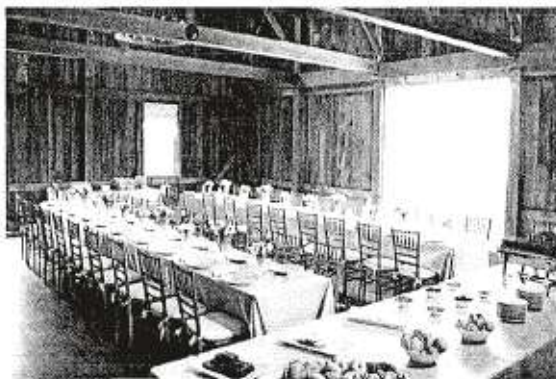
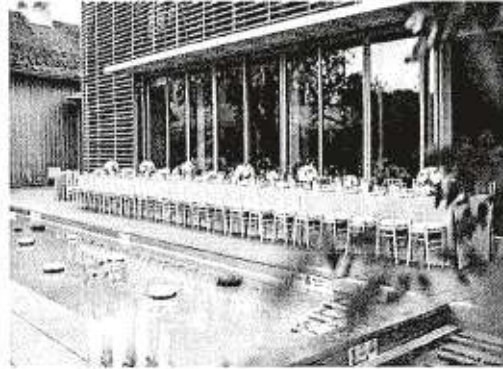
The Montauk Beach House is a 33-room hotel with Food & Beverage outlet. Located at 55 South Elmwood Street in Montauk it is in the downtown district of Montauk and within one block of the

beach. It was recently renovated and is advertised as laid back east coast vibe and is a trend setting hotel in the area with a full Restoration Hardware refit. From beach and pool lounges, room furnishings, interior, exterior, F&B offering, etc., all is upscale compared to its nearby local competition. As a trend setting property, it exhibited success at a small boutique level. Its clientele is clearly a younger, well to do demographic. The property was estimated to have a \$550 - \$580 ADR for 2015 - 2017 and occupancy remained in range of 60-65%, however the property is open only seasonally thus its ADR statistics are inflated compared to an annual calculation as if open year round.

Based upon discussions with area managers, current rack rates and room and property offering, we estimate that the subject property performs at level above this property.

TOPPING ROSE





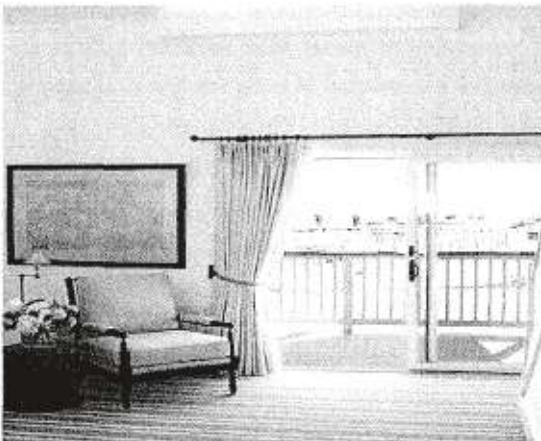
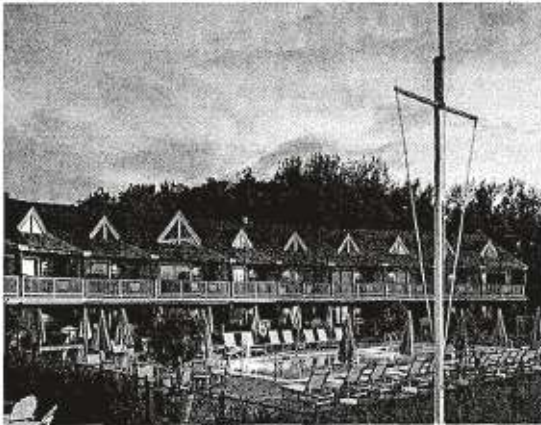
The Topping Rose is a 22-room hotel housed in an 1842 Greek Revival-style mansion with a detached contemporary annex. It is advertised as an ultra-chic hotel that is 13 minutes' walk from Bridgehampton train station and 3 miles from Ocean Road Beach. It has a roadside location in Bridgehampton but is not considered proximate to area resort amenities such as shopping or beaches, however the hotel does offer shuttle service to the Village and to local beaches.

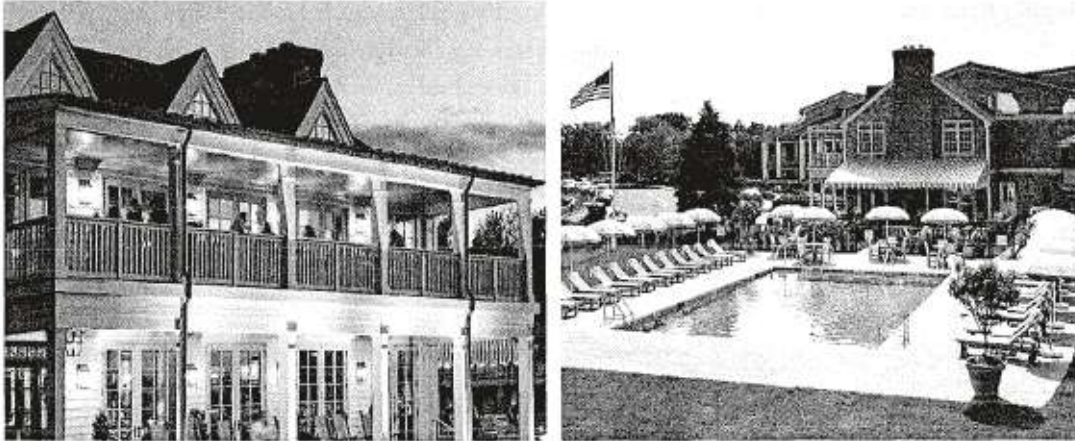
The main house, pictured above, offers newly renovated rooms with "period" or classic features, as well as modern conveniences of flat-screen TVs, iPod docks, free Wi-Fi and minibars. The modern annex rooms, located at the rear of the property add floor-to-ceiling windows and some rooms with terraces. Suites provide terraces and/or living areas. Their full service restaurant, operated under Jean-Georges, offers a luxury yet quaint colonial style setting, a terrace and lounge and also provides room service 24/7. There is a spa, fitness center and an outdoor pool. The property was estimated to have a \$420-\$430 ADR for 2015 and occupancy of 60-65%. RevPAR increased as a function of improved ADR in 2016 and 2017 albeit occupancy remained stable.

This property underwent an upscale renovation in 2012/13 and has hit stride in terms of its function, client and overall offering and performance. The subject property offering has a similar room size, yet it does have larger suites and accommodation to upsell. Both properties, the

Topping Rose and Gurneys have an upscale amenity package with a high quality luxury product offering. The subject property is Oceanfront and has significantly better water amenity, is larger and has superior amenities. Both have upscale restaurant offerings. Based upon discussions with area managers, current rack rate and room and property offering, we would estimate that the subject property perform at level somewhat higher given its waterfront amenity and greater degree of amenities compared to this property.

BARONS COVE

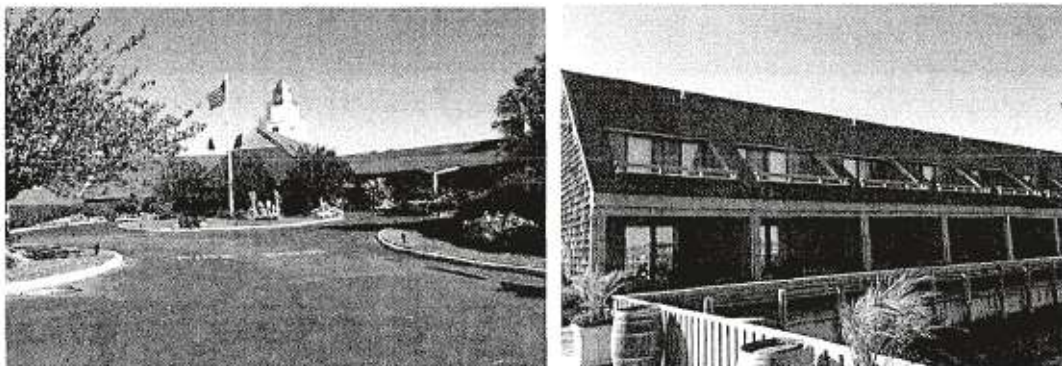


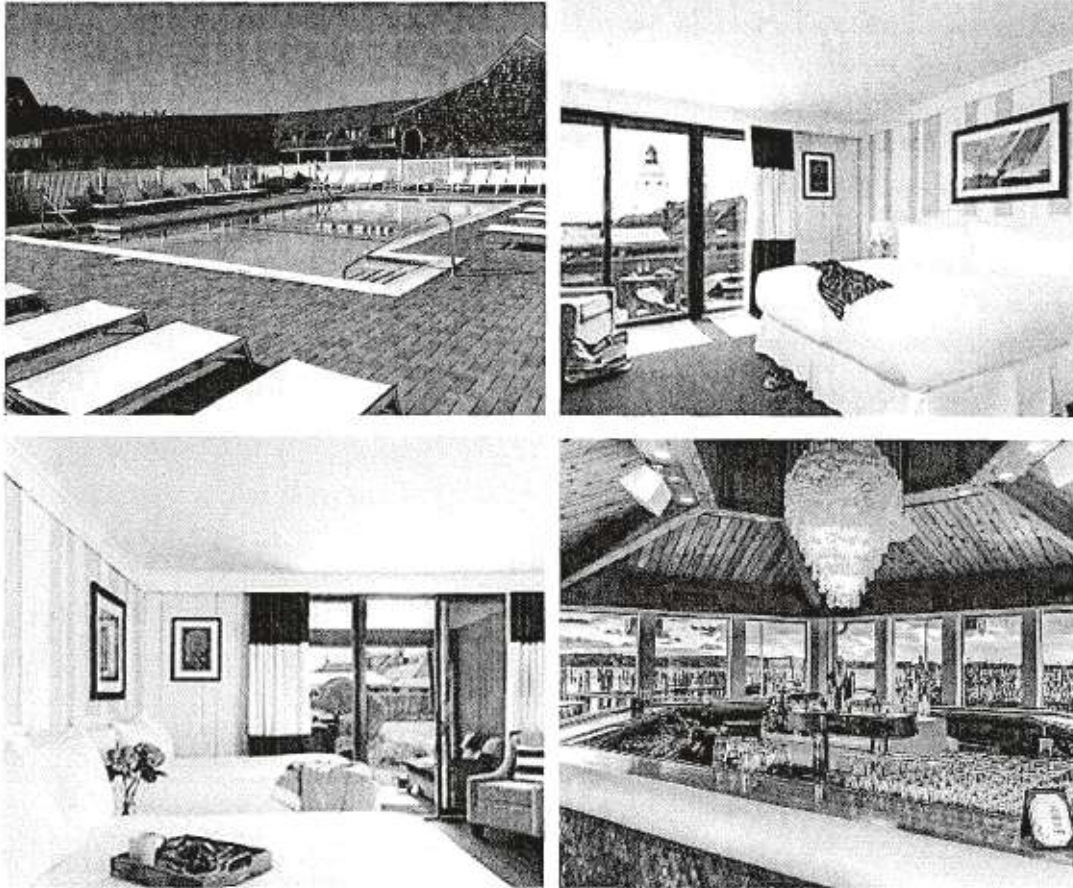


The Barons Cove is a 67-room hotel offering a newly renovated property in Sag Harbor as of 2015. The property is comparable to the subject property in terms of its rooms as it received a gut renovation and renovated with an upscale luxury product. At renovation, a new 2-story restaurant was also built, attached to the inn. It opened as fully renovated after a year being closed in May 2015. The property is across the street from Sag Harbor marina and has water views from many rooms. It features some private balconies or terraces, modern decorated rooms with free Wi-Fi, flat-screen TVs and mini-fridges. The restaurant has a 60 seat food and beverage upscale offering and lobby lounge. The trailing 12 month after opening reported an ADR of \$390-\$400 in its first year after renovation with an occupancy rate of 50-55%. In 2017 after fully being absorbed into the marketplace, management noted ADR at \$500-\$520 and occupancy at 60-65%. The owner noted expectations were exceeded in both the first and second year in terms of ADR performance, albeit the F&B was noted to lag expectation.

This property is a smaller than that of Gurneys, it has quaint feel and a good amenity, however it is situated across from a marina and is not proximate to a beach. The subject property has a superior water amenity and significantly more amenities and will perform at a higher level than this product offering.

MONTAUK YACHT CLUB



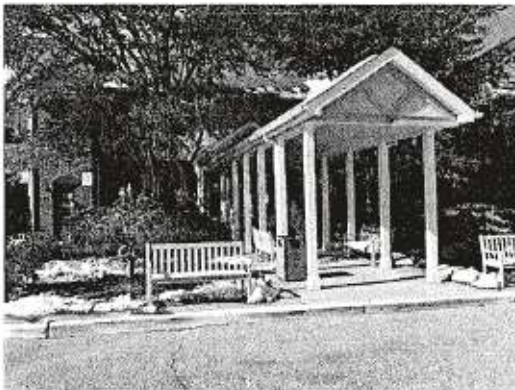


This 107-room resort is located on Star Island and overlooks Lake Montauk in Montauk Point, east end of Long Island, NY. This property, owned by IGY, International Global Yacht, has a modern, nautical-theme in a protected harbor with a marina environment. The property includes a 200+slip marina facilitating vessels up to 200 feet. Approximately 60% of the rooms were reappointed in 2017 and include free WiFi and 40" flat-screen TVs, Keurig coffeemakers, mini refrigerators, refurbished walls and new case goods. Rooms also include private balconies or patios, some with lakefront and marina views. There's a fitness center and sauna, indoor and outdoor pools, tennis courts and a spa. There are 2 restaurants, the Alley Deck and Coast Kitchen and the B-Bar. It has varied meeting spaces, an indoor and outdoor pool and a lounge. The property is out of the downtown environment, and off the Atlantic Ocean beach, but offers free shuttle services to downtown and Montauk beaches. In 2014, the ADR was \$295-\$300 with a 65%-70% occupancy and in 2015 the ADR was up at \$315-\$320 albeit occupancy fell to 60%-65%. Management advised reduction in occupancy in the year was due to change in management personnel and a weather related condition in the year given a rainy spell in season. In 2016, the rate was estimated at \$320-\$330 and occupancy remained in the 60%-65% range.

This property is open March through November or 75% of the year. The ADR is considered based upon open period.

The Montauk Yacht Club, albeit has much amenities, is an enclave on its own, it is a distance from the nightlife, the downtown Montauk area and the ocean beaches, although it has a small bay beach on the property adjacent to the marina. The facility is also operated by IGY, International Global Yacht, which is a renowned boat / yacht club operator, yet does not have similar reputation as top hospitality operator. Management noted after the refresh upgrading rooms and FF&E the property 2017 ADR was improved albeit occupancy remained at 60%-65% level. The balance of the rooms are expected to be completed in the near term.

THE SOUTHAMPTON INN





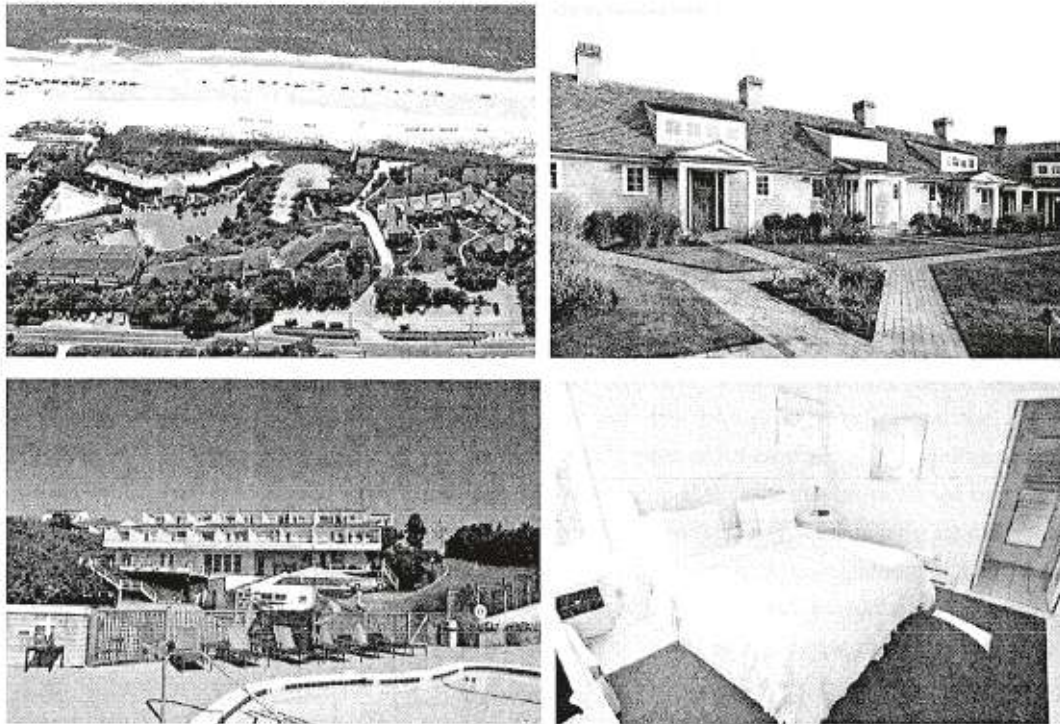
The Southampton Inn is a 90-room hotel that is located at 91 Hill Road in downtown Southampton. The property is a Tudor style hotel proximate to area shopping and 1.5 miles from the area beaches. The rooms were upgraded in 2015 and have upscale casual décor. Rooms offer free WiFi, flat-screens with cable TV, mini refrigerators a desk and chair. The property has a café located in the lower level was largely underutilized as it had aged décor and has not been upgraded along with the rooms in 2015. The property boasts indoor and outdoor seating and a farm-to-table menu for breakfast and lunch at its restaurant, Claude's. It also is used for catering services. It is located in a lower level area and isn't considered that visible or attractive as positioned. The property has a heated outdoor pool, a croquet lawn and a tennis court. There is meeting space for functions and it has a children's play room. The main entrance room, named the library has a vaulted ceiling, fireplace and a grand piano which all were redone for the 2016 season. The hotel offers free shuttle service to the beach. In 2014, the property, prior to its most recent renovation, had an ADR of \$295-\$300 and occupancy of 44%. In 2015, still prior to its common area renovation it had an ADR of \$310-\$315 and occupancy was noted to range from 45% - 50%. Management projected after renovation in 2016, \$330-\$340 ADR was achieved and occupancy was upward over 50%. The performance of this property is highly impacted by management decision to attract its client through OTA's, or online travel agents. Management notes that 70% of the occupancy is gained through this marketing channel and discounts published rates through this avenue. Management also notes that they pay commissions of upward of 18% to the OTA's for this service. ADR figures should be higher given the marketing approach of management.

This property has a good downtown location in Southampton, but lacks any water amenity, although there is shuttle to area beaches. It is proximate to area shopping and restaurant dining options. Rooms have a standard size with no suites or multi-room options, and the rooms do not have any private or semi-private balconies or terraces. Between its downtown location, and the property's underutilized F&B, it is considered more as an inn verses a resort.

Given the difference of the location, amenities and inn verses the resort atmosphere, as well as the greater amenities of the oceanfront quality of the subject, the subject will perform at a higher level than this property in terms both ADR and Occupancy levels.

Other Noted Properties

PANORAMIC VIEW



The Panoramic View is a coop residence and hotel with 49 hotel rooms, and 20 townhouse 4-5 bedroom coops that is located at 272 Montauk Highway in Montauk, New York, adjacent to the subject property. The property was most recently purchased in early 2016, by the similar ownership of the majority shareholder of the adjacent Gurneys (subject). The property is a cape cod and beach styled hotel that is beachfront on the Atlantic Ocean. It is about a mile from downtown Montauk and area shopping. The rooms were proposed for a cleanup for the 2016 season as the property had been in disarray from a distressed situation. After operating in 2016, the property was to undergo a renovation in upscale format style of that of its adjacent property, Gurneys. Estimated forecasts for 2016 were proposed at \$390-\$400 with an occupancy at 50-55%. Rooms offer flat-screens with cable TV, mini refrigerators and semi-private terraces. The property boasts a fitness center, parking, outdoor pool and beach rental shack and upscale cooperative residences. It is noted that the Panoramic View was largely not in service in 2015 due to a distress situation and came on line in summer season 2016 refreshed. In 2017

operated along with adjacent Gurneys management, the property offered 37 rooms in the product mix and reported an ADR of \$600-\$650 and occupancy of 45%-50%.

Historical Performance of the Competitive Market

As noted, the preceding properties all compete for area lodging demand and are considered directly competitive with the subject. Based on discussions with market participants and actual detail of operating history of the competitive properties, the historical market occupancies, average daily room rates and RevPAR over the past several years are summarized in the following table.

HISTORICAL MARKET PERFORMANCE COMPETITIVE PROPERTIES									
Year	Room Night Supply	Market Occupancy	Room Night Demand	Percent Change	Average Daily Rate	Percent Change	RevPAR	Percent Change	
2014	133,590	53.8%	71,871	---	\$346.97	---	\$186.67	---	
2015	133,590	57.1%	76,280	6.1%	\$364.62	5.1%	\$208.20	11.5%	
2016	156,841	57.0%	89,475	17.3%	\$420.46	15.3%	\$239.87	15.2%	
2017	169,725	60.7%	103,004	15.1%	\$465.49	10.7%	\$282.50	17.8%	
CAG *	6.8%			10.8%		8.5%		12.8%	
* Compound Annual Growth									
Source: CBRE Estimates									

While CBRE has made several attempts to determine the level of new hotel supply entering the marketplace, it is impossible to determine every hotel that will be developed in the future, when they will be completed, or their potential impact to the subject. In conducting our investigations regarding the potential for additions to supply in the competitive market, we determined that there are no new hotels that would be considered competitive being developed in the subject market. The inherent risk of any future new hotel supply has been implicitly considered in the selection of a stabilized occupancy level for the subject property.

HOTEL DEMAND GENERATORS

Demand for hotel rooms is categorized in three ways:

- Demonstrated Demand: the demand already captured at competitive hotels;
- Induced Demand: the demand that does not presently seek accommodations in the competitive market, but could be persuaded to do so through marketing efforts, room rates, facilities, services and amenities.
- Unsatisfied Demand: the demand that seeks accommodations in the market but is not satisfied due to one of a number of factors: sell-outs during peak season; lack of a particular type of accommodation; lack of meeting space; or high room rates.

Hotel demand for the neighborhood is primarily generated by the seasonal tourist and where applicable corporate demand from New York City and Long Islands large corporate markets.

Demand Segmentation

In most markets, overall demand varies based on the nature of travel. In most markets, the lodging demand is generated from three different segments: Corporate, Group/Meeting and Leisure travelers. In some markets, a fourth classification may be present, such as airline contract or government. A breakdown of the overall market segments as well as the subject's mix of business is illustrated in the following table.

DEMAND SEGMENTATION - COMPETITIVE MARKET AND SUBJECT							
Segment	Competitive Set			Subject Property			
	2017 Demand	2018 Demand	%	2017 Demand	2018 Demand	%	Penetration
Corp. Individual	5,638	6,112	6%	2,329	2,604	10%	169%
Group	4,474	4,810	5%	1,164	1,302	5%	108%
Leisure	79,363	85,285	89%	19,796	22,131	85%	103%
Total	89,475	96,208	100%	23,290	26,036	100%	108%
Compiled by CBRE							

The following analysis schedule illustrates our projections of future demand growth for the local market by demand segment.

COMMERCIAL DEMAND SEGMENT

Commercial travelers are defined as business people attracted by businesses in the area. Most demand from the corporate segment is generated between Sunday and Thursday nights and on shoulder off peak season. The commercial segment demand abates on Friday and Saturday nights, and then increases somewhat on Sundays. The typical duration of occupancy is one to three days and is characterized by single occupancy. Historically, this demand segment has been somewhat less price sensitive than other segments. The commercial segment includes smaller sub-segments, including corporate transient demand and corporate volume discount. Commercial transient demand includes individuals visiting the companies in the immediate area or passing through town. Often, these types of travelers are influenced by quality of the hotel, brand loyalty, and location. Corporate volume demand is generated by local firms and includes employees of the company or others doing business with the firm. Rates are often pre-negotiated with the hotel and are sometimes discounted in return for a high number of occupied rooms.

In the subject's marketplace, there is limited corporate demand.

MEETING AND GROUP DEMAND SEGMENT

Meeting and Group travelers are defined as any group occupying five or more rooms on a given night. This segment includes corporate groups, associations, SMERF (social, military, educational, religious, and fraternal) groups. This segment is typically attracted by a hotel's meeting facilities and recreational amenities in the area. Demand from corporate groups is typically generated between Sunday and Thursday nights, and can include corporate functions, holiday parties, incentive groups, etc. Often, corporate groups pay high rates, especially incentive groups, where companies "wine and dine" their top salesman and upscale/luxury hotels. Corporate groups tend

to have a high level of single occupancy, while other groups tend to have more double occupancy. Associations and SMERF groups have a more varied occupancy pattern and often hold weekend meetings. This demand segment tends to be somewhat price sensitive. The typical stay for group demand is between three and five days. There is a perception (often true) that by occupying a block of rooms, a volume discount should be given. Group/meeting travelers have a tendency to stay at full-service hotels and utilize a hotel's food and beverage facilities. This segment is seasonal, and repeat business on an annual basis is not guaranteed. Overall, the group/meeting segment is desirable as it provides for a full utilization of hotel facilities.

Meeting and Group demand in the subject's market area is generated by companies and groups looking to have off site meetings as far away as New York City. Facilities obtaining such demand are typically the full service facilities having meeting space and or venues for weddings and or parties. The subject has such space accommodating to a small degree both corporate and group meetings. Demand from weddings and parties are more typical of this demand segment.

LEISURE DEMAND SEGMENT

Leisure travelers generally include vacationers or travelers passing through the area or travelling to destination resort facilities. This category effectively includes all non-commercial related travelers too small to be defined as a group. This segment is typically attracted by a hotel's location relative to area attractions (including friends/relatives). Demand from leisure/transient travelers is typically generated throughout the week during peak periods, with more weekend demand in peak seasonal periods as well as in the shoulder seasons. Leisure travelers tend to have a high level of double or multiple occupancy. Both components of this demand segment tend to be price sensitive. The typical stay for leisure travelers is between two and five days.

The major attractions in the subject's market area is the Atlantic Ocean Beach. Montauk, on the east end of Long Island, is understood as the east end of the Hamptons. The Hamptons are renowned for its attraction to well-heeled travelers and property owners from the local metro region of New York City. It is known as the playground of the rich and famous. There are media personalities, financiers, corporate moguls, etc. that summer in the Hamptons. Montauk is one of the many townships that attract such clientele and transient travelers are attracted to those personalities, which drive demand in and of itself. Montauk is well known for its fisheries industry given its oceanfront characteristics and the east end of Long Island is also well known for its agriculture and harvests season, especially revolving around area vineyards.

Future leisure demand is related to the overall health of the local and national economy. As discussed in the Regional analysis of this report, the local and regional economy has been improving.

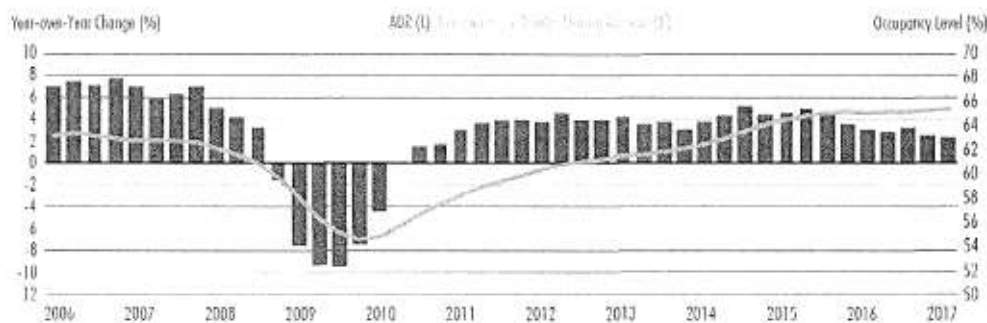
Segmented Demand Growth Conclusions

The First Quarter 2017 Hotel Marketview Snapshot report produced by CBRE, Inc. Econometric Advisors (CBRE-EA) included the following guidance regarding demand:

Demand Grows Nationwide

Responding to strengthening economic conditions, lodging demand grew by 2.8% year-over-year in Q1 compared with 2.3% in Q4 2016. Accelerating demand pushed up occupancy to 61.1% in Q1, a 0.9% increase from Q1 2016, the highest level since STR began compiling data in 1987. Although the 0.9% growth rate is not historically high, occupancy advanced at the quickest quarterly pace since 2015.

Among the chain scales, upscale hotels handily outpaced all other categories, with demand growing 5.8% year-over-year in Q1. Upper midscale hotels grew the second highest at 3.8%. Economy hotels grew the most slowly at 0.4% higher compared with Q1 2016.



U.S. hotels are forecast to operate at near-record occupancy levels in 2017; CBRE Hotels' Americas Research projects that the U.S. lodging industry will achieve an annual occupancy rate of 65.0% in 2017, just shy of the 65.3% occupancy level expected for 2016.

The March-May, 2017 edition of the Hotel Horizons publication of CBRE Hotels included the following graphs depicting historical and forecast growth of Occupancy by segment.

Exhibit 12: Lower-Priced Hotel Occupancy

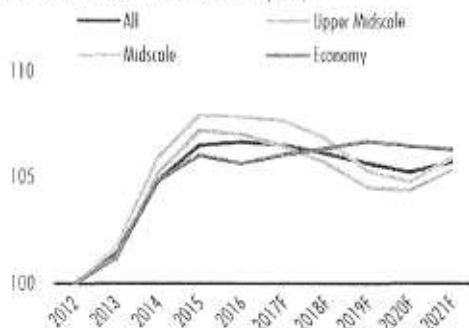
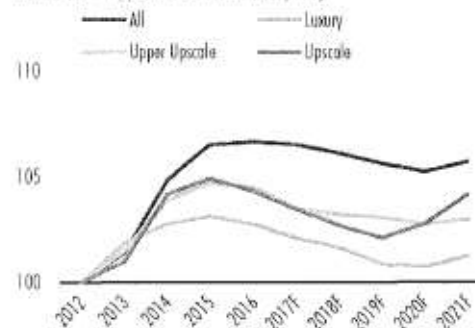


Exhibit 13: Upper-Priced Hotel Occupancy



Based on historic trends for the various demand segments, the state of the local and national economies, and conversations with local hotel operators in the marketplace, the applicable demand segments are projected to exhibit the following growth trends.

ANNUAL DEMAND GROWTH RATES								
Segment	2019	2020	2021	2022	2023	2024	2025	2026 and beyond
Corp. Individual	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Group	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Leisure	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Compiled by CBRE								

Latent Demand

Latent demand represents potential room nights in the marketplace that could not be accommodated by the existing hotels, and comes in two forms: Induced demand and displaced demand. Induced demand represents additional accommodated room nights by the introduction of a new demand generator, such as the construction of a conference center, a major company moving into the area, or the introduction of a new hotel that has distinct advantages over the existing competitors. For this analysis, we have not included induced demand in our analysis, given there is no new supply forecasted.

Displaced Demand

CBRE has also considered displaced demand for this analysis. Displaced demand occurs when individuals are unable to rent a room because all of the hotels in the marketplace are filled to capacity. As a result, individuals must defer their trips or make accommodations in other markets. Because this demand was not accommodated historically, it is not illustrated in the estimate of the historic accommodated room night demand. Displaced demand is illustrated further in markets where there are distinct high and low seasons, or several periods of high and low occupancy throughout the year.

As discussed previously in this report, this is evident in the east end of Long Island during peak summer vacation periods. Rates are pushed endlessly given the endless demand of travelers to the area. In the last several years, Montauk and Gurney's have become very popular destination locations and with that we have considered displaced demand occurs during peak summer periods from July 4th to Labor Day, we have indicated a figure of five percent displaced demand for the leisure segment.

Based on market factors presented throughout this section, the forecast of overall demand growth for the subject's market is illustrated as follows:

PROJECTED BASE DEMAND, ANNUAL GROWTH, AND MARKET-WIDE OCCUPANCY											
Competitive Set Year Ending 2/1/	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Corp. Individual											
Annual Growth		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Base Nightly Demand	16	16	16	16	16	16	17	17	17	17	17
Annual Room Nights	5,684	5,741	5,799	5,873	5,915	5,974	6,034	6,111	6,155	6,217	6,279
Displaced Demand Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Displaced Demand	-	-	-	-	-	-	-	-	-	-	-
Induced Demand	-	-	-	-	-	-	-	-	-	-	-
Total Segment Demand	5,684	5,741	5,799	5,873	5,915	5,974	6,034	6,111	6,155	6,217	6,279
Group											
Annual Growth		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Base Nightly Demand	12	12	13	13	13	13	13	13	13	13	14
Annual Room Nights	4,474	4,518	4,564	4,622	4,655	4,702	4,749	4,810	4,844	4,893	4,942
Displaced Demand Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Displaced Demand	-	-	-	-	-	-	-	-	-	-	-
Induced Demand	-	-	-	-	-	-	-	-	-	-	-
Total Segment Demand	4,474	4,518	4,564	4,622	4,655	4,702	4,749	4,810	4,844	4,893	4,942
Leisure											
Annual Growth		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Base Nightly Demand	217	219	222	224	226	228	231	233	235	238	240
Annual Room Nights	79,317	80,110	80,911	81,944	82,338	83,363	84,197	85,272	85,889	86,748	87,613
Displaced Demand Rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Displaced Demand	-	4,006	4,046	4,097	4,127	4,168	4,210	4,264	4,294	4,337	4,381
Induced Demand	-	-	-	-	-	-	-	-	-	-	-
Total Segment Demand	79,317	84,116	84,957	86,041	86,464	87,531	88,406	89,535	90,183	91,085	91,996
Totals											
Corp. Individual	5,684	5,741	5,799	5,873	5,915	5,974	6,034	6,111	6,155	6,217	6,279
Group	4,474	4,518	4,564	4,622	4,655	4,702	4,749	4,810	4,844	4,893	4,942
Leisure	79,317	84,116	84,957	86,041	86,464	87,531	88,406	89,535	90,183	91,085	91,996
Other 1	-	-	-	-	-	-	-	-	-	-	-
Other 2	-	-	-	-	-	-	-	-	-	-	-
Total Market Demand	89,475	94,375	95,320	96,536	97,234	98,207	99,189	100,456	101,182	102,195	103,217
Growth over Prior Year		5.5%	1.0%	1.3%	0.7%	1.0%	1.0%	1.3%	0.7%	1.0%	1.0%
Market Statistics											
Existing Rooms Supply	465	465	465	465	465	465	465	465	465	465	465
Proposed Rooms Supply	-	-	-	-	-	-	-	-	-	-	-
Total Available Room Nights	156,841	169,725	169,725	170,190	169,725	169,725	169,725	170,190	169,725	169,725	169,725
Growth over Prior Year		8.2%	0.0%	0.3%	-0.3%	0.0%	0.0%	0.3%	-0.3%	0.0%	0.0%
Potential Market-wide Occupancy	57.0%	55.6%	56.2%	56.7%	57.3%	57.9%	58.6%	59.0%	59.6%	60.2%	60.8%
Accommodated Market Occupancy	57.0%	55.6%	56.2%	56.7%	57.3%	57.9%	58.6%	59.0%	59.6%	60.2%	60.8%
Source: CDR											

Source: CBRE

Based upon the historical performance of the market and due to the cyclical seasonal patterns and weekday versus weekend trends in the market in addition to the projected new supply, it is unlikely that the market will exceed the 70.0% percent level over the long term. Furthermore, with a six-year projected recovery period to move towards stabilized operations, we find these projections reasonable.

HISTORIC OPERATING PERFORMANCE

The subject's occupancy, ADR, and RevPAR history, including year-to-date figures, is illustrated as follows:

SUBJECT'S HISTORIC OPERATING PERFORMANCE						
Period	Occupancy	% Change	ADR	% Change	RevPAR	% Change
Year Ended: 12/31/2015	57%	--	\$508.02	--	\$288.98	--
Year Ended: 12/31/2016	59%	2.9%	\$574.34	13.1%	\$336.20	16.3%
Year Ended: 12/31/2017	65%	11.8%	\$577.04	0.5%	\$377.63	12.3%
2018 Budget	65%	0.0%	\$577.61	0.1%	\$378.00	0.1%

Source: CBRE/Property Management

FORECAST OF OCCUPANCY AND AVERAGE DAILY RATE

The average daily rate and the overall occupancy of a lodging facility are the foundation for the property's financial performance. While a property's other revenue components (food and beverage, telephone, spa, other income, etc.) are crucial to the operation of the hotel, they are dependent on the overall number of occupied rooms. Furthermore, the occupancy and average daily rate of a hotel are highly correlated. In reality, one cannot make a projection of one without a projection of the other. Therefore, while we have made specific projections of occupancy, but have considered the subject's positioned rate in our forecast.

In order to project the future occupancy levels of the subject, we have estimated the level of patronage by market segment that can be reasonably captured (penetration). The extent to which the subject can capture demand from each market segment was estimated by performing a fair share penetration analysis.

A hotel's fair share is defined as the number of available rooms divided by the total supply of available rooms in the competitive market, including the subject. Factors indicating the subject would possess competitive advantages suggest a market penetration in excess of 100 percent of fair share, while competitive weaknesses are reflected in penetration less than 100 percent. As discussed, over the past four years, the subject achieved a market penetration ranging between 60 - 65 percent.

Penetration

Penetration is the relationship between a market's fair share and its actual share of the overall demand. For example, a 100-room hotel would equate to 10% of a 1,000 room competitive set. If this hotel were to capture 10% of the overall lodging demand, it would penetrate the market by 100 percent.

Market penetration, or penetration rate, is the ratio of captured demand to fair share of demand. Factors indicating competitive advantages are typically reflected in penetration rates above 100 percent, while, conversely, competitive disadvantages are reflected in penetration rates below 100 percent. Actual penetration of each market segment by the Subject may deviate from fair market share for the reasons such as the following:

- The competitive advantages or disadvantages of the hotel versus the competition taking into consideration such factors as age, location, room rate structure, chain affiliation, quality of management, marketing efforts, and image;
- The characteristics, needs, and composition of each market segment;
- The restraint on demand captured due to capacity constraints during certain periods of the week or times of the year; and
- Management decisions concerning target markets.

The current market penetration rates of the competitive hotels and the subject, broken down by demand segment, are illustrated as follows:

Market Analysis

SEGMENTED PENETRATION												
Property	2018	Estimated	Segmented Market Share				Segmented Penetration					
	Average Room Count	2018 Occupancy	2018 Share	Fair 2018 Share	Corp. Individual	Group	Leisure	Total	Corp. Individual	Group	Leisure	Total
Gurneys Inn Resort & Spa	109	65.4%	25.2%	25.2%	42.6%	27.1%	25.9%	27.1%	169%	108%	103%	108%
Worlauck Beach House	20	60% - 65%	4.6%	0% - 10%	3.7%	4.7%	4.7%	4.7%	75% - 85%	90% - 120%	90% - 120%	90% - 120%
Toppings Rose	22	60% - 65%	5.1%	0% - 10%	3.9%	5.0%	5.1%	5.0%	75% - 85%	90% - 100%	90% - 120%	90% - 100%
Barons Cove	67	60% - 65%	15.5%	10% - 20%	12.4%	15.8%	16.0%	15.8%	75% - 85%	90% - 120%	90% - 120%	90% - 120%
Worlauck Yacht Club	107	60% - 65%	24.7%	20% - 30%	20.1%	25.6%	26.0%	25.6%	75% - 85%	90% - 120%	90% - 120%	90% - 120%
Southampton Inn	90	55% - 60%	20.8%	15% - 25%	14.8%	18.8%	19.1%	18.8%	65% - 75%	85% - 95%	85% - 95%	85% - 95%
Panoramic View	19	45% - 50%	4.3%	0% - 10%	2.5%	3.2%	3.2%	3.2%	55% - 65%	70% - 80%	70% - 80%	70% - 80%
Total/Avg	433	60.8%	100.0%		100.0%	100.0%	100.0%	100.0%	100%	100%	100%	100%
Compiled by CBRE												

COMMERCIAL PENETRATION

Historically, the subject has achieved a penetration ratio above most of the competitive properties. This is due to the quality product that is better than all others in the market as well as its renowned reputation in the market. Although this is a nominal amount of demand, the subject has and will continue to achieve a greater than fair share of this segment given high quality.

MEETING AND GROUP PENETRATION

Last year, the subject achieved a penetration significantly above the competitive properties. This is due to its on-site amenities, such as the spa, restaurants and meeting space along with the added amenity of the ocean frontage. The subject will continue to penetrate this segment at a level above its fair share.

LEISURE PENETRATION

The subject has historically penetrated this segment above 100 percent, which is primarily attributed to its high end luxury product offering, and good reputation. For this analysis, the subject's leisure penetration is anticipated to increase slightly as the connotation of the past timeshare fades away.

Overall, the subject improvements represent a viable hotel. The projections of captured penetration rates for the subject by demand segment along with the resulting projections of occupied room-nights are illustrated as follows:

PROJECTED SUBJECT PENETRATION SCHEDULE									
Year Ending 2/1/	2018	2019	2020	2021	2022	2023	2024	2025	2026
SUBJECT PROPERTY FAIR SHARE									
Market Room Supply	465	465	465	465	465	465	465	465	465
Subject Avg. Room Count	109	109	109	109	109	109	109	109	109
Fair Share	23.4%	23.4%	23.4%	23.4%	23.4%	23.4%	23.4%	23.4%	23.4%
ROOM NIGHTS CAPTURED BY SUBJECT									
Corp. Individual									
Fair Share	23.4%	23.4%	23.4%	23.4%	23.4%	23.4%	23.4%	23.4%	23.4%
Penetration Factor	167.3%	169.2%	169.2%	169.2%	169.2%	169.2%	169.2%	169.2%	169.2%
Market Share	39.2%	39.7%	39.7%	39.7%	39.7%	39.7%	39.7%	39.7%	39.7%
Demand	5,767	5,825	5,883	5,958	6,001	6,061	6,122	6,200	6,245
Market Share	39.2%	39.7%	39.7%	39.7%	39.7%	39.7%	39.7%	39.7%	39.7%
Capture	2,262	2,310	2,333	2,363	2,380	2,404	2,428	2,459	2,477
Group									
Fair Share	23.4%	23.4%	23.4%	23.4%	23.4%	23.4%	23.4%	23.4%	23.4%
Penetration Factor	107.8%	110.0%	110.0%	110.0%	110.0%	110.0%	110.0%	110.0%	110.0%
Market Share	25.3%	25.8%	25.8%	25.8%	25.8%	25.8%	25.8%	25.8%	25.8%
Demand	4,474	4,518	4,564	4,622	4,655	4,702	4,749	4,810	4,844
Market Share	25.3%	25.8%	25.8%	25.8%	25.8%	25.8%	25.8%	25.8%	25.8%
Capture	1,131	1,165	1,177	1,192	1,200	1,212	1,225	1,240	1,249
Leisure									
Fair Share	23.4%	23.4%	23.4%	23.4%	23.4%	23.4%	23.4%	23.4%	23.4%
Penetration Factor	103.5%	110.0%	110.0%	110.0%	110.0%	110.0%	110.0%	110.0%	110.0%
Market Share	24.3%	25.8%	25.8%	25.8%	25.8%	25.8%	25.8%	25.8%	25.8%
Demand	79,234	84,028	84,868	85,952	86,574	87,440	88,314	89,442	90,089
Market Share	24.3%	25.8%	25.8%	25.8%	25.8%	25.8%	25.8%	25.8%	25.8%
Capture	19,224	21,667	21,883	22,163	22,323	22,546	22,772	23,063	23,229
Total Capture	22,616	25,142	25,393	25,718	25,903	26,163	26,424	26,762	26,955
Potential Subject Occupancy	56.8%	63.2%	63.8%	64.5%	65.1%	65.8%	66.4%	67.1%	67.8%
Overall Potential Subject Penetration	107.8%	113.7%	113.7%	113.7%	113.7%	113.7%	113.7%	113.7%	113.7%
Compiled by CBRE									

The overall accommodated room night demand is multiplied by the subject's fair share and by the projected penetration ratio to derive the subject's accommodated room night demand. Although the subject's illustrated occupancy rates increase after the stabilized year, we have selected 63.0% as the stabilized occupancy figure. The stabilized occupancy figure is intended to be an average figure over the projected holding period. The following depicts the derivation of the occupancy projections for the subject.

SUBJECT PROPERTY ESTIMATED OCCUPANCY

Competitive Set Year Ending 1/31/	2019	2020	2021
Room Nights Captured	25,142	25,393	25,718
Available Room Nights	39,785	39,785	39,894
Potential Subject Occupancy	63.2%	63.8%	64.5%
Rounded Occupancy	63%	64%	64%
Overall Potential Subject Market Share	26.6%	26.6%	26.6%
Overall Potential Subject Penetration	113.7%	113.7%	113.7%
Compiled by CBRE			

Average Daily Rate

As noted previously, one of the most important considerations in deriving an opinion of value of a hotel is its forecast of a supportable average daily rate (ADR). The ADR of a hotel can be calculated by dividing the total rooms revenue by the total number of occupied rooms achieved during a specified period of time.

SUBJECT'S COMPETITIVE POSITIONING

Although the forecast of average daily rate follows the discussion of future occupancy, these two figures are highly correlated, and one cannot make projections of occupancy without specific assumptions of ADR. This relationship is defined by RevPAR, or Revenue Per Available Room. RevPAR is the measure of a property's ability to maximize rooms revenue. Theoretically, for example, if a lodging property's ADR increases substantially (with no market influencing factors), its occupancy would decrease. Conversely, if a property's ADR decreases, an increase in occupancy would be anticipated. In each instance, RevPAR would remain unchanged. The historic ADR and RevPAR for the subject and the competitive set is illustrated as follows:

SUBJECT AND COMPETITIVE ADR AND REVPAR

Property	2018 ADR	2018 RevPAR
Subject (Gurneys Inn Resort & Spa)	\$577.04	\$377.63
Montauk Beach House	\$565 - \$575	\$350 - \$360
Toppings Rose	\$455 - \$465	\$270 - \$280
Barons Cove	\$515 - \$525	\$315 - \$325
Montauk Yacht Club	\$335 - \$345	\$210 - \$220
Southampton Inn	\$325 - \$335	\$175 - \$185
Panoramic View	\$655 - \$665	\$290 - \$300
Market Weighted Average	\$465.49	\$268.98
Subject's Positioned ADR as of 2/1/2018:	\$577.04	\$377.63
Source: CBRE		

As illustrated in the preceding chart, the subject is generally above the range relative to the competitive properties with respect to rate. This is a function of the subject's location varied superior amenities, location on the beach, good reputation and management.

The subject's historic ADR including the trailing twelve months (TTM) is illustrated as follows:

SUBJECT'S HISTORIC ADR TRENDS		
Period	ADR	% Change
Year Ended: 12/31/2015	\$508.02	--
Year Ended: 12/31/2016	\$574.34	13.1%
Year Ended: 12/31/2017	\$577.04	0.5%
2018 Budget	\$577.61	0.1%
Source: CBRE/Property Management		

FACTORS AFFECTING ADR

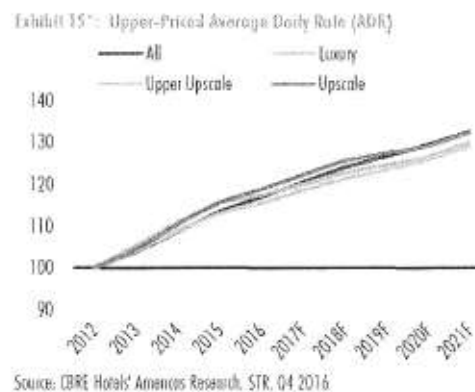
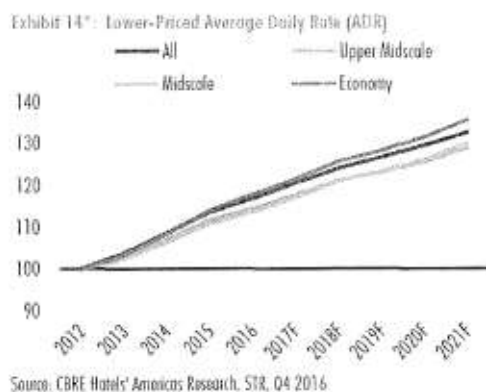
The First Quarter 2017 Hotel Marketview report produced by CBRE, Inc. Econometric Advisors (CBRE-EA) included the following guidance regarding ADR and RevPAR:

ADR Shows Slow, Steady Gain

Record occupancy produced only modest ADR gains, with rates increasing 2.5% year-over-year in Q1. With the highest occupancy levels, luxury and upper-upscale properties registered the greatest ADR gains in Q1. Economy hotels also enjoyed relatively strong ADR growth (2.4%), despite recording the lowest occupancy level. The upscale segment lagged the most in ADR growth.

RevPAR growth among the scales had more variation, with midscale hotels increasing the most at 3.5% year-over-year. Upper-upscale hotels' RevPAR growth accelerated to 3% year-over-year in Q1 compared with 0.6% in Q4 2016. Overall the industry registered year-over-year RevPAR growth of 3.4%.

The March-May, 2017 Hotel Horizons publication of CBRE Hotels included the following graphs depicting historical and forecast growth of ADR by segment.



There are several factors affecting average daily rate increases that do not necessarily parallel changes in inflation. A lodging property's ability to raise room rates are influenced by several factors, and include:

Supply and Demand Relationships

The relationship between supply and demand is a strong determining factor for increases or decreases in a property's average daily rate. In markets where supply is limited and demand is strong, increases in rates above inflationary levels are common. Conversely, markets that have low barriers to entry or declining demand are often characterized by little or no growth in rate.

Inflationary Pressures

Price increases caused by inflationary pressures tend to minimize profit margins, thereby forcing hotel operators to raise rates. However, this is only effective in markets where supply and demand exhibit a healthy relationship.

Improving the Competitive Standard

In some markets, a new property may enter the marketplace with a positioned ADR significantly higher than the other competitive hotels, and will raise the level the market will bear, thereby raising the competitive standard. This is often characterized by a new hotels in a market that has had little or no new supply for several years or even decades.

Property Specific Improvements

Capital Improvements in a hotel that make it more attractive to guests typically have an upward impact on rate. Rooms renovations, expansions, additional amenities, and renovations to common areas may allow greater than inflationary increases.

According to local hotel professionals and rental agencies, ADR trends for the area are anticipated to increase for 2018 by an inflationary level. The subject, however, as it has excused itself from obligation of timeshare membership and is free market in 100% of the facility for the first time in a long history, we forecast the property to achieve a better than inflation expectation in revenue forecasting 5.0% ADR growth in the first two years of the forecast. The projections for ADR growth and the resulting rates used in the analysis are illustrated as follows:

SUBJECT'S ESTIMATED ADR		
12 Months Ending	ADR Growth	Estimated ADR
2/1/2018	--	\$577.04
2/14/2019	5.0%	\$605.90
2/14/2020	5.0%	\$636.19
2/14/2021	3.0%	\$655.28
2/14/2022	3.0%	\$674.93
2/14/2023	3.0%	\$695.18
2/14/2024	3.0%	\$716.04
2/14/2025	3.0%	\$737.52
* Inflationary adjustment of 0.0% from 2/01/18 through 2/14/18 (projection start date).		
Source: CBRE		

CONCLUSION

The subject's occupancy, ADR, RevPAR, and corresponding room revenue for the first several years of our projection analysis are illustrated as follows:

OCCUPANCY, ADR, & ROOMS REVENUE CONCLUSIONS					
Fiscal Year Ending 2/12/	2019	2020	2021	2022	2023
Avg. Available Rooms	109	109	109	109	109
Annual Room Nights	39,785	39,785	39,894	39,785	39,785
Occupancy	63%	63%	63%	63%	63%
Occupied Rooms	25,065	25,065	25,133	25,065	25,065
ADR	\$605.90	\$636.19	\$655.28	\$674.93	\$695.18
RevPAR	\$381.71	\$400.80	\$412.82	\$425.21	\$437.97
RevPAR Growth		5.0%	3.0%	3.0%	3.0%
Total Rooms Revenue	\$15,186,512	\$15,945,838	\$16,469,211	\$16,916,939	\$17,424,447
Source: CBRE					

Based on the foregoing analysis, the indicated occupancy and ADR figures are achievable. Although it is possible that the subject will experience growth in occupancy and ADR above those estimated in this report, it is also possible that sudden economic downturns, unexpected additions to rooms supply, the end of the oil boom, or other external factors will force the property below the selected point of stability. Consequently, the estimated occupancy and ADR levels are representative of the most likely potential operations of the subject over the projected holding period based on our analysis of the market as of the date of this appraisal.

Our projections include a sustainable occupancy and market supported ADR. The subject's projection of rooms revenue is illustrated again in the Income Capitalization Section of this report.

Highest and Best Use

In appraisal practice, the concept of highest and best use represents the premise upon which value is based. The four criteria the highest and best use must meet are:

- legally permissible;
- physically possible;
- financially feasible; and
- maximally productive.

The highest and best use analysis of the subject is discussed below.

AS VACANT

Legally Permissible

The legally permissible uses were discussed in the Site Analysis and Zoning Sections is as residential.

Physically Possible

The subject is adequately served by utilities, and has an adequate shape and size, sufficient access, etc., to be a separately developable site. There are no known physical reasons why the subject site would not support any legally probable development (i.e. it appears adequate for development).

Existing structures on similar sites provides additional evidence for the physical possibility of development.

Financially Feasible

Potential uses of the site include residential use only. The determination of financial feasibility is dependent primarily on the relationship of supply and demand for the legally probable land uses versus the cost to create the uses. As discussed in the market analysis, the subject hotel market is generally stabilized. Development of new residential properties has occurred in the past few years illustrating demand for waterfront and vacation second home properties on the east end of Long Island. These new developments illustrate that residential development is feasible provided land is obtained at reasonable levels illustrating continued demand and feasibility.

Maximally Productive - Conclusion

The final test of highest and best use of the site as if vacant is that the use be maximally productive, yielding the highest return to the land.

Based on the information presented above and upon information contained in the market and neighborhood analysis, we conclude that the highest and best use of the subject as if vacant would be the development of a hotel property. More specifically, the subject would be developed at a density maximizing its development ability and floor area, which would be typical of developers of any project in this market. Our analysis of the subject and its respective market

characteristics indicate the most likely buyer, as if vacant, would be an investor (land speculation) or a developer.

AS IMPROVED

Legally Permissible

The site has been improved with a hotel development that is a pre-existing legal, nonconforming use.

Physically Possible

The layout and positioning of the improvements are considered functional for hotel use. While it would be physically possible for a wide variety of uses, based on the legal restrictions and the design of the improvements, the continued use of the property for hotel users would be the most functional use.

Financially Feasible

The financial feasibility of a hotel property is based on the amount of rent which can be generated, less operating expenses required to generate that income; if a residual amount exists, then the land is being put to a productive use. Based upon the income capitalization approach conclusion, the subject is producing a positive net cash flow and continued utilization of the improvements for hotel purposes is considered financially feasible.

Maximally Productive - Conclusion

As shown in the applicable valuation sections, buildings that are similar to the subject have been acquired or continue to be used by hotel guests. None of the comparable buildings have been acquired for conversion to an alternative use.

Based on the foregoing, the highest and best use of the property, as improved, is consistent with the existing use as a hotel development.

Sales Comparison Approach

The following map and table summarize the comparable data used in the valuation of the subject. A detailed description of each transaction is included in the addenda.



SUMMARY OF COMPARABLE HOTEL SALES										
No.	Name	Transaction Type	Date	Year Built	No. Rooms	Actual Sale Price	Adjusted Sale Price ¹	Price Per Room	NOI Per Occ.	Room OAR
1	Oceanside Beach Hotel, Montauk Highway, Montauk, NY	Sale	Dec-16	1950's	32	\$10,000,000	\$10,000,000	\$312,500	48%	\$33,572 10.74%
2	SLS South Beach, 1701 Collins Avenue, Miami Beach, FL	Sale	Jun-15	1939/2012	140	\$125,000,000	\$125,000,000	\$892,857	77%	\$64,286 7.20%
4	Malibu Beach Inn, Pacific Coast Highway, Malibu, CA	Sale	Feb-15	1989	47	\$79,900,000	\$79,900,000	\$1,700,000	90%	\$68,000 4.00%
5	Bardessano Hotel and Spa, Yount Street, Yountville, CA	Sale	Jul-15	2009	62	\$85,000,000	\$85,000,000	\$1,370,968	82%	\$83,492 6.09%
6	Auberge Calistoga Ranch, Lommel Road, Calistoga, CA	Sale	Nov-13	2004	50	\$55,000,000	\$55,000,000	\$1,100,000	80%	\$74,250 6.75%
<hr/>										
Subj.	Gurneys Inn Resort & Spa, Pro 290 Old Montauk Highway, Farm: Montauk, New York	---	---	1950	109	---	---	---	63%	\$41,373 ---
<hr/>										
¹ Adjusted sale price for cash equivalency, lease-up and/or deferred maintenance (where applicable)										
Compiled by CBRE										

Sales Comparison Approach

The sales utilized represent the best data available for comparison with the subject. They were selected from our research of comparable improved sales with the local area as well as outside the area in destination locations and of hotels with significant F&B and Spa revenues.

The sales utilized represent the best data available for comparison with the subject. They were selected from our research of comparable improved sales within the greater South shore of Eastern Long Island from Westhampton to Montauk. These sales were chosen based upon their respective locations, amenities and scale.

Real Property Rights Conveyed

In all cases, the sales consisted of the transfer of the fee simple estate. That is, all properties were free of encumbrance requiring no adjustments.

Financing

In all cases, the sales resulted in cash to the sellers and no other atypical financing vehicles were noted. No adjustment for financing is therefore required.

Time/Market Conditions

The five sales cover a period of time from 2013 to 2016. We have considered a 10% appreciation adjustment for sale 6 as it occurred earlier in 2013 in inferior market conditions.

DISCUSSION/ANALYSIS OF IMPROVED SALES**Improved Sale One**

This comparable is of the sale of the Oceanside Beach hotel in Montauk. It is the most recent sale in the area illustrating demand exists for the hotel asset class in the area. The property consisted of a 32 unit 2-story resort hotel located at 626 Montauk Highway at the foot of the downtown Montauk hamlet. It is across the street from the beach. The improvements were constructed in 1950's and were in average - fair condition at the time of sale. The transaction occurred in December 2016 for \$10,000,000. The going in capitalization rate on existing income was 10.3%. The purchaser, who has interests in other restaurants in Montauk and considered they had synergies between them and then intended to upgrade the facility with a \$1.75 million renovation bringing in an all in price of \$11,750,000 or \$367,188 per room. The buyer had proforma of \$27,000 in NOI after the capital refresh which illustrated a capitalization rate of 7.35%. The going in rate was higher at over 10% however.

This property, built in the late 1950's was in fair condition and needed upgrade. The décor and furnishings was 1980's vintage. The property is an inn with no F&B, no spa, minimal amenities except for an outdoor pool which was adjacent to the parking lot area and alongside Montauk Highway it was considered to have an inferior location compared to that of the subject. An upward adjustment is made for inferior overall unit size as this property contains smaller units than that of the subject. The property is in overall fair to average condition and required upward adjustment for inferior condition compared to the subject, albeit even proposed to receive an

upgrade. The property does not have an F&B or spa amenity and is across the street from the beach all requiring upward adjustments. Overall the sale is adjusted upward significantly for a variety of inferior conditions.

Improved Sale Two

This comparable is the sale of the SLS South Beach Hotel located at 1701 Collins Avenue in Miami Beach, Florida. This property consisted of 140 rooms in a mid-rise hotel structure that is located on the Collins Avenue oceanfront strip in South Beach, Miami Beach Florida. It was sold for \$125,000,000 or \$892,857 per room in June 2015. The property was operating at a stabilized level of 77% and had an NOI of \$64,286 per room implying an overall capitalization rate of 7.2%. This property is adjusted downward for its higher stabilized occupancy and net revenues which are driven by the superior year round location. In addition, we have adjusted the sale for quality of the improvement given it is a concrete fire proof construction structure which is superior to that of the subject low rise construction and largely wood framing.

Improved Sale Three

This comparable is of the sale of the Panoramic View Hotel's balance of the 64 units at this 72-unit cooperative facility. The property, which included 12 townhomes that were newly renovated and 49 rooms and 3 detached cottages that were vintage condition situated on 9.6 acres of oceanfront land on Old Montauk Highway in Montauk, New York. The property is a compound of several multi-unit structures that are spread throughout the beachfront compound. The studio and detached residence units are rental units and the 12 townhouses were in the process of or being nearly completed in a full-scale renovation and available for sale. The property was purchased by an entity controlled by the majority shareholder of the adjacent Gurneys Resort (subject). The property was sold in a government auction process; however, it was well marketed and was not considered a distressed sale so to speak. The property was purchased for \$63,000,000 or \$984,375 per unit overall. The townhomes were estimated to have a value of \$3,000,000 - \$3,500,000 per each townhome for purpose of the analysis, a total of \$36,000,000 (based on a net sale of \$3,000,000 each), was deducted off the purchase price to yield the value to the un-renovated rooms and cottages of \$27,000,000 or \$519,231 per unit. Those units were completed in renovation and eventually priced much higher.

Given the adjacent property owner purchased this asset, a downward adjustment has been made to reflect the added incentive of ownership from this buyer. This property, located adjacent to Gurneys and no location adjustment is warranted. The 49 un-renovated units and the 3 detached residences were inferior in condition compared to the subject and an upward adjustment has been made for their respective condition. The property rooms and residences are one and two story low-rise, similar to the low-rise of the subject, yet are very aged, not upgraded and with significantly inferior mechanical systems compared to the subject and thus adjusted upward for quality of construction. The property does not have an F&B or spa component and is

adjusted upward for inferior amenities. Overall the sale is adjusted upward largely to reflect its inferior age, quality and inferior set of amenities.

Improved Sale Four

This comparable is the sale of the Malibu Beach Inn situated along the Pacific Coast Highway in Malibu, California. This property, built in 1989, was sold in February 2015 for a reported price of \$79,000,000 or \$1,700,000 per room for the 47 rooms. This property was operating at a 90% stabilized occupancy and had reported NOI of \$68,000 per room implying an overall capitalization rate of 4.0%. This property is situated overlooking the Pacific in Malibu Beach. It is considered to have a superior year round location compared to the subject and required a downward adjustment for this location characteristic. The property has a significantly higher NOI per room which is due to its higher stabilized occupancy in a year round location and higher RevPar compared to the subject. This property has large room suites, and it is newer and is adjusted for these superior characteristics. Overall the sale required a significant downward adjustment due to these superior qualities.

Improved Sale Five

This comparable is the sale of the Bardessano Hotel and Spa located in Yountville, Napa Valley California. The property sold for \$85,000,000 or \$1,370,968 per room. It is a 62 unit hotel built in 2009 in very good condition with significant spa, food and beverage services in a renowned year round location. The property was reported to be doing a stabilized occupancy of 82% and had an \$83,492 per room NOI implying an overall capitalization rate of 6.09%.

This property is in superior quality and condition and is adjusted downward for its newer construction. Its occupancy, at 82%, is superior to the subject and the NOI is driven by the year round location and the high quality and amenities offered warranting downward adjustments for each. Overall the property is adjusted downward for a variety of superior characteristics and amenities.

Improved Sale Six

This comparable is the sale of the Auberge Calistoga Ranch and Spa located in Calistoga, Napa Valley, California. The Auberge Calistoga is a 50-unit resort built in 2004 and in good condition. The property sold in July 2015 for a reported price of \$55,000,000 or \$1,100,000 per unit. It had a significant spa, food and beverage services and is located in a renowned year round location. The property was reported to be doing a stabilized occupancy of 80% and had a \$74,250 per room NOI implying an overall capitalization rate of 6.75%.

This property is in superior quality and condition and is adjusted downward for its newer construction. Its occupancy at 80% is superior to the subject and the NOI is driven by the year round location and high quality of amenities offered warranting downward adjustments for each. Overall the property is adjusted downward for a variety of superior characteristics.

Sales Comparison Approach

The following adjustment analysis illustrates a quantitative adjustment for the varying characteristics of the sales verses the subject.

SUMMARY OF ADJUSTMENTS

Based on our comparative analysis, the following chart summarizes the adjustments warranted to each comparable.

HOTEL SALES ADJUSTMENT GRID							Subj. Pro Forma
Comparable Number	1	2	3	4	5	6	
Transaction Type	Sale	Sale	Sale	Sale	Sale	Sale	---
Transaction Date	Dec-16	Jun-15	Dec-15 1958	Feb-15	Jul-15	Nov-13	---
Year Built	1950's	1939/2012	1972R2015	1989	2009	2004	1938
No. Rooms	32	140	52	47	62	50	109
Actual Sale Price	\$10,000,000	\$125,000,000	\$63,000,000	\$79,900,000	\$85,000,000	\$55,000,000	---
Adjusted Sale Price ¹	\$11,750,000	\$125,000,000	\$27,000,000	\$79,900,000	\$85,000,000	\$55,000,000	---
Price Per Room	\$367,188	\$892,857	\$519,231	\$1,700,000	\$1,370,968	\$1,100,000	---
Occupancy	50%	77%	NA	90%	82%	80%	63%
Gross Room Rev. Multiplier	NA	2.43	NA	NA	4.58	NA	---
NOI Per Room	\$27,000	\$64,286	NA	\$68,000	\$83,492	\$74,250	\$41,373
OAR	7.33%	7.20%	NA	4.00%	6.09%	6.75%	---
Adj. Price Per Room	\$367,188	\$892,857	\$519,231	\$1,700,000	\$1,370,968	\$1,100,000	---
Property Rights Conveyed	0%	0%	0%	0%	0%	0%	---
Financing Terms ¹	0%	0%	0%	0%	0%	0%	---
Conditions of Sale	0%	0%	-10%	0%	0%	0%	---
Market Conditions (Time)	0%	0%	0%	0%	0%	10%	---
Subtotal - Price Per Room	\$367,188	\$892,857	\$467,308	\$1,700,000	\$1,370,968	\$1,210,000	---
Location	0%	-10%	0%	-20%	-15%	-15%	---
Average Room Size	10%	0%	0%	-10%	-10%	-10%	---
Age/Condition	20%	-10%	25%	-20%	-20%	-20%	---
Quality of Construction	10%	0%	10%	0%	0%	0%	---
Economic Factors	0%	0%	0%	0%	0%	0%	---
Amenities	40%	0%	20%	0%	0%	0%	---
Parking	0%	0%	0%	0%	0%	0%	---
Other	0%	0%	0%	0%	0%	0%	---
Total Other Adjustments	80%	-20%	55%	-50%	-45%	-45%	---
Indicated Value Per Room	\$660,938	\$714,286	\$724,327	\$850,000	\$754,032	\$665,500	---
Absolute Adjustment	80%	20%	65%	50%	45%	55%	---

¹ Adjusted for cash equivalency, lease-up and/or deferred maintenance (where applicable)

Compiled by CBRE

Overall, the Comparables illustrate a range from \$660,938 to \$850,000 and average at \$728,180 per room.

MARKET PARTICIPANTS

Market participants indicate that there is a good demand for quality assets in "the Hamptons". Brokers indicate that these properties are viewed as ego purchases by well-heeled investors, or investments for income or redevelopments, yet again by well-heeled investors with the thought that there are few good quality properties that ever come to the market in "the Hamptons", Montauk included in that area. The subject property represents a redeveloped asset with renowned reputation that it is well located in a very popular, cultured with high demographic

character. It has high appeal given its size, spa and food and beverage operations. No brokers would pin a pricing on the property but noted the value was "there" in terms of the investment appeal. Demand would come from a variety of investor types who are traditional hotel operators and then those who have no hotel background and want to park capital in an upscale one of a kind asset in "the Hamptons". Discussion with area commercial brokers, did however indicate there has been a high demand for quality locations and most any commercial product in the Hamptons, yet nothing much comes up for sale or within reason. Albeit unconfirmed, the Neptune reportedly was for sale for \$3,800,000 and was allegedly sold in the summer 2016, however no confirmation of the sale, nor were we able to obtain a recorded deed transfer. This property had 12 rooms and has no amenities, no waterfront, etc. Although unconfirmed, the price of \$3,800,000 is \$316,666 per key. It is said to have been purchased by another Montauk property owner to be used for employee housing. The Atlantic Terrace was being offered quietly (not public) for sale at a reported price of \$45,000,000 or \$468,750 per key for 96 units. This property has a small F&B (snack shop), is ocean front and has a pool. It is a generic concrete block building that is much inferior to the subject property. 435 East Lake Drive, a small 19-unit property with small 20-slip marina on 11+ acres (upland and in water) was listed for sale at \$16,000,000. This property had 9,000 SF of space in marina store, 19 rooms and an open air restaurant. It was awaiting site plan approval for development of 27,000 SF of potential development, but given the difficulty with obtaining any permits, this listing is likely to sit. The asking price reflected \$842,105 per unit. The Fort Pond Lodge, with 13 units and 7,100 SF located on 1.7 acres on Fort Pond was available for \$6,300,000 or \$484,615 per unit. This property had no F&B amenity and significantly inferior to the subject. Other listings and alleged for sale properties in Montauk include Gosman's Dock, a 14 acre compound that was rumored to have been put on the market for sale in early 2017 at \$52.5 million. The Gosman compound includes a commercial marina/dock, restaurant with 477 seats, a 300 car parking lot, 6 retail shops and 3 motel buildings with 57 units on 14 acres of waterfront land. It allegedly had a signed contract at \$38 million, however was predicated on obtaining permission of development of their adjacent parking area with additional hotel rooms and as of yet it has not consummated as no permits are issued. Market participants noted that there has been interest in the iconic site.

Overall, market participants indicate that there is much continued interest in investment assets in Montauk, yet few come to market and those that do appear to be overly priced or don't reach public listing.

SALE COMPARISON APPROACH CONCLUSION

The following table summarizes the stabilized value indications and the concluded value of the subject, via the Sales Comparison Approach.

Sales Comparison Approach

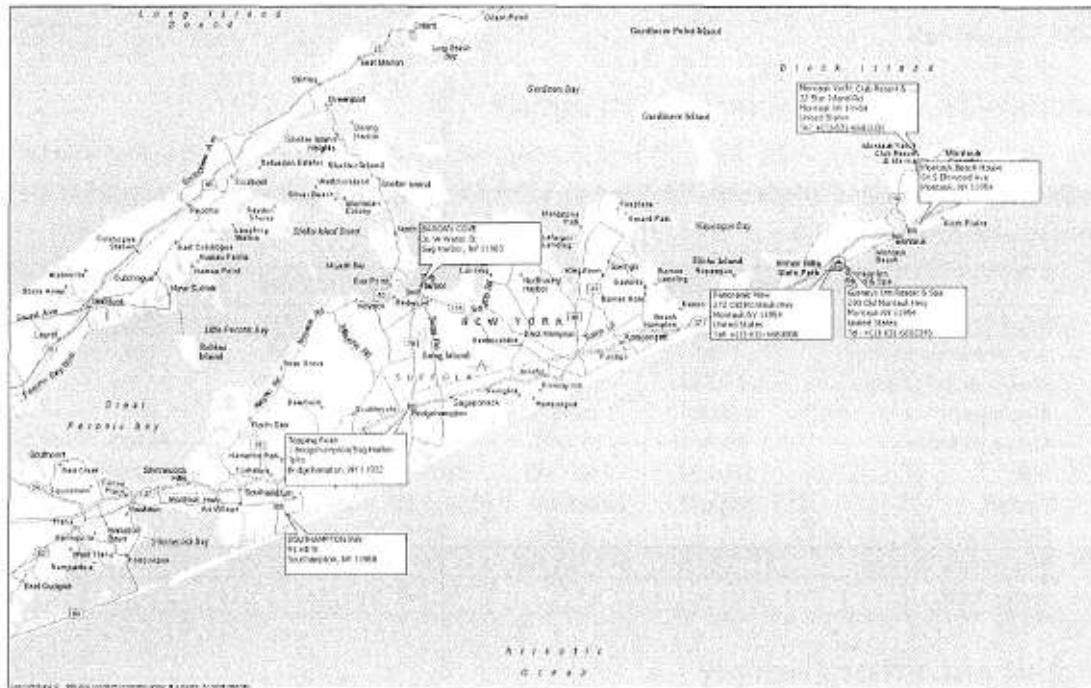
SALES COMPARISON APPROACH				
Total Rooms	X	Value Per Room	=	Value
109	X	\$700,000	=	\$76,300,000
109	X	\$750,000	=	\$81,750,000

VALUE CONCLUSION

Indicated Stabilized Value	\$80,000,000
Rounded	\$80,000,000
Value Per Room	\$733,945

Compiled by CBRE

The following map and table summarize the primary comparable data used in the valuation of the subject. A detailed description of each transaction is included in the market analysis section of the report.



PRIMARY COMPETITIVE HOTELS										
	12 Months Ending February 1, 2018									
Property	Number of Rooms	Percentage Competitive	Year Built	Occ.	Percent Yr. Open	Occupancy Penetration	ADR	ADR Penetration	RevPAR	RevPAR Penetration
Gurneys Inn Resort & Spa	109	100%	1926/R2016	65%	100%	108%	\$577.04	124%	\$377.63	140%
Montauk Beach House	33	100%	1950/R2014	60% - 65%	60%	90% - 120%	\$565 - \$575	105% - 135%	\$350 - \$360	125% - 135%
Toppings Rose	22	100%	2013	60% - 65%	100%	90% - 100%	\$453 - \$465	90% - 100%	\$270 - \$280	100% - 110%
Barons Cove	67	100%	1984/R2016	60% - 65%	100%	90% - 120%	\$515 - \$525	90% - 120%	\$315 - \$325	115% - 125%
Montauk Yacht Club	107	100%	1928/R2015	60% - 65%	75%	90% - 120%	\$335 - \$345	70% - 80%	\$210 - \$220	75% - 85%
Southampton Inn	90	100%	1973/R2016	55% - 60%	100%	85% - 95%	\$325 - \$335	65% - 75%	\$175 - \$185	60% - 70%
Panoramic View	37	100%	1958/R2012	45% - 50%	50%	70% - 80%	\$655 - \$665	120% - 150%	\$290 - \$300	105% - 115%
Overall Totals/Averages	465				61%		\$465.49		\$268.98	

Compiled by CBRE

SUMMARY OF COMPETITIVE PROPERTIES

The prior tables summarize the primary competitive set applicable to the subject property. These properties have been analyzed and were described in detail in the hotel market analysis section.

The primary competitive set, including the subject, has a total of 465 rooms. The trailing 12 month as of 2/1/2018 occupancy and ADR achieved by these properties was roughly 61% and \$465, respectively.

OCCUPANCY, ADR, AND REVPAR CONCLUSIONS

The subject's occupancy, ADR, RevPAR, and corresponding room revenue for the first several years of our projection analysis are illustrated as follows and were discussed and analyzed in the hotel market analysis:

OCCUPANCY, ADR, & ROOMS REVENUE CONCLUSIONS					
Fiscal Year Ending 2/12/	2019	2020	2021	2022	2023
Avg. Available Rooms	109	109	109	109	109
Annual Room Nights	39,785	39,785	39,894	39,785	39,785
Occupancy	63%	63%	63%	63%	63%
Occupied Rooms	25,065	25,065	25,133	25,065	25,065
ADR	\$605.90	\$636.19	\$655.28	\$674.93	\$695.18
RevPAR	\$381.71	\$400.80	\$412.82	\$425.21	\$437.97
RevPAR Growth		5.0%	3.0%	3.0%	3.0%
Total Rooms Revenue	\$15,186,512	\$15,945,838	\$16,469,211	\$16,916,939	\$17,424,447
Source: CBRE					

INCOME AND EXPENSE HISTORY

Historical income and expense data was made available and is summarized in the table that follows. For purposes of our analysis, we assume the information provided is accurate. Where applicable, we have reclassified the available information to conform to the *Uniform System of Accounts for the Lodging Industry*, an industry-standard accounting format. The *Uniform System of Accounts for the Lodging Industry* was developed by the American Hotel & Motel Association and is in general use throughout the hospitality industry. In conformance with this system of account classifications, only direct operating expenses are charged to operating departments of the hotel. The general overhead items which are applicable to operations as a whole are classified as undistributed operating expenses and include administration and general expenses, marketing expenses, property operations and maintenance expenses, energy and utility costs, management fees, property taxes, insurance, and a reserve for replacement. The subject operating statements have been reconstructed to conform to the *Uniform System of Accounts for the Lodging Industry*.

The following are summaries of the available subject operating historical operating results.

Income Capitalization Approach

Subject Reported:	SUBJECT OPERATING HISTORY			Trailing 12 Months Ending			Debt/Equity Pro Forma Ending		
	Complete Calendar Year Ended	Complete Calendar Year Ended	Complete Calendar Year Ended	12/31/2016	12/31/2015	12/31/2014	12/31/2016	12/31/2015	12/31/2014
Days Open	365	365	365	365	365	365	365	365	365
No. of Rooms	109	109	109	109	109	109	109	109	109
Discarded Room Nights	22,031	22,031	22,031	22,031	22,031	22,031	22,031	22,031	22,031
Occupancy	56.1%	56.1%	56.1%	56.1%	56.1%	56.1%	56.1%	56.1%	56.1%
Average Daily Rate	\$174.34	\$174.34	\$174.34	\$174.34	\$174.34	\$174.34	\$174.34	\$174.34	\$174.34
Revenue	\$3,888.19	\$3,888.19	\$3,888.19	\$3,888.19	\$3,888.19	\$3,888.19	\$3,888.19	\$3,888.19	\$3,888.19
REVENUE									
Room	\$1,497.108	\$1,497.108	\$1,497.108	\$1,497.108	\$1,497.108	\$1,497.108	\$1,497.108	\$1,497.108	\$1,497.108
Food & Beverage	6,526.199	6,526.199	6,526.199	6,526.199	6,526.199	6,526.199	6,526.199	6,526.199	6,526.199
Other Operating Departments	5,816.037	5,816.037	5,816.037	5,816.037	5,816.037	5,816.037	5,816.037	5,816.037	5,816.037
Miscellaneous Income	3,765.186	3,765.186	3,765.186	3,765.186	3,765.186	3,765.186	3,765.186	3,765.186	3,765.186
Total Operating Revenue	\$28,615.500	\$28,615.500	\$28,615.500	\$28,615.500	\$28,615.500	\$28,615.500	\$28,615.500	\$28,615.500	\$28,615.500
DEBT/INCOME RATIO									
Debt/Income	69.4%	69.4%	69.4%	69.4%	69.4%	69.4%	69.4%	69.4%	69.4%
Food & Beverage Expense	\$2,002.820	\$2,002.820	\$2,002.820	\$2,002.820	\$2,002.820	\$2,002.820	\$2,002.820	\$2,002.820	\$2,002.820
Other Operating Departments Expense	2,103.024	2,103.024	2,103.024	2,103.024	2,103.024	2,103.024	2,103.024	2,103.024	2,103.024
Total Departmental Expense	\$4,105.844	\$4,105.844	\$4,105.844	\$4,105.844	\$4,105.844	\$4,105.844	\$4,105.844	\$4,105.844	\$4,105.844
DEPARTMENTAL INCOME	\$24,509.656	\$24,509.656	\$24,509.656	\$24,509.656	\$24,509.656	\$24,509.656	\$24,509.656	\$24,509.656	\$24,509.656
UNDEBT/INCOME RATIO									
Administrative and General	\$1,765.414	\$1,765.414	\$1,765.414	\$1,765.414	\$1,765.414	\$1,765.414	\$1,765.414	\$1,765.414	\$1,765.414
Information and Subcommunications	142.842	142.842	142.842	142.842	142.842	142.842	142.842	142.842	142.842
Marketing	1,499.263	1,499.263	1,499.263	1,499.263	1,499.263	1,499.263	1,499.263	1,499.263	1,499.263
Property Fees	2,166.217	2,166.217	2,166.217	2,166.217	2,166.217	2,166.217	2,166.217	2,166.217	2,166.217
Property Operation and Maintenance	865.144	865.144	865.144	865.144	865.144	865.144	865.144	865.144	865.144
Utilities	\$4,254.004	\$4,254.004	\$4,254.004	\$4,254.004	\$4,254.004	\$4,254.004	\$4,254.004	\$4,254.004	\$4,254.004
Total Undebted Expense	\$14,582.884	\$14,582.884	\$14,582.884	\$14,582.884	\$14,582.884	\$14,582.884	\$14,582.884	\$14,582.884	\$14,582.884
GROSS OPERATING INCOME	\$10,926.772	\$10,926.772	\$10,926.772	\$10,926.772	\$10,926.772	\$10,926.772	\$10,926.772	\$10,926.772	\$10,926.772
Management Fee	\$377.455	\$377.455	\$377.455	\$377.455	\$377.455	\$377.455	\$377.455	\$377.455	\$377.455
INCOME BEFORE NON-OPERATING INCOME AND EXPENSES	\$10,549.317	\$10,549.317	\$10,549.317	\$10,549.317	\$10,549.317	\$10,549.317	\$10,549.317	\$10,549.317	\$10,549.317
NON-OPERATING INCOME AND EXPENSES									
Property Taxes	\$337.115	\$337.115	\$337.115	\$337.115	\$337.115	\$337.115	\$337.115	\$337.115	\$337.115
Insurance	\$20.888	\$20.888	\$20.888	\$20.888	\$20.888	\$20.888	\$20.888	\$20.888	\$20.888
Business for Acquisition	-	-	-	-	-	-	-	-	-
Non-Operating Rent	\$140	\$140	\$140	\$140	\$140	\$140	\$140	\$140	\$140
Total Non-Operating Income and Expenses	\$498.103	\$498.103	\$498.103	\$498.103	\$498.103	\$498.103	\$498.103	\$498.103	\$498.103
INCOME BEFORE TAX	\$11,047.420	\$11,047.420	\$11,047.420	\$11,047.420	\$11,047.420	\$11,047.420	\$11,047.420	\$11,047.420	\$11,047.420
INCOME TAX	\$1,464.182	\$1,464.182	\$1,464.182	\$1,464.182	\$1,464.182	\$1,464.182	\$1,464.182	\$1,464.182	\$1,464.182
NET INCOME (BEFORE TAX)	\$9,583.238	\$9,583.238	\$9,583.238	\$9,583.238	\$9,583.238	\$9,583.238	\$9,583.238	\$9,583.238	\$9,583.238

* Departmental expense ratios are based on departmental revenues. Financially, 100% is based on total revenues. All others are based on total revenues.

Source: Hotel Operating Statements

CBRE

INCOME AND EXPENSE COMPARABLES

This analysis incorporates revenue estimates based on our survey of comparable and competitive properties, and general market trend information. The revenue and expense comparisons include four resort/full service hotels all located in the region. The comparable hotels' financial information is obtained in part from confidential information submitted for the 2017 edition (2016 year-end data) of the CBRE Hotels' Americas Research publication *Trends® in the Hotel Industry* (U.S. edition). For reasons of confidentiality, we have not disclosed the identity of the comparable hotels. The following charts summarize income and expenses taken from regional revenue/expense comparables as well as data from the STR Host Report and the *Trends® in the Hotel Industry* (U.S. edition) report.

* Discounted average rates are based on discounts/average: provided with rates is based on room numbers: all others are based on total revenues

Income Capitalization Approach

COMPARABLE HOTEL OPERATING STATISTICS - SELECTED CATEGORIES - 2016 H05T REPORT													
Property	H05T Report	Weighted Average	Full Service Total U.S.	Full Service (Independent)	Full Service Selects	Ratio to Sales	Full Service Selects	Ratio to Sales	Full Service Selects	Ratio to Sales	Full Service Selects	Ratio to Sales	Full Service Selects
Year	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015
Avg No. of Rooms	306	288	288	288	288	288	288	288	288	288	288	288	288
Occupancy	74.0%	74.1%	74.1%	74.1%	74.1%	74.1%	74.1%	74.1%	74.1%	74.1%	74.1%	74.1%	74.1%
Average Daily Rate	\$135.83	\$139.86	\$139.86	\$139.86	\$139.86	\$139.86	\$139.86	\$139.86	\$139.86	\$139.86	\$139.86	\$139.86	\$139.86
REVENUE													
Room	62.0%	\$13,510	\$13,510	\$13,510	\$13,510	62.0%	\$13,510	\$13,510	\$13,510	62.0%	\$13,510	\$13,510	\$13,510
Food & Beverage	32.0%	\$12,470	\$12,470	\$12,470	\$12,470	32.0%	\$12,470	\$12,470	\$12,470	32.0%	\$12,470	\$12,470	\$12,470
Other Total & Beverage	6.0%	\$1,661	\$1,661	\$1,661	\$1,661	6.0%	\$1,661	\$1,661	\$1,661	6.0%	\$1,661	\$1,661	\$1,661
Other Operating Department	5.0%	\$1,104	\$1,104	\$1,104	\$1,104	5.0%	\$1,104	\$1,104	\$1,104	5.0%	\$1,104	\$1,104	\$1,104
Non-Operating Income	3.0%	\$823	\$823	\$823	\$823	3.0%	\$823	\$823	\$823	3.0%	\$823	\$823	\$823
Total Operating Revenue	100.0%	\$19,500	\$19,500	\$19,500	\$19,500	100.0%	\$19,500	\$19,500	\$19,500	100.0%	\$19,500	\$19,500	\$19,500
EXPENSES													
Room	27.0%	\$1,280	\$1,280	\$1,280	\$1,280	27.0%	\$1,280	\$1,280	\$1,280	27.0%	\$1,280	\$1,280	\$1,280
Food & Beverage	24.0%	\$1,435	\$1,435	\$1,435	\$1,435	24.0%	\$1,435	\$1,435	\$1,435	24.0%	\$1,435	\$1,435	\$1,435
Other Operating Department	49.0%	\$4,448	\$4,448	\$4,448	\$4,448	49.0%	\$4,448	\$4,448	\$4,448	49.0%	\$4,448	\$4,448	\$4,448
Total Operating Expenses	40.0%	\$3,163	\$3,163	\$3,163	\$3,163	40.0%	\$3,163	\$3,163	\$3,163	40.0%	\$3,163	\$3,163	\$3,163
NON-OPERATING INCOME													
Room	58.0%	\$19,439	\$19,439	\$19,439	\$19,439	58.0%	\$19,439	\$19,439	\$19,439	58.0%	\$19,439	\$19,439	\$19,439
Food & Beverage	7.0%	\$1,181	\$1,181	\$1,181	\$1,181	7.0%	\$1,181	\$1,181	\$1,181	7.0%	\$1,181	\$1,181	\$1,181
Other Total & Beverage	1.0%	\$1,181	\$1,181	\$1,181	\$1,181	1.0%	\$1,181	\$1,181	\$1,181	1.0%	\$1,181	\$1,181	\$1,181
Other Operating Department	6.0%	\$1,841	\$1,841	\$1,841	\$1,841	6.0%	\$1,841	\$1,841	\$1,841	6.0%	\$1,841	\$1,841	\$1,841
Non-Operating Income	0.0%	\$0	\$0	\$0	\$0	0.0%	\$0	\$0	\$0	0.0%	\$0	\$0	\$0
Property Operations and Maintenance	4.0%	\$1,488	\$1,488	\$1,488	\$1,488	4.0%	\$1,488	\$1,488	\$1,488	4.0%	\$1,488	\$1,488	\$1,488
Utilities	3.0%	\$1,211	\$1,211	\$1,211	\$1,211	3.0%	\$1,211	\$1,211	\$1,211	3.0%	\$1,211	\$1,211	\$1,211
Total Non-Operating Expenses	23.0%	\$581	\$581	\$581	\$581	23.0%	\$581	\$581	\$581	23.0%	\$581	\$581	\$581
GROSS OPERATING PROFIT													
Management Fee	3.0%	\$1,334	\$1,334	\$1,334	\$1,334	3.0%	\$1,334	\$1,334	\$1,334	3.0%	\$1,334	\$1,334	\$1,334
Income Before Non-Operating Income and Expenses	10.0%	\$12,044	\$12,044	\$12,044	\$12,044	10.0%	\$12,044	\$12,044	\$12,044	10.0%	\$12,044	\$12,044	\$12,044
NON-OPERATING INCOME AND EXPENSES													
Property Tax	3.0%	\$1,407	\$1,407	\$1,407	\$1,407	3.0%	\$1,407	\$1,407	\$1,407	3.0%	\$1,407	\$1,407	\$1,407
Insurance	1.0%	\$1,334	\$1,334	\$1,334	\$1,334	1.0%	\$1,334	\$1,334	\$1,334	1.0%	\$1,334	\$1,334	\$1,334
Income Before Non-Operating Income and Expenses	2.0%	\$1,334	\$1,334	\$1,334	\$1,334	2.0%	\$1,334	\$1,334	\$1,334	2.0%	\$1,334	\$1,334	\$1,334
Total Non-Operating Income and Expenses	4.0%	\$1,407	\$1,407	\$1,407	\$1,407	4.0%	\$1,407	\$1,407	\$1,407	4.0%	\$1,407	\$1,407	\$1,407
NET INCOME PER ROOM	15.0%	\$17,217	\$17,217	\$17,217	\$17,217	15.0%	\$17,217	\$17,217	\$17,217	15.0%	\$17,217	\$17,217	\$17,217

Source: The 2016 H05T Report, for the year 2015, with Travel Research

FIXED AND VARIABLE REVENUE AND EXPENSE ANALYSIS

Operating revenues and expenses for hotels have a component that is fixed and a component that is variable with respect to increases or decreases in occupancy. The fixed component increases at an inflationary level, while the variable component is adjusted in proportion to the use of the hotel facility.

The applicable fixed and variable ratios were derived through discussions with hotel experts and are consistent with industry norms. These ratios and the associated revenue component drivers are illustrated as follows:

FIXED AND VARIABLE AMOUNTS			
COMPONENT	FIXED %	VARIABLE %	VAR. DRIVER
REVENUE			
Rooms	N/A	N/A	N/A
Food & Beverage	20.0%	80.0%	Occ Rooms
Other Operated Departments	30.0%	70.0%	Occ Rooms
Miscellaneous Income	20.0%	80.0%	Occ Rooms
DEPARTMENTAL EXPENSES			
Rooms Expense	60.0%	40.0%	Occ Rooms
Food & Beverage Expense	40.0%	60.0%	Food Rev
Other Operated Departments Expense	50.0%	50.0%	MOR Rev
UNDISTRIBUTED OPERATING EXPENSES			
Administrative and General	90.0%	10.0%	Total Rev
Information and Telecommunications	85.0%	15.0%	Total Rev
Marketing	70.0%	30.0%	Total Rev
Franchise Fees	N/A	N/A	See Detail
% of Room Revenue			
% of F&B Revenue			
% of Other Revenue			
% of Total Revenue			
Property Operations and Maintenance	70.0%	30.0%	Total Rev
Utilities	90.0%	10.0%	Total Rev
Management Fee	0.0%	100.0%	Total Rev
FIXED CHARGES			
Property Taxes	100.0%	0.0%	N/A
Insurance	100.0%	0.0%	N/A
Reserve for Replacement	0.0%	100.0%	N/A

Source: CBRE

DEPARTMENTAL PROJECTIONS**Rooms Department****ROOMS REVENUES**

The subject's and the comparable data revenues for this department as a percentage of total revenues, as a percentage of Rooms department revenues, and on a per occupied room basis are summarized as follows:

ROOMS REVENUE				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Subject Complete Calendar Year Ended: Dec 31, 2015	\$11,497	40.2%	\$105,478	\$508.02
Subject Complete Calendar Year Ended: Dec 31, 2016	\$13,412	40.0%	\$123,050	\$574.34
Subject Trailing 12 Months Ending: Dec 31, 2017	\$15,024	38.0%	\$137,834	\$577.04
Current Budget (Dec 31, 2018)	\$15,267	38.6%	\$140,068	\$577.61
Comparable 1	\$6,009	43.8%	\$56,162	\$331.14
Comparable 2	\$15,367	46.1%	\$53,173	\$204.03
Comparable 3	\$21,845	52.9%	\$112,603	\$447.83
Comparable 4	\$4,739	18.6%	\$65,825	\$298.75
Trends® Report - Weighted Average	N/A	70.8%	\$63,172	
Trends Report® - Full-Service Hotels - New England and Middle Atlantic	N/A	73.5%	\$63,142	
Trends® Report - Full-Service Hotels - North Central	N/A	67.6%	\$41,003	
Trends® Report - Full-Service Hotels - Over \$250.00	N/A	66.2%	\$101,549	
Trends® Report - Full-Service Hotels - Under 150 Rooms	N/A	83.5%	\$38,262	
Trends® Report - Full-Service Hotels	N/A	70.5%	\$50,717	
HOST Report - Weighted Average	N/A	60.9%	\$63,519	\$235.82
HOST Report - Full Service Total U.S.	N/A	64.2%	\$51,144	\$189.86
HOST Report - Full Service Independent	N/A	56.8%	\$51,816	\$205.82
HOST Report - Full Service Middle Atlantic	N/A	72.2%	\$66,666	\$237.74
HOST Report - Full Service Resort	N/A	54.3%	\$60,450	\$227.63
HOST Report - Full Service Luxury Class	N/A	57.3%	\$83,906	\$308.10
CBRE Estimate	\$15,187	39.1%	\$139,326	\$605.90
Compiled by CBRE				

Analysis of Rooms Department Revenues were previously provided.

ROOMS EXPENSES

Rooms expenses include labor costs such as salaries and wages for front desk, housekeeping, reservations, bell staff and laundry, plus employee benefits. Also included herein are linens, cleaning supplies, guest supplies, uniforms, central or franchise reservation fees, equipment leases and travel agent commissions. Payroll costs are typically the largest component. A hotel is labor-intensive, although relatively low-paying. Overall, wages typically account for 50% to 60% of the total departmental expense. The comparable data and projections for the subject are summarized as follows:

Income Capitalization Approach

ROOMS EXPENSE				
Year	Total \$ (000's)	As a % of Dept. Revenue	Per Available Room	Per Occupied Room
Subject Complete Calendar Year Ended: Dec 31, 2015	\$8,019	69.8%	\$73,573	\$354.36
Subject Complete Calendar Year Ended: Dec 31, 2016	\$8,966	66.8%	\$82,256	\$383.93
Subject Trailing 12 Months Ending: Dec 31, 2017	\$9,200	61.2%	\$84,400	\$353.34
Current Budget (Dec 31, 2018)	\$4,631	30.3%	\$42,488	\$175.21
Comparable 1	\$1,414	23.5%	\$13,218	\$77.94
Comparable 2	\$3,911	25.5%	\$13,533	\$51.93
Comparable 3	\$4,646	21.3%	\$23,949	\$95.25
Comparable 4	\$839	17.7%	\$11,649	\$52.87
Trends® Report - Weighted Average	N/A	26.7%	\$17,212	
Trends Report® - Full-Service Hotels - New England and Middle Atlantic	N/A	27.4%	\$17,285	
Trends® Report - Full-Service Hotels - North Central	N/A	26.4%	\$10,845	
Trends® Report - Full-Service Hotels - Over \$250.00	N/A	28.8%	\$29,280	
Trends® Report - Full-Service Hotels - Under 150 Rooms	N/A	22.9%	\$8,778	
Trends® Report - Full-Service Hotels	N/A	25.5%	\$12,918	
HOST Report - Weighted Average	N/A	27.3%	\$17,380	\$64.46
HOST Report - Full Service Total U.S.	N/A	25.9%	\$13,259	\$49.22
HOST Report - Full Service Independent	N/A	27.9%	\$14,473	\$57.49
HOST Report - Full Service Middle Atlantic	N/A	30.4%	\$20,300	\$72.39
HOST Report - Full Service Resort	N/A	25.3%	\$15,276	\$57.52
HOST Report - Full Service Luxury Class	N/A	27.3%	\$22,948	\$84.27
CBRE Estimate	\$4,450	29.3%	\$40,824	\$177.53
Compiled by CBRE				

Historical rooms expense prior to 2018 included expenses to the time share operation which had significant expense relative to the operation as a free market property. The expense skewed the ratio of expense to revenue and given the property is now forecasted as fully free market, the expense will fall in much more similar to that of competing properties.

Food & Beverage Department

FOOD & BEVERAGE REVENUE

Food & Beverage revenue is generated by a hotel's restaurants, lounges, coffee shops, snack bars, banquet rooms, and room service. In the case of the subject, food revenue is generated by the Food & Beverage Outlets, Bar & Lounges, room service, and meeting rooms. Beverage revenue is generated by the sale of alcoholic beverages in a hotel's restaurants and banquet rooms and the sale of alcoholic and non-alcoholic beverages in the bars and lounges. The subject's and the comparable data revenues for this department as a percentage of total revenues, on a per available room basis, and on a per occupied room basis are summarized as follows:

Income Capitalization Approach

FOOD & BEVERAGE REVENUE				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Subject Complete Calendar Year Ended: Dec 31, 2015	\$9,536	33.3%	\$87,488	\$421.38
Subject Complete Calendar Year Ended: Dec 31, 2016	\$12,824	38.2%	\$117,649	\$549.13
Subject Trailing 12 Months Ending: Dec 31, 2017	\$16,403	41.5%	\$150,485	\$630.01
Current Budget (Dec 31, 2018)	\$17,191	43.5%	\$157,719	\$650.40
Comparable 1	\$4,252	31.0%	\$39,739	\$234.31
Comparable 2	\$16,499	49.5%	\$57,090	\$219.06
Comparable 3	\$16,528	40.0%	\$85,194	\$338.82
Comparable 4	\$17,984	70.5%	\$249,772	\$1,133.61
Trends® Report - Weighted Average	N/A	24.7%	\$23,206	
Trends Report® - Full-Service Hotels - New England and Middle Atlantic	N/A	22.7%	\$19,534	
Trends® Report - Full-Service Hotels - North Central	N/A	28.2%	\$17,095	
Trends® Report - Full-Service Hotels - Over \$250.00	N/A	27.7%	\$42,484	
Trends® Report - Full-Service Hotels - Under 150 Rooms	N/A	13.6%	\$6,231	
Trends® Report - Full-Service Hotels	N/A	25.0%	\$17,979	
HOST Report - Weighted Average	N/A	30.3%	\$32,476	\$121.01
HOST Report - Full Service Total U.S.	N/A	29.0%	\$23,103	\$85.76
HOST Report - Full Service Independent	N/A	31.2%	\$28,483	\$113.14
HOST Report - Full Service Middle Atlantic	N/A	24.5%	\$22,593	\$80.57
HOST Report - Full Service Resort	N/A	33.0%	\$36,574	\$137.72
HOST Report - Full Service Luxury Class	N/A	33.4%	\$48,932	\$179.68
CBRE Estimate	\$16,791	43.2%	\$154,046	\$669.91
Compiled by CBRE				

FOOD & BEVERAGE EXPENSES

Food & Beverage expenses include the costs of goods sold (Food & Beverage), labor and related benefits, and other operating expenses. Labor costs include departmental management, cooks and kitchen personnel, service staff, banquet staff and bartenders. Other operating expenses include china, silverware, linens, restaurant and kitchen supplies, menus and printing, and special promotions. As with the rooms department, payroll costs are typically the largest component. The comparable data and projections for the subject are summarized as follows:

Income Capitalization Approach

FOOD & BEVERAGE EXPENSE				
Year	Total \$ (000's)	As a % of Dept. Revenue	Per Available Room	Per Occupied Room
Subject Complete Calendar Year Ended: Dec 31, 2015	\$9,693	101.6%	\$88,925	\$428.30
Subject Complete Calendar Year Ended: Dec 31, 2016	\$10,533	82.1%	\$96,630	\$451.02
Subject Trailing 12 Months Ending: Dec 31, 2017	\$13,051	79.6%	\$119,734	\$501.27
Current Budget (Dec 31, 2018)	\$13,005	75.6%	\$119,311	\$492.01
Comparable 1	\$3,121	73.4%	\$29,169	\$171.99
Comparable 2	\$13,632	82.6%	\$47,169	\$181.00
Comparable 3	\$10,732	64.9%	\$55,321	\$220.01
Comparable 4	\$11,665	64.9%	\$162,020	\$735.34
Trends® Report - Weighted Average	N/A	77.3%	\$18,308	
Trends Report® - Full-Service Hotels - New England and Middle Atlantic	N/A	81.4%	\$15,896	
Trends® Report - Full-Service Hotels - North Central	N/A	71.4%	\$12,213	
Trends® Report - Full-Service Hotels - Over \$250.00	N/A	82.5%	\$35,041	
Trends® Report - Full-Service Hotels - Under 150 Rooms	N/A	76.4%	\$4,760	
Trends® Report - Full-Service Hotels	N/A	73.2%	\$13,163	
HOST Report - Weighted Average	N/A	74.6%	\$24,035	\$89.46
HOST Report - Full Service Total U.S.	N/A	71.4%	\$16,503	\$61.26
HOST Report - Full Service Independent	N/A	73.7%	\$20,994	\$83.39
HOST Report - Full Service Middle Atlantic	N/A	85.0%	\$19,202	\$68.47
HOST Report - Full Service Resort	N/A	69.3%	\$25,341	\$95.42
HOST Report - Full Service Luxury Class	N/A	74.6%	\$36,482	\$133.96
CBRE Estimate	\$13,013	77.5%	\$119,386	\$519.18
Compiled by CBRE				

Other Operated Departments

OTHER OPERATED DEPARTMENTS REVENUES

Other Operated Departments revenues are those derived from the spa services, valet parking, guest laundry, gift shop, retail, newsstand, spa et cetera, when operated by the hotel. Also included are revenues generated from sources not included elsewhere, such as on-demand movie rentals, vending machines, fax and business services. The subject's and the comparable data revenues for this department as a percentage of total revenues, on a per available room basis, and on a per occupied room basis are summarized as follows:

Income Capitalization Approach

OTHER OPERATED DEPARTMENTS REVENUE				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Subject Complete Calendar Year Ended: Dec 31, 2015	\$3,616	13.3%	\$35,010	\$168.62
Subject Complete Calendar Year Ended: Dec 31, 2016	\$3,368	10.0%	\$30,895	\$144.20
Subject Trailing 12 Months Ending: Dec 31, 2017	\$3,643	9.2%	\$33,423	\$139.92
Current Budget (Dec 31, 2018)	\$3,747	9.5%	\$34,372	\$141.74
Comparable 1	\$2,653	19.4%	\$24,794	\$146.19
Comparable 2	\$1,418	4.3%	\$4,907	\$18.83
Comparable 3	\$889	2.2%	\$4,583	\$18.23
Comparable 4	\$2,196	8.6%	\$30,501	\$138.43
Trends® Report - Weighted Average	N/A	3.0%	\$2,946	
Trends Report® - Full-Service Hotels - New England and Middle Atlantic	N/A	2.2%	\$1,923	
Trends® Report - Full-Service Hotels - North Central	N/A	2.9%	\$1,789	
Trends® Report - Full-Service Hotels - Over \$250.00	N/A	4.1%	\$6,246	
Trends® Report - Full-Service Hotels - Under 150 Rooms	N/A	2.0%	\$895	
Trends® Report - Full-Service Hotels	N/A	3.0%	\$2,137	
HOST Report - Weighted Average	N/A	5.7%	\$6,271	\$23.56
HOST Report - Full Service Total U.S.	N/A	4.2%	\$3,385	\$12.57
HOST Report - Full Service Independent	N/A	8.6%	\$7,816	\$31.04
HOST Report - Full Service Middle Atlantic	N/A	1.7%	\$1,599	\$5.70
HOST Report - Full Service Resort	N/A	8.0%	\$8,815	\$33.19
HOST Report - Full Service Luxury Class	N/A	6.5%	\$9,475	\$34.79
CBRE Estimate	\$3,659	9.4%	\$33,572	\$146.00
Compiled by CBRE				

OTHER OPERATED DEPARTMENTAL EXPENSES

Other Operated Departmental expenses are those expenses (labor and other) which offset the revenue generated by other operated departments, such as garage, guest laundry, athletic facilities and gift shop, as well as rental activity. The comparable data and projections for the subject are summarized as follows:

Income Capitalization Approach

OTHER OPERATED DEPARTMENTS EXPENSE				
Year	Total \$ (000's)	As a % of Dept. Revenue	Per Available Room	Per Occupied Room
Subject Complete Calendar Year Ended: Dec 31, 2015	\$3,103	81.3%	\$28,468	\$137.11
Subject Complete Calendar Year Ended: Dec 31, 2016	\$3,618	107.4%	\$33,196	\$154.94
Subject Trailing 12 Months Ending: Dec 31, 2017	\$3,404	93.5%	\$31,234	\$130.76
Current Budget (Dec 31, 2018)	\$3,598	96.0%	\$33,007	\$136.11
Comparable 1	\$364	13.7%	\$3,400	\$20.05
Comparable 2	\$884	62.3%	\$3,058	\$11.73
Comparable 3	\$0	0.0%	\$0	\$0.00
Comparable 4	\$1,318	60.0%	\$18,301	\$83.06
Trends® Report - Weighted Average	N/A	63.8%	\$1,949	
Trends Report® - Full-Service Hotels - New England and Middle Atlantic	N/A	60.8%	\$1,169	
Trends® Report - Full-Service Hotels - North Central	N/A	63.6%	\$1,138	
Trends® Report - Full-Service Hotels - Over \$250.00	N/A	70.5%	\$4,400	
Trends® Report - Full-Service Hotels - Under 150 Rooms	N/A	66.1%	\$592	
Trends® Report - Full-Service Hotels	N/A	57.9%	\$1,237	
HOST Report - Weighted Average	N/A	69.0%	\$4,446	\$16.70
HOST Report - Full Service Total U.S.	N/A	67.8%	\$2,295	\$8.52
HOST Report - Full Service Independent	N/A	68.2%	\$5,332	\$21.18
HOST Report - Full Service Middle Atlantic	N/A	62.4%	\$998	\$3.56
HOST Report - Full Service Resort	N/A	72.4%	\$6,379	\$24.02
HOST Report - Full Service Luxury Class	N/A	73.2%	\$6,939	\$25.48
CBRE Estimate	\$3,476	95.0%	\$31,893	\$136.70
Compiled by CBRE				

Income Capitalization Approach

Miscellaneous Income

This revenue source included revenues from resort fees, time share rentals in past, and miscellaneous fees and revenues from sources outside of departmental sources.

MISCELLANEOUS INCOME REVENUE

MISCELLANEOUS INCOME REVENUE				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Subject Complete Calendar Year Ended: Dec 31, 2015	\$3,766	13.2%	\$34,552	\$166.42
Subject Complete Calendar Year Ended: Dec 31, 2016	\$3,942	11.8%	\$36,162	\$168.78
Subject Trailing 12 Months Ending: Dec 31, 2017	\$4,430	11.2%	\$40,638	\$170.13
Current Budget (Dec 31, 2018)	\$3,303	8.4%	\$30,303	\$124.96
Comparable 1	\$795	5.8%	\$7,425	\$43.78
Comparable 2	\$47	0.1%	\$162	\$0.62
Comparable 3	\$2,024	4.9%	\$10,433	\$41.49
Comparable 4	\$587	2.3%	\$8,154	\$37.01
Trends® Report - Weighted Average	N/A	1.6%	\$1,562	
PKF Trends Report - Full-Service Hotels - New England and Middle Atlantic	N/A	1.6%	\$1,364	
PKF Trends Report - Full-Service Hotels - North Central	N/A	1.3%	\$812	
PKF Trends Report - Full-Service Hotels - Over \$250.00	N/A	2.1%	\$3,147	
PKF Trends Report - Full-Service Hotels - Under 150 Rooms	N/A	1.0%	\$443	
PKF Trends Report - Full-Service Hotels	N/A	1.6%	\$1,132	
HOST Report - Weighted Average	N/A	3.0%	\$3,235	\$12.11
HOST Report - Full Service Total U.S.	N/A	2.6%	\$2,080	\$7.72
HOST Report - Full Service Independent	N/A	3.3%	\$3,040	\$12.08
HOST Report - Full Service Middle Atlantic	N/A	1.6%	\$1,477	\$5.27
HOST Report - Full Service Resort	N/A	4.5%	\$5,027	\$18.93
HOST Report - Full Service Luxury Class	N/A	2.7%	\$4,008	\$14.72
CBRE Estimate	\$3,227	8.3%	\$29,606	\$128.75
Compiled by CBRE				

Included in this revenue source was that of time share member common area charge fees and resort fees which are noted at 20% of room charges. The time share fees were paid by owners of weeks / units as opposed to paying a room rate. The miscellaneous income will be reduced while free market resort service fees will go higher given the loss of time shares and increase in free market use and resort fees charged.

TOTAL OPERATING REVENUE

The subject's total operating revenue estimates are detailed as follows:

Income Capitalization Approach

TOTAL OPERATING REVENUE				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Subject Complete Calendar Year Ended: Dec 31, 2015	\$28,616	100.0%	\$262,528	\$1,264.44
Subject Complete Calendar Year Ended: Dec 31, 2016	\$33,545	100.0%	\$307,756	\$1,436.45
Subject Trailing 12 Months Ending: Dec 31, 2017	\$39,499	100.0%	\$362,380	\$1,517.11
Current Budget (Dec 31, 2018)	\$39,508	100.0%	\$362,463	\$1,494.72
Comparable 1	\$13,709	100.0%	\$128,120	\$755.42
Comparable 2	\$33,331	100.0%	\$115,332	\$442.54
Comparable 3	\$41,286	100.0%	\$212,814	\$846.37
Comparable 4	\$25,506	100.0%	\$354,252	\$1,607.81
Trends® Report - Weighted Average	N/A	100.0%	\$90,886	
PKF Trends Report - Full-Service Hotels - New England and Middle Atlantic	N/A	100.0%	\$85,963	
PKF Trends Report - Full-Service Hotels - North Central	N/A	100.0%	\$60,698	
PKF Trends Report - Full-Service Hotels - Over \$250.00	N/A	100.0%	\$153,425	
PKF Trends Report - Full-Service Hotels - Under 150 Rooms	N/A	100.0%	\$45,831	
PKF Trends Report - Full-Service Hotels	N/A	100.0%	\$71,965	
HOST Report - Weighted Average	N/A	100.0%	\$105,500	\$392.50
HOST Report - Full Service Total U.S.	N/A	100.0%	\$79,713	\$295.91
HOST Report - Full Service Independent	N/A	100.0%	\$91,155	\$362.07
HOST Report - Full Service Middle Atlantic	N/A	100.0%	\$92,336	\$329.28
HOST Report - Full Service Resort	N/A	100.0%	\$110,866	\$417.47
HOST Report - Full Service Luxury Class	N/A	100.0%	\$146,321	\$537.29
CBRE Estimate	\$38,864	100.0%	\$356,550	\$1,350.56
Compiled by CBRE				

The projections for the subject are within the reasonable range of the operating history illustrated by the subject and by its current budget. The slight reduction is from the slightly reduced overall occupancy whereby timeshare units weekly occupancy is accounted for as an occupied unit whether the member occupies or not, and this is changing over to free market guests stays which won't offer the stability in occupancy, albeit enhanced room rate.

TOTAL DEPARTMENTAL EXPENSES

The subject's total departmental expense estimates are detailed as follows:

Income Capitalization Approach

TOTAL DEPARTMENTAL EXPENSES				
Year	Total \$ (000's)	As a % of Total Dept. Revenue	Per Available Room	Per Occupied Room
Subject Complete Calendar Year Ended: Dec 31, 2015	\$20,815	72.7%	\$190,966	\$919.77
Subject Complete Calendar Year Ended: Dec 31, 2016	\$23,117	68.9%	\$212,081	\$989.89
Subject Trailing 12 Months Ending: Dec 31, 2017	\$25,655	65.0%	\$235,368	\$985.37
Current Budget (Dec 31, 2018)	\$21,234	53.7%	\$194,806	\$803.34
Comparable 1	\$4,899	35.7%	\$45,788	\$269.97
Comparable 2	\$18,427	55.3%	\$63,761	\$244.66
Comparable 3	\$15,378	37.2%	\$79,270	\$315.26
Comparable 4	\$13,822	54.2%	\$191,969	\$871.27
Trends® Report - Weighted Average	N/A	39.8%	\$37,469	
Trends Report® - Full-Service Hotels - New England and Middle Atlantic	N/A	40.0%	\$34,350	
Trends® Report - Full-Service Hotels - North Central	N/A	39.9%	\$24,196	
Trends® Report - Full-Service Hotels - Over \$250.00	N/A	44.8%	\$68,722	
Trends® Report - Full-Service Hotels - Under 150 Rooms	N/A	30.8%	\$14,130	
Trends® Report - Full-Service Hotels	N/A	38.0%	\$27,317	
HOST Report - Weighted Average	N/A	43.2%	\$45,862	\$170.62
HOST Report - Full Service Total U.S.	N/A	40.2%	\$32,057	\$119.00
HOST Report - Full Service Independent	N/A	44.8%	\$40,799	\$162.06
HOST Report - Full Service Middle Atlantic	N/A	43.9%	\$40,499	\$144.42
HOST Report - Full Service Resort	N/A	42.4%	\$46,996	\$176.97
HOST Report - Full Service Luxury Class	N/A	45.4%	\$66,369	\$243.71
CBRE Estimate	\$20,939	53.9%	\$192,103	\$835.41
Compiled by CBRE				

The projections for the subject are within the reasonable range of the operating history illustrated by the subject and by its current budget.

Departmental Profit

Total departmental profit is as follows.

Income Capitalization Approach

DEPARTMENTAL PROFIT				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Subject Complete Calendar Year Ended: Dec 31, 2015	\$7,800	27.3%	\$71,561	\$344.67
Subject Complete Calendar Year Ended: Dec 31, 2016	\$10,429	31.1%	\$95,675	\$446.56
Subject Trailing 12 Months Ending: Dec 31, 2017	\$13,844	35.0%	\$127,012	\$531.74
Current Budget (Dec 31, 2018)	\$18,275	46.3%	\$167,657	\$691.38
Comparable 1	\$8,810	64.3%	\$82,332	\$485.45
Comparable 2	\$14,904	44.7%	\$51,571	\$197.89
Comparable 3	\$25,907	62.8%	\$133,543	\$531.11
Comparable 4	\$11,684	45.8%	\$162,283	\$736.54
Trends® Report - Weighted Average	N/A	60.2%	\$53,418	
PKF Trends Report - Full-Service Hotels - New England and Middle Atlantic	N/A	60.0%	\$51,612	
PKF Trends Report - Full-Service Hotels - North Central	N/A	60.1%	\$36,502	
PKF Trends Report - Full-Service Hotels - Over \$250.00	N/A	55.2%	\$84,704	
PKF Trends Report - Full-Service Hotels - Under 150 Rooms	N/A	69.2%	\$31,701	
PKF Trends Report - Full-Service Hotels	N/A	62.0%	\$44,648	
HOST Report - Weighted Average	N/A	56.8%	\$59,639	\$221.89
HOST Report - Full Service Total U.S.	N/A	59.8%	\$47,656	\$176.91
HOST Report - Full Service Independent	N/A	55.2%	\$50,356	\$200.02
HOST Report - Full Service Middle Atlantic	N/A	56.1%	\$51,837	\$184.86
HOST Report - Full Service Resort	N/A	57.6%	\$63,870	\$240.50
HOST Report - Full Service Luxury Class	N/A	54.6%	\$79,951	\$293.58
CBRE Estimate	\$17,925	46.1%	\$164,447	\$715.14
Compiled by CBRE				

EXPENSE PROJECTIONS

In order to estimate expenses for the subject, the following data has been reviewed and analyzed:

- available historical data for the subject;
- published industry averages for similar hotel segments and geographic regions; and
- actual operating expense data for similar properties.

The individual expense categories applicable to the subject are discussed in the following sections.

Undistributed Operating Expenses

Undistributed operating expenses are typically not directly related to an associated revenue source, but can be compared on the basis of total revenues for similar types of hotels. These expenses are therefore compared and estimated as a percentage of total revenues.

ADMINISTRATIVE AND GENERAL EXPENSES

Administrative and general expenses include payroll and related expenses for the general manager, human resources and training, security, clerical staff, controller and accounting staff. Other expenses include office supplies, computer services, accounting and legal fees, cash

Income Capitalization Approach

overages and shortages, bad debt expenses, travel insurance, credit card commissions, transportation (non-guest) and travel and entertainment. These payroll costs are significant. The comparable data and projections for the subject are summarized as follows:

ADMINISTRATIVE AND GENERAL EXPENSES				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Subject Complete Calendar Year Ended: Dec 31, 2015	\$3,745	13.1%	\$34,362	\$165.50
Subject Complete Calendar Year Ended: Dec 31, 2016	\$4,578	13.6%	\$41,998	\$196.02
Subject Trailing 12 Months Ending: Dec 31, 2017	\$4,482	11.3%	\$41,119	\$172.14
Current Budget (Dec 31, 2018)	\$4,544	11.5%	\$41,689	\$171.92
Comparable 1	\$1,297	9.5%	\$12,121	\$71.47
Comparable 2	\$1,518	4.6%	\$5,254	\$20.16
Comparable 3	\$4,246	10.3%	\$21,888	\$87.05
Comparable 4	\$1,222	4.8%	\$16,974	\$77.04
Trends® Report - Weighted Average	N/A	8.1%	\$7,264	
Trends Report® - Full-Service Hotels - New England and Middle Atlantic	N/A	8.0%	\$6,860	
Trends® Report - Full-Service Hotels - North Central	N/A	8.3%	\$5,045	
Trends® Report - Full-Service Hotels - Over \$250.00	N/A	7.8%	\$12,039	
Trends® Report - Full-Service Hotels - Under 150 Rooms	N/A	8.7%	\$4,002	
Trends® Report - Full-Service Hotels	N/A	7.9%	\$5,675	
HOST Report - Weighted Average	N/A	7.7%	\$8,151	\$30.33
HOST Report - Full Service Total U.S.	N/A	7.8%	\$6,183	\$22.95
HOST Report - Full Service Independent	N/A	8.4%	\$7,622	\$30.27
HOST Report - Full Service Middle Atlantic	N/A	7.9%	\$7,269	\$25.92
HOST Report - Full Service Resort	N/A	7.2%	\$7,933	\$29.87
HOST Report - Full Service Luxury Class	N/A	7.9%	\$11,532	\$42.35
CBRE Estimate	\$3,885	10.0%	\$35,645	\$155.01
Compiled by CBRE				

INFORMATION AND TELECOMMUNICATIONS SYSTEMS

Telecommunications expenses include the costs of calls, labor cost of operators and other related expenses. Information systems include the cost of high speed internet and associated maintenance costs. Specifically excluded are associated capital lease payments. The comparable data and projections for the subject are summarized as follows:

Income Capitalization Approach

INFORMATION AND TELECOMMUNICATIONS SYSTEMS EXPENSES				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Subject Complete Calendar Year Ended: Dec 31, 2015	\$148	0.5%	\$1,357	\$6.53
Subject Complete Calendar Year Ended: Dec 31, 2016	\$576	1.7%	\$5,284	\$24.66
Subject Trailing 12 Months Ending: Dec 31, 2017	\$578	1.5%	\$5,307	\$22.22
Current Budget (Dec 31, 2018)	\$619	1.6%	\$5,676	\$23.41
Trends® Report - Weighted Average	N/A	1.5%	\$1,415	
Trends Report® - Full-Service Hotels - New England and Middle Atlantic	N/A	1.5%	\$1,268	
Trends® Report - Full-Service Hotels - North Central	N/A	1.6%	\$970	
Trends® Report - Full-Service Hotels - Over \$250.00	N/A	1.6%	\$2,516	
Trends® Report - Full-Service Hotels - Under 150 Rooms	N/A	1.4%	\$635	
Trends® Report - Full-Service Hotels	N/A	1.5%	\$1,053	
HOST Report - Weighted Average	N/A	1.1%	\$1,189	\$4.41
HOST Report - Full Service Total U.S.	N/A	1.1%	\$872	\$3.24
HOST Report - Full Service Independent	N/A	0.9%	\$861	\$3.42
HOST Report - Full Service Middle Atlantic	N/A	1.3%	\$1,167	\$4.16
HOST Report - Full Service Resort	N/A	1.0%	\$1,153	\$4.34
HOST Report - Full Service Luxury Class	N/A	1.2%	\$1,779	\$6.53
CBRE Estimate	\$614	1.6%	\$5,633	\$24.50
Compiled by CBRE				

MARKETING EXPENSES

Marketing expenses include payroll and related expenses for the sales and marketing staff, direct sales expenses, advertising and promotion, travel expenses for the sales staff and civic and community projects. This category may also include a national advertising fee or assessment paid to the franchise company, plus the cost of frequent guest stay programs. In this case, these franchise related costs are being included below as part of the franchise fee because this is how the subject operating statements are included. Note that the PKF Trends data includes all franchise fees in marketing. The HOST data is inconsistent – franchise fees appear in both. The comparable data and projections for the subject are summarized as follows:

Income Capitalization Approach

MARKETING EXPENSES				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Subject Complete Calendar Year Ended: Dec 31, 2015	\$1,439	5.0%	\$13,205	\$63.60
Subject Complete Calendar Year Ended: Dec 31, 2016	\$1,278	3.8%	\$11,726	\$54.73
Subject Trailing 12 Months Ending: Dec 31, 2017	\$1,252	3.2%	\$11,484	\$48.08
Current Budget (Dec 31, 2018)	\$1,598	4.0%	\$14,663	\$60.47
Comparable 1	\$791	5.8%	\$7,389	\$43.57
Comparable 2	\$979	2.9%	\$3,388	\$13.00
Comparable 3	\$1,582	3.8%	\$8,152	\$32.42
Comparable 4	\$1,069	4.2%	\$14,853	\$67.41
Trends® Report - Weighted Average	N/A	8.4%	\$7,281	
PKF Trends Report - Full-Service Hotels - New England and Middle Atlantic	N/A	8.4%	\$7,233	
PKF Trends Report - Full-Service Hotels - North Central	N/A	9.3%	\$5,619	
PKF Trends Report - Full-Service Hotels - Over \$250.00	N/A	7.0%	\$10,767	
PKF Trends Report - Full-Service Hotels - Under 150 Rooms	N/A	9.4%	\$4,288	
PKF Trends Report - Full-Service Hotels	N/A	8.6%	\$6,217	
HOST Report - Weighted Average	N/A	6.5%	\$6,841	\$25.42
HOST Report - Full Service Total U.S.	N/A	6.9%	\$5,526	\$20.51
HOST Report - Full Service Independent	N/A	5.9%	\$5,378	\$21.36
HOST Report - Full Service Middle Atlantic	N/A	6.6%	\$6,110	\$21.79
HOST Report - Full Service Resort	N/A	6.4%	\$7,084	\$26.68
HOST Report - Full Service Luxury Class	N/A	6.5%	\$9,522	\$34.97
CBRE Estimate	\$1,582	4.1%	\$14,510	\$63.10
Compiled by CBRE				

PROPERTY OPERATIONS & MAINTENANCE

Property operations & maintenance expenses includes all payroll and related expenses for maintenance personnel, cost of maintenance supplies, cost of repairs and maintenance of the building, furniture and equipment, the grounds and the removal of waste matter. The comparable data and projections for the subject are summarized as follows:

Income Capitalization Approach

PROPERTY OPERATIONS AND MAINTENANCE EXPENSES				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Subject Complete Calendar Year Ended: Dec 31, 2015	\$2,166	7.6%	\$19,874	\$95.72
Subject Complete Calendar Year Ended: Dec 31, 2016	\$1,814	5.4%	\$16,644	\$77.69
Subject Trailing 12 Months Ending: Dec 31, 2017	\$2,048	5.2%	\$18,787	\$78.65
Current Budget (Dec 31, 2018)	\$2,057	5.2%	\$18,873	\$77.83
Comparable 1	\$886	6.5%	\$8,281	\$48.83
Comparable 2	\$1,127	3.4%	\$3,899	\$14.96
Comparable 3	\$1,437	3.5%	\$7,406	\$29.45
Comparable 4	\$611	2.4%	\$8,487	\$38.52
Trends® Report - Weighted Average	N/A	4.2%	\$3,739	
Trends Report® - Full-Service Hotels - New England and Middle Atlantic	N/A	4.1%	\$3,517	
Trends® Report - Full-Service Hotels - North Central	N/A	4.5%	\$2,705	
Trends® Report - Full-Service Hotels - Over \$250.00	N/A	4.0%	\$6,164	
Trends® Report - Full-Service Hotels - Under 150 Rooms	N/A	4.2%	\$1,928	
Trends® Report - Full-Service Hotels	N/A	4.1%	\$2,935	
HOST Report - Weighted Average	N/A	4.3%	\$4,488	\$16.71
HOST Report - Full Service Total U.S.	N/A	4.2%	\$3,331	\$12.37
HOST Report - Full Service Independent	N/A	4.7%	\$4,263	\$16.93
HOST Report - Full Service Middle Atlantic	N/A	4.3%	\$4,007	\$14.29
HOST Report - Full Service Resort	N/A	4.3%	\$4,717	\$17.76
HOST Report - Full Service Luxury Class	N/A	4.1%	\$5,937	\$21.80
CBRE Estimate	\$2,065	5.3%	\$18,947	\$82.39
Compiled by CBRE				

UTILITY COSTS

Utility expenses typically include electricity, fuel (oil, gas and coal), purchased steam and water. This category also includes any central plant and energy management systems. The comparable data and projections for the subject are summarized as follows:

Income Capitalization Approach

UTILITIES EXPENSES				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Subject Complete Calendar Year Ended: Dec 31, 2015	\$805	2.8%	\$7,387	\$35.58
Subject Complete Calendar Year Ended: Dec 31, 2016	\$1,519	4.5%	\$13,934	\$65.04
Subject Trailing 12 Months Ending: Dec 31, 2017	\$1,313	3.3%	\$12,046	\$50.43
Current Budget (Dec 31, 2018)	\$1,341	3.4%	\$12,302	\$50.73
Comparable 1	\$932	6.8%	\$8,706	\$51.33
Comparable 2	\$574	1.7%	\$1,986	\$7.62
Comparable 3	\$593	1.4%	\$3,054	\$12.15
Comparable 4	\$878	3.4%	\$12,200	\$55.37
Trends® Report - Weighted Average	N/A	3.0%	\$2,543	
Trends Report® - Full-Service Hotels - New England and Middle Atlantic	N/A	3.1%	\$2,641	
Trends® Report - Full-Service Hotels - North Central	N/A	3.3%	\$2,006	
Trends® Report - Full-Service Hotels - Over \$250.00	N/A	2.4%	\$3,628	
Trends® Report - Full-Service Hotels - Under 150 Rooms	N/A	3.4%	\$1,538	
Trends® Report - Full-Service Hotels	N/A	3.0%	\$2,153	
HOST Report - Weighted Average	N/A	3.1%	\$3,211	\$11.96
HOST Report - Full Service Total U.S.	N/A	3.2%	\$2,546	\$9.45
HOST Report - Full Service Independent	N/A	3.3%	\$2,984	\$11.85
HOST Report - Full Service Middle Atlantic	N/A	3.1%	\$2,870	\$10.23
HOST Report - Full Service Resort	N/A	3.2%	\$3,521	\$13.26
HOST Report - Full Service Luxury Class	N/A	2.7%	\$3,953	\$14.51
CBRE Estimate	\$1,345	3.5%	\$12,337	\$53.65
Compiled by CBRE				

TOTAL UNDISTRIBUTED OPERATING EXPENSES

The subject's total fixed expense estimates are detailed as follows:

Income Capitalization Approach

TOTAL UNDISTRIBUTED EXPENSES				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Subject Complete Calendar Year Ended: Dec 31, 2015	\$8,304	29.0%	\$76,184	\$366.93
Subject Complete Calendar Year Ended: Dec 31, 2016	\$9,765	29.1%	\$89,586	\$418.14
Subject Trailing 12 Months Ending: Dec 31, 2017	\$9,673	24.5%	\$88,743	\$371.52
Current Budget (Dec 31, 2018)	\$10,159	25.7%	\$93,203	\$384.35
Comparable 1	\$3,905	28.5%	\$36,497	\$215.19
Comparable 2	\$6,110	18.3%	\$21,143	\$81.13
Comparable 3	\$7,857	19.0%	\$40,500	\$161.07
Comparable 4	\$3,781	14.8%	\$52,515	\$238.34
Trends® Report - Weighted Average	N/A	25.1%	\$22,243	
Trends Report® - Full-Service Hotels - New England and Middle Atlantic	N/A	25.0%	\$21,520	
Trends® Report - Full-Service Hotels - North Central	N/A	26.9%	\$16,344	
Trends® Report - Full-Service Hotels - Over \$250.00	N/A	22.9%	\$35,114	
Trends® Report - Full-Service Hotels - Under 150 Rooms	N/A	27.0%	\$12,391	
Trends® Report - Full-Service Hotels	N/A	25.1%	\$18,034	
HOST Report - Weighted Average	N/A	23.3%	\$581	\$2.15
HOST Report - Full Service Total U.S.	N/A	24.3%	\$928	\$3.45
HOST Report - Full Service Independent	N/A	23.4%	\$260	\$1.03
HOST Report - Full Service Middle Atlantic	N/A	24.1%	\$834	\$2.97
HOST Report - Full Service Resort	N/A	22.5%	\$484	\$1.82
HOST Report - Full Service Luxury Class	N/A	22.6%	\$343	\$1.26
CBRE Estimate	\$9,491	24.4%	\$87,070	\$378.65
Compiled by CBRE				

Management Fees

The projection of income and expense assumes competent management by a professional management company. We assume that upon a sale, if the subject could be obtained free and clear of any prior management encumbrance, a prudent investor would retain competent management with fees structured at current rates. Some companies provide management services alone, while others offer both management services and a brand name affiliation. When a management company has no brand identification, the property owner can often acquire a franchise that provides the necessary image and recognition. Management fees have typically equated to roughly 3 to 5 percent of total revenues. The comparable data and projections for the subject are summarized as follows:

Income Capitalization Approach

MANAGEMENT FEE				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Subject Complete Calendar Year Ended: Dec 31, 2015	\$577	2.0%	\$5,298	\$25.52
Subject Complete Calendar Year Ended: Dec 31, 2016	\$671	2.0%	\$6,154	\$28.73
Subject Trailing 12 Months Ending: Dec 31, 2017	\$787	2.0%	\$7,224	\$30.24
Current Budget (Dec 31, 2018)	\$1,185	3.0%	\$10,874	\$44.84
Comparable 1	\$754	5.5%	\$7,047	\$41.55
Comparable 2	\$1,004	3.0%	\$3,473	\$13.33
Comparable 3	\$1,239	3.0%	\$6,386	\$25.40
Comparable 4	\$638	2.5%	\$8,856	\$40.20
Trends® Report - Weighted Average	N/A	3.6%	\$3,217	
Trends Report® - Full-Service Hotels - New England and Middle Atlantic	N/A	3.5%	\$2,966	
Trends® Report - Full-Service Hotels - North Central	N/A	3.5%	\$2,152	
Trends® Report - Full-Service Hotels - Over \$250.00	N/A	3.5%	\$5,374	
Trends® Report - Full-Service Hotels - Under 150 Rooms	N/A	4.0%	\$1,835	
Trends® Report - Full-Service Hotels	N/A	3.6%	\$2,586	
HOST Report - Weighted Average	N/A	3.0%	\$3,134	\$11.65
HOST Report - Full Service Total U.S.	N/A	3.0%	\$2,401	\$8.91
HOST Report - Full Service Independent	N/A	2.7%	\$2,439	\$9.69
HOST Report - Full Service Middle Atlantic	N/A	3.0%	\$2,778	\$9.91
HOST Report - Full Service Resort	N/A	3.0%	\$3,302	\$12.43
HOST Report - Full Service Luxury Class	N/A	3.0%	\$4,455	\$16.36
CBRE Estimate	\$1,166	3.0%	\$10,697	\$46.52
Compiled by CBRE				

Income Capitalization Approach

Income Before Non-Operating Income and Expenses

INCOME BEFORE NON-OPERATING INCOME AND EXPENSES				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Subject Complete Calendar Year Ended: Dec 31, 2015	-\$1,081	-3.8%	-\$9,920	-\$47.78
Subject Complete Calendar Year Ended: Dec 31, 2016	-\$7	0.0%	-\$66	-\$0.31
Subject Trailing 12 Months Ending: Dec 31, 2017	\$3,384	8.6%	\$31,045	\$129.97
Current Budget (Dec 31, 2018)	\$6,930	17.5%	\$63,581	\$262.19
Comparable 1	\$4,150	30.3%	\$38,788	\$228.71
Comparable 2	\$7,790	23.4%	\$26,955	\$103.43
Comparable 3	\$16,812	40.7%	\$86,657	\$344.64
Comparable 4	\$7,182	28.2%	\$99,747	\$452.71
Trends06 Report - Weighted Average	N/A	31.6%	\$27,957	
PKF Trends Report - Full-Service Hotels - New England and Middle Atlantic	N/A	31.6%	\$27,127	
PKF Trends Report - Full-Service Hotels - North Central	N/A	29.7%	\$18,006	
PKF Trends Report - Full-Service Hotels - Over \$250.00	N/A	28.8%	\$44,216	
PKF Trends Report - Full-Service Hotels - Under 150 Rooms	N/A	38.1%	\$17,475	
PKF Trends Report - Full-Service Hotels	N/A	33.4%	\$24,027	
HOST Report - Weighted Average	N/A	30.5%	\$32,044	\$119.26
HOST Report - Full Service Total U.S.	N/A	32.5%	\$25,870	\$96.03
HOST Report - Full Service Independent	N/A	29.1%	\$26,549	\$105.46
HOST Report - Full Service Middle Atlantic	N/A	29.0%	\$26,803	\$95.58
HOST Report - Full Service Resort	N/A	32.2%	\$35,677	\$134.34
HOST Report - Full Service Luxury Class	N/A	29.0%	\$42,430	\$155.80
CBRE Estimate	\$7,268	18.7%	\$66,680	\$289.98
Compiled by CBRE				

Non-Operating Income and Expenses

These items are typically not directly related to an associated revenue source, and are typically not compared on the basis of total revenues for similar types of hotels. These expenses are therefore not typically compared and estimated as a percentage of total revenues. This general category also includes other income that is not directly related to operations (such as cell tower income and longer term rental of space).

PROPERTY TAXES

Property taxes were discussed in greater detail previously in this report. The projections for the subject are summarized as follows:

Income Capitalization Approach

PROPERTY TAXES				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Subject Complete Calendar Year Ended: Dec 31, 2015	\$337	1.2%	\$3,094	\$14.90
Subject Complete Calendar Year Ended: Dec 31, 2016	\$349	1.0%	\$3,204	\$14.95
Subject Trailing 12 Months Ending: Dec 31, 2017	\$370	0.9%	\$3,391	\$14.20
Current Budget (Dec 31, 2018)	\$384	1.0%	\$3,524	\$14.53
Comparable 1	\$161	1.2%	\$1,506	\$8.88
Comparable 2	\$570	1.7%	\$1,974	\$7.57
Comparable 3	\$1,097	2.7%	\$5,654	\$22.49
Comparable 4	\$510	2.0%	\$7,085	\$32.16
Trends® Report - Weighted Average	N/A	4.3%	\$3,947	
Trends Report® - Full-Service Hotels - New England and Middle Atlantic	N/A	5.4%	\$4,602	
Trends® Report - Full-Service Hotels - North Central	N/A	4.1%	\$2,458	
Trends® Report - Full-Service Hotels - Over \$250.00	N/A	4.3%	\$6,666	
Trends® Report - Full-Service Hotels - Under 150 Rooms	N/A	3.5%	\$1,604	
Trends® Report - Full-Service Hotels	N/A	3.6%	\$2,601	
HOST Report - Weighted Average	N/A	3.5%	\$3,647	\$13.45
HOST Report - Full Service Total U.S.	N/A	3.3%	\$2,610	\$9.69
HOST Report - Full Service Independent	N/A	2.6%	\$2,401	\$9.54
HOST Report - Full Service Middle Atlantic	N/A	6.1%	\$5,631	\$20.08
HOST Report - Full Service Resort	N/A	2.4%	\$2,631	\$9.91
HOST Report - Full Service Luxury Class	N/A	3.2%	\$4,750	\$17.44
CBRE Estimate	\$313	0.8%	\$2,875	\$12.50
Compiled by CBRE				

INSURANCE

The insurance expense includes the cost of insuring the hotel building and contents against fire, weather, sprinkler leakage, boiler explosion, plate glass breakage, or other perils such as terrorism. This category includes all insurance costs except workers' compensation. The comparable data and projections for the subject are summarized as follows:

Income Capitalization Approach

INSURANCE				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Subject Complete Calendar Year Ended: Dec 31, 2015	\$520	1.8%	\$4,771	\$22.98
Subject Complete Calendar Year Ended: Dec 31, 2016	\$619	1.8%	\$5,681	\$26.52
Subject Trailing 12 Months Ending: Dec 31, 2017	\$660	1.7%	\$6,054	\$25.34
Current Budget (Dec 31, 2018)	\$848	2.1%	\$7,782	\$32.09
Comparable 1	\$450	3.3%	\$4,207	\$24.81
Comparable 2	\$469	1.4%	\$1,621	\$6.22
Comparable 3	\$1,043	2.5%	\$5,375	\$21.38
Comparable 4	\$383	1.5%	\$5,314	\$24.12
Trends® Report - Weighted Average	N/A	0.7%	\$661	
PKF Trends Report - Full-Service Hotels - New England and Middle Atlantic	N/A	0.6%	\$517	
PKF Trends Report - Full-Service Hotels - North Central	N/A	0.6%	\$384	
PKF Trends Report - Full-Service Hotels - Over \$250.00	N/A	0.8%	\$1,211	
PKF Trends Report - Full-Service Hotels - Under 150 Rooms	N/A	0.8%	\$360	
PKF Trends Report - Full-Service Hotels	N/A	0.8%	\$559	
HOST Report - Weighted Average	N/A	1.1%	\$1,180	\$4.41
HOST Report - Full Service Total U.S.	N/A	1.0%	\$814	\$3.02
HOST Report - Full Service Independent	N/A	1.3%	\$1,181	\$4.69
HOST Report - Full Service Middle Atlantic	N/A	0.8%	\$772	\$2.75
HOST Report - Full Service Resort	N/A	1.3%	\$1,457	\$5.49
HOST Report - Full Service Luxury Class	N/A	1.1%	\$1,592	\$5.85
CBRE Estimate	\$848	2.2%	\$7,777	\$33.82
Compiled by CBRE				

RESERVES FOR REPLACEMENT

Structural reserves account for the replacement of short-lived items, including the roof, building systems, and parking lot. FF&E reserves for replacement are typically included in hotel expense projections to account for the periodic replacement of the furniture, fixtures and equipment (FF&E). It does not reflect the value of existing FF&E. It is solely an expense to reflect future replacements of short-lived items. This expense can be based on the actual replacement cost of the FF&E, its projected economic life and a reasonable reinvestment rate for the reserve funds (essentially a sinking fund account). An alternative and more widely utilized method is to estimate FF&E reserves based on a percentage of total revenues. Using this method, the typical ratio ranges from 2 to 5 percent of total revenues depending on the quality level of the property and the specific amenities and services present. The comparable data and projections for the subject are summarized as follows:

Income Capitalization Approach

RESERVE FOR REPLACEMENT				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Subject Complete Calendar Year Ended: Dec 31, 2015	\$0	0.0%	\$0	\$0.00
Subject Complete Calendar Year Ended: Dec 31, 2016	\$0	0.0%	\$0	\$0.00
Subject Trailing 12 Months Ending: Dec 31, 2017	\$0	0.0%	\$0	\$0.00
Current Budget (Dec 31, 2018)	\$1,580	4.0%	\$14,499	\$59.79
Comparable 1	\$548	4.0%	\$5,125	\$30.22
Comparable 2	\$0	0.0%	\$0	\$0.00
Comparable 3	\$105	0.3%	\$544	\$2.16
Comparable 4	\$1,020	4.0%	\$14,170	\$64.31
Trends® Report - Weighted Average	N/A			
Trends Report® - Full-Service Hotels - New England and Middle Atlantic	N/A			
Trends® Report - Full-Service Hotels - North Central	N/A			
Trends® Report - Full-Service Hotels - Over \$250.00	N/A			
Trends® Report - Full-Service Hotels - Under 150 Rooms	N/A			
Trends® Report - Full-Service Hotels	N/A			
HOST Report - Weighted Average	N/A	2.0%	\$2,158	\$8.02
HOST Report - Full Service Total U.S.	N/A	2.1%	\$1,645	\$6.11
HOST Report - Full Service Independent	N/A	1.6%	\$1,497	\$5.95
HOST Report - Full Service Middle Atlantic	N/A	1.8%	\$1,626	\$5.80
HOST Report - Full Service Resort	N/A	2.2%	\$2,419	\$9.11
HOST Report - Full Service Luxury Class	N/A	2.3%	\$3,311	\$12.16
CBRE Estimate	\$1,555	4.0%	\$14,262	\$62.02
Compiled by CBRE				

NON-OPERATING RENT

Non-operating rent is that net rent for employee housing. The current management houses employees on site, and rent other off-site housing which comes at a significant expense, however the employees are charged back for the housing and thus the non-operating rent represents the net income/loss of the rental. The historical data and projections for the subject are summarized as follows:

Income Capitalization Approach

NON-OPERATING RENT				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Subject Complete Calendar Year Ended: Dec 31, 2015	\$6	0.0%	\$52	\$0.25
Subject Complete Calendar Year Ended: Dec 31, 2016	\$647	1.9%	\$5,934	\$27.70
Subject Trailing 12 Months Ending: Dec 31, 2017	\$84	0.2%	\$768	\$3.22
Current Budget (Dec 31, 2018)	\$42	0.1%	\$383	\$1.58
Comparable 1	\$0	0.0%	\$0	\$0.00
Comparable 2	\$172	0.5%	\$595	\$2.28
Comparable 3	\$0	0.0%	\$0	\$0.00
Comparable 4	\$0	0.0%	\$0	\$0.00
Trends® Report - Weighted Average	N/A			
Trends Report® - Full-Service Hotels - New England and Middle Atlantic	N/A			
Trends® Report - Full-Service Hotels - North Central	N/A			
Trends® Report - Full-Service Hotels - Over \$250.00	N/A			
Trends® Report - Full-Service Hotels - Under 150 Rooms	N/A			
Trends® Report - Full-Service Hotels	N/A			
HOST Report - Weighted Average	N/A	N/A	N/A	N/A
HOST Report - Full Service Total U.S.	N/A	N/A	N/A	N/A
HOST Report - Full Service Independent	N/A	N/A	N/A	N/A
HOST Report - Full Service Middle Atlantic	N/A	N/A	N/A	N/A
HOST Report - Full Service Resort	N/A	N/A	N/A	N/A
HOST Report - Full Service Luxury Class	N/A	N/A	N/A	N/A
CBRE Estimate	\$43	0.1%	\$394	\$1.71
Compiled by CBRE				

TOTAL NON-OPERATING INCOME AND EXPENSES

The subject's total non-operating income and expense estimates are detailed as follows:

Income Capitalization Approach

TOTAL NON-OPERATING INCOME AND EXPENSES				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Subject Complete Calendar Year Ended: Dec 31, 2015	\$863	3.0%	\$7,917	\$38.13
Subject Complete Calendar Year Ended: Dec 31, 2016	\$1,615	4.8%	\$14,819	\$69.17
Subject Trailing 12 Months Ending: Dec 31, 2017	\$1,113	2.8%	\$10,213	\$42.76
Current Budget (Dec 31, 2018)	\$2,854	7.2%	\$26,187	\$107.99
Comparable 1	\$1,160	8.5%	\$10,838	\$63.90
Comparable 2	\$1,211	3.6%	\$4,190	\$16.08
Comparable 3	\$2,245	5.4%	\$11,572	\$46.02
Comparable 4	\$1,913	7.5%	\$26,569	\$120.59
Trends® Report - Weighted Average	N/A	8.0%	\$6,981	
PKF Trends Report - Full-Service Hotels - New England and Middle Atlantic	N/A	9.2%	\$7,894	
PKF Trends Report - Full-Service Hotels - North Central	N/A	8.1%	\$4,928	
PKF Trends Report - Full-Service Hotels - Over \$250.00	N/A	6.7%	\$10,316	
PKF Trends Report - Full-Service Hotels - Under 150 Rooms	N/A	10.1%	\$4,619	
PKF Trends Report - Full-Service Hotels	N/A	7.2%	\$5,185	
HOST Report - Weighted Average	N/A	4.6%	\$4,827	\$17.86
HOST Report - Full Service Total U.S.	N/A	4.3%	\$3,424	\$12.71
HOST Report - Full Service Independent	N/A	3.9%	\$3,581	\$14.23
HOST Report - Full Service Middle Atlantic	N/A	6.9%	\$6,402	\$22.83
HOST Report - Full Service Resort	N/A	3.7%	\$4,088	\$15.39
HOST Report - Full Service Luxury Class	N/A	4.3%	\$6,342	\$23.29
CBRE Estimate	\$2,759	7.1%	\$25,308	\$110.06
Compiled by CBRE				

NET INCOME (EBITDA) CONCLUSION

The subject's net operating income is detailed as follows:

Income Capitalization Approach

NET INCOME (EBITDA)				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Subject Complete Calendar Year Ended: Dec 31, 2015	-\$1,944	-6.8%	-\$17,837	-\$85.91
Subject Complete Calendar Year Ended: Dec 31, 2016	-\$1,622	-4.8%	-\$14,885	-\$69.47
Subject Trailing 12 Months Ending: Dec 31, 2017	\$2,271	5.7%	\$20,832	\$87.21
Current Budget (Dec 31, 2018)	\$4,076	10.3%	\$37,394	\$154.20
Comparable 1	\$2,991	21.8%	\$27,951	\$164.80
Comparable 2	\$6,579	19.7%	\$22,764	\$87.35
Comparable 3	\$14,566	35.3%	\$75,085	\$298.62
Comparable 4	\$5,269	20.7%	\$73,178	\$332.13
Trends® Report - Weighted Average	N/A	23.5%	\$20,977	
Trends Report® - Full-Service Hotels - New England and Middle Atlantic	N/A	22.4%	\$19,233	
Trends® Report - Full-Service Hotels - North Central	N/A	21.5%	\$13,078	
Trends® Report - Full-Service Hotels - Over \$250.00	N/A	22.1%	\$33,900	
Trends® Report - Full-Service Hotels - Under 150 Rooms	N/A	28.1%	\$12,856	
Trends® Report - Full-Service Hotels	N/A	26.2%	\$18,842	
HOST Report - Weighted Average	N/A	25.9%	\$27,217	\$101.40
HOST Report - Full Service Total U.S.	N/A	28.2%	\$22,445	\$83.32
HOST Report - Full Service Independent	N/A	25.2%	\$22,968	\$91.23
HOST Report - Full Service Middle Atlantic	N/A	22.1%	\$20,401	\$72.75
HOST Report - Full Service Resort	N/A	28.5%	\$31,589	\$118.95
HOST Report - Full Service Luxury Class	N/A	24.7%	\$36,089	\$132.52
CBRE Estimate	\$4,510	11.6%	\$41,373	\$179.92
Compiled by CBRE				

DISCOUNTED CASH FLOW ANALYSIS

The discounted cash flow analysis relies on a projection of net operating income over a fixed holding period and a future sale of the property at the end of the holding period. This is consistent with current investor trends for analyzing this property type. The discounted cash flow analysis takes into consideration the timing and degree of the projected changes in average daily rate, occupancy, and expenses for the subject.

Financial Assumptions

SUMMARY OF DISCOUNTED CASH FLOW INPUT	
General	
Start Date	Feb-18
Terms of Analysis	10 Years
Software	Excel
Growth Rates	
Stabilized ADR Growth	3.00%
Stabilized Income Growth	3.00%
Stabilized Expense Growth	3.00%
Revenue Assumptions	
Current/TTM Average Daily Rate	\$577.04
Current Budget ADR	\$577.61
Stabilized Average Daily Rate	\$605.90
Occupancy Assumptions	
Current/TTM Occupancy	65.44%
Stabilized Occupancy	63.00%
Estimated Stabilization	Feb-18
Financial	
Discount Rate	8.50%
Terminal Capitalization Rate	6.50%
Other	
Cost of Sale	2.00%
Capital Expenses (Property Improvement Plan Cost)	\$0
Compiled by CBRE	

CASH FLOW ASSUMPTIONS

The discounted cash flow analysis relies on the income and expense projections presented earlier in this section. Specific assumptions integral to the analysis are summarized as follows:

GENERAL ASSUMPTIONS

The DCF analysis utilizes a 10-year projection period with fiscal year inflation and discounting. This is consistent with current investor assumptions. The analysis is done with Excel software.

GROWTH RATE ASSUMPTIONS

The inflation and growth rates for the DCF analysis have been estimated by analyzing the expectations typically used by buyers and sellers in the local marketplace. Published investor surveys, an analysis of the Consumer Price Index (CPI), as well as CBRE's survey of brokers and

Income Capitalization Approach

investors active in the local market form the foundation for the selection of the appropriate growth rates.

SUMMARY OF GROWTH RATES			
Investment Type	Rent	Expenses	Inflation
U.S. Bureau of Labor Statistics (CPI-U) 10-Year Snapshot Average as of Dec-17			1.94%
<i>PwC Limited Service Hotels</i>			
National Data	2.95%	2.95%	n/a
<i>RERC Hotels</i>			
National Data	2.20%	2.90%	n/a
CBRE Estimate	3.20%	3.00%	3.00%
Compiled by: CBRE			

OCCUPANCY ASSUMPTIONS

The occupancy rate over the holding period is based on the subject's estimated stabilized occupancy rate and estimated lease-up period to achieve a stabilized occupancy position. The complete discussion and analysis of occupancy is located in the Hotel Market Analysis.

HOTEL INVESTOR RATES

Provided on the following pages is a discussion of the direct capitalization, discount, and terminal capitalization rates.

Direct Capitalization

Direct capitalization is a method used to convert a single year's estimated stabilized net operating income into a value indication. The following subsections represent different techniques for deriving an overall capitalization rate for direct capitalization. This figure will be used in a direct capitalization table presented following the discounted cash flow analysis. It also impacts the terminal capitalization rate selection.

COMPARABLE SALES

The overall capitalization rates (OAR's) confirmed for the comparable sales analyzed in the sales comparison approach are as follows:

Income Capitalization Approach

COMPARABLE CAPITALIZATION RATES					
Sale	Name Location	Sale Date	Sale Price \$/Unit	Occupancy	OAR
1	Oceanside Beach Hotel, Montauk Highway, Montauk, NY	Dec-16	\$367,188	50%	7.35%
2	SLS South Beach, 1701 Collins Avenue, Miami Beach, FL	Jun-15	\$892,857	77%	7.20%
3	Panoramic View Hotel, 272 Old Montauk Highway, Montauk, New York	Dec-15	\$519,231	NA	NA
4	Malibu Beach Inn, Pacific Coast Highway, Malibu, CA	Feb-15	\$1,700,000	90%	4.00%
5	Bardessano Hotel and Spa, Yount Street, Yountville, CA	Jul-15	\$1,370,968	82%	6.09%
6	Auberge Calistoga Ranch, Lommel Road, Calistoga, CA	Nov-13	\$1,100,000	80%	6.75%
Indicated OAR:				63%	5.0%-6.0%
Compiled by: CBRE					

Based on the subject's projected stabilized occupancy level and its competitive position in the market, an OAR toward the middle of the range indicated by the comparables is considered appropriate.

PUBLISHED INVESTOR SURVEYS

The results of the most recent investor survey data are summarized in the following table.

OVERALL CAPITALIZATION RATES		
Investment Type	OAR Range	Average
<i>CBRE Hotels Economy</i>		
National Data		9.19%
<i>RERC Hotels</i>		
National Data	7.50% - 8.00%	7.80%
<i>RealtyRates.com</i>		
Lodging	4.92% - 17.09%	11.02%
Full Service	4.92% - 14.45%	10.92%
Limited Service	6.07% - 17.09%	11.31%
Golf/Gaming/Resort	5.99% - 16.03%	10.39%
<i>PwC Limited Service Hotels</i>		
National Data	7.50% - 11.00%	9.06%
Indicated OAR:		6.0%-7.0%
Compiled by: CBRE		

The subject is considered to be a Class A property. Because of the subject's recent stabilized historical revenue, its good condition and management, an OAR near the lower end of the range indicated in the preceding table is considered appropriate.

CAPITALIZATION RATE CONCLUSION

The following table summarizes the OAR conclusions.

Income Capitalization Approach

OVERALL CAPITALIZATION RATE - CONCLUSION	
Source	Indicated OAR
Comparable Sales	5.0%-6.0%
Published Surveys	6.0%-7.0%
CBRE Estimate	5.50%
Compiled by: CBRE	

Discount Rate Analysis

The results of the most recent PwC Real Estate Investor Survey are summarized in the following table.

DISCOUNT RATES		
Investment Type	Rate Range	Average
<i>RealtyRates.com</i>		
Lodging	5.88% - 16.08%	11.32%
Full Service	5.88% - 13.74%	11.41%
Limited Service	6.78% - 16.08%	11.61%
Golf/Gaming/Resort	6.41% - 15.19%	10.68%
<i>PwC Luxury Hotels</i>		
National Data	6.50% - 12.00%	9.53%
<i>RERC Hotels</i>		
National Data	9.00% - 10.00%	9.60%
CBRE Estimate		7.50%
Compiled by: CBRE		

The subject is considered to be a Class A property. Overall, a rate in the lower portion of the range indicated on the preceding table is considered appropriate for the following reasons:

POSITIVE ATTRIBUTES

- The subject is well located in a resort area 90 miles from a major metropolitan area, New York City;
The subject has a very strong reputation;
The subject is well capitalized and operated by experienced management team;
Much of the property has had significant upgrades in recent past;
The property is an oceanfront resort located on pristine Atlantic Coastline on the east end of Long Island, in renowned "Hamptons" area.
There have been no new hotels constructed in the immediate area of the subject;
The subject offers luxury accommodations catering to a luxury demographic;
The subject outperforms the competitive set and the market by a wide margin;
There is virtually no vacant land available for new construction of hotels, and

NEGATIVE ATTRIBUTES

- The subject is located on the east end of Long Island, New York that historically has seasonal peaks and valleys;
Challenges exist in operating seasonally, retaining top quality employees, staffing up seasonally and training new personnel;
The subject is currently operated as an independent hotel, albeit is typical to the area;
The subject is in a mostly built up area with very significant barriers to entry, which leaves little room for growth of new demand generators;
As a seasonal resort, it is very dependent on summer seasonal tourist draw, and thus the weather can have an impact on day to day and even year over year revenue performance;
The subject is a drive to destination location that has challenges getting to the area in peak operating months;
The subject can experience instability due to potential weak economic conditions;
Interest rate risk
Equities (stock market) and financial (bond and banking) market risk

Terminal Capitalization Rate

The reversionary value of the subject is based on an assumed sale at the end of the holding period based on capitalizing the Year 11 NOI at a terminal capitalization rate. Typically, for properties similar to the subject, terminal capitalization rates are 25 to 50 basis points higher than going-in capitalization rates (OAR's). This is a result of the uncertainty of future economic conditions and the natural aging of the property, but assuming adequate reserves have been utilized to keep the property in good operating condition.

TERMINAL CAPITALIZATION RATES		
Investment Type	Rate Range	Average
<i>Market Participants</i>		
Broker 1 Name / Company	9.00% - 10.00%	9.50%
Investor 2 Name / Company	9.00% - 10.00%	9.50%
<i>PwC Luxury Hotels</i>		
National Data - OAR	4.00% - 9.00%	7.00%
National Data - Residual OAR	5.50% - 9.50%	7.18%
Spread: Basis Points (BP)	150 - 50	18
<i>RERC Hotels</i>		
National Data - OAR	7.50% - 8.00%	7.80%
National Data - Residual OAR	8.00% - 9.00%	8.50%
Spread: Basis Points (BP)	50 - 100	70
Concluded BP Spread		100
CBRE Estimate		6.50%
Compiled by: CBRE		

DISCOUNTED CASH FLOW CONCLUSION

The following pages present the following illustrations:

- Detailed Forecast Schedule
- Discounted Cash Flow Schedule(s)
- Discounted Cash Flow Value Conclusions

Income Capitalization Approach

DETAILED FORECAST OF INCOME AND EXPENSES AND SUBJECT OPERATING HISTORY

Period Reported:	Trading 12 Months Ending	Developer's Pro Forma Ending	Stabilized DCF Year 1
	12/31/2017	12/31/2018	Fiscal Year Ending: 2/28/2019
Days Open	365	365	365
No. of Rooms	109	109	109
Occupied Room Nights	26,038	26,432	25,065
Occupancy	65.4%	66.4%	63.0%
Average Daily Rate	\$577.04	\$577.61	\$605.00
RevPAR	\$377.63	\$381.75	\$381.71

	Total	Ratio to Sales	PAR	POB	Total	Ratio to Sales	PAR	POB	Total	Ratio to Sales	PAR	POB
REVENUE												
Rooms	\$15,023,914	38.0%	\$137,834	\$577.04	\$15,267,439	38.0%	\$140,004	\$577.61	\$15,186,512	39.1%	\$139,326	\$565.90
Food & Beverage	18,402,873	41.5%	\$150,465	\$630.01	17,191,388	40.5%	\$157,719	\$650.40	16,791,058	40.2%	\$154,046	\$669.91
Other Operated Departments	3,643,077	9.2%	\$33,423	\$139.92	3,766,597	9.5%	\$34,372	\$141.74	3,659,345	9.4%	\$33,572	\$146.00
Miscellaneous Income	4,429,522	11.2%	\$40,638	\$170.13	3,203,957	8.4%	\$20,203	\$124.96	3,327,061	8.3%	\$29,606	\$128.75
Total Operating Revenue	\$39,499,386	100.0%	\$362,360	\$1,517.11	\$39,508,475	100.0%	\$362,463	\$1,494.72	\$39,063,976	100.0%	\$356,550	\$1,550.56
DEPARTMENTAL EXPENSES												
Rooms Expense	\$9,199,591	61.3%	\$84,400	\$354.34	\$4,681,216	30.3%	\$42,408	\$175.21	\$4,449,807	29.3%	\$40,824	\$177.50
Food & Beverage Expense	13,051,039	79.6%	\$119,734	\$501.27	13,004,856	75.6%	\$119,311	\$492.01	13,013,070	77.5%	\$119,386	\$519.18
Other Operated Department Expense	3,404,477	93.5%	\$31,234	\$130.76	3,697,777	96.0%	\$33,007	\$136.11	3,476,378	95.0%	\$31,893	\$139.70
Total Departmental Expenses	\$25,655,107	65.0%	\$235,368	\$985.37	\$21,233,849	53.7%	\$194,000	\$803.34	\$20,939,255	53.9%	\$192,103	\$855.41
DEPARTMENTAL PROFIT	\$13,844,279	35.0%	\$127,012	\$531.74	\$18,274,626	46.3%	\$167,657	\$691.38	\$17,924,721	46.1%	\$164,447	\$715.14
UNDISTRIBUTED OPERATING EXPENSES												
Administrative and General	\$4,481,930	11.3%	\$41,119	\$172.14	\$4,444,133	11.3%	\$41,689	\$171.92	\$3,985,263	10.0%	\$35,645	\$155.01
Information and Telecommunications Systems	\$78,473	1.5%	\$5,307	\$22.22	618,701	1.6%	\$5,676	\$23.41	613,093	1.6%	\$5,533	\$24.50
Marketing	1,251,806	3.2%	\$11,484	\$48.08	1,598,221	4.0%	\$14,653	\$60.47	1,081,340	4.1%	\$14,510	\$63.10
Property Operations and Maintenance	2,047,837	5.2%	\$18,787	\$78.65	2,057,152	5.2%	\$18,873	\$77.83	2,065,191	5.3%	\$18,947	\$82.39
Utilities	1,312,461	3.3%	\$12,046	\$50.63	1,340,808	3.4%	\$12,302	\$50.73	1,344,688	3.5%	\$12,337	\$53.65
Total Undistributed Expenses	\$9,672,997	24.5%	\$88,743	\$371.22	\$10,259,092	25.7%	\$93,203	\$384.35	\$9,490,675	24.4%	\$87,070	\$378.65
GROSS OPERATING PROFIT	\$4,171,282	10.6%	\$38,269	\$160.31	\$8,115,531	20.5%	\$74,454	\$307.03	\$8,434,046	21.7%	\$77,377	\$336.49
Management Fee	\$782,410	2.0%	\$7,224	\$30.24	\$1,185,254	3.0%	\$10,874	\$44.84	\$1,165,019	3.0%	\$10,607	\$46.52
INCOME BEFORE NON-OPERATING INCOME AND EXPENSES	\$3,388,872	8.6%	\$31,045	\$129.07	\$6,930,277	17.5%	\$63,581	\$262.19	\$7,269,027	18.7%	\$66,760	\$289.96
NON-OPERATING INCOME AND EXPENSES												
Property Taxes	\$380,595	0.9%	\$3,391	\$14.20	\$384,106	1.0%	\$3,524	\$14.50	\$313,351	0.8%	\$2,875	\$12.50
Insurance	659,897	1.7%	\$6,054	\$25.34	848,203	2.1%	\$7,782	\$32.07	847,439	2.2%	\$7,737	\$33.82
Reserve for Replacement	-	0.0%	\$0	\$0.00	1,200,339	4.0%	\$1,499	\$59.79	1,354,558	4.0%	\$1,462	\$62.02
Non-Operating Rent	83,235	0.2%	\$768	\$3.22	41,722	0.1%	\$303	\$1.58	42,974	0.1%	\$394	\$1.71
Total Non-Operating Income and Expenses	\$1,113,180	2.8%	\$10,213	\$42.76	\$2,854,369	7.2%	\$26,187	\$107.99	\$2,758,322	7.1%	\$25,508	\$110.06
NET INCOME (MILION)	\$5,270,693	5.7%	\$20,832	\$87.31	\$4,075,908	10.3%	\$37,394	\$154.20	\$4,509,604	11.6%	\$41,273	\$179.92

* Departmental expense ratios are based on departmental revenues. Franchise/Royalty ratio is based on room revenues; all others are based on Total Operating Revenues.

Compiled by CBRE

CBRE

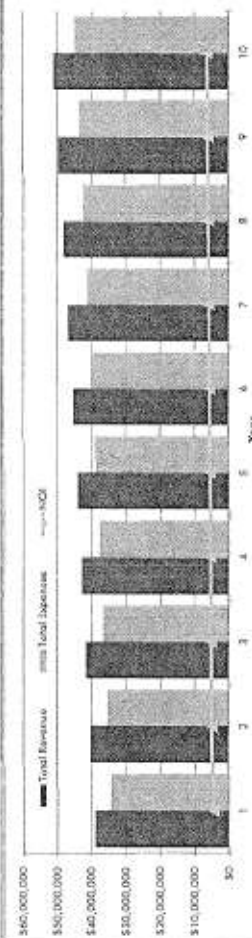
GURNEYS INN RESORT & SPA
DISCOUNTED CASH FLOW ANALYSIS
BEGINNING 07/01

CBRE HOTELS

The world's leading hotel owner.

Year	1	2	3	4	5	6	7	8	9	10	Reversion
Year Ended:	7/1/21	7/1/22	7/1/23	7/1/24	7/1/25	7/1/26	7/1/27	7/1/28	7/1/29	7/1/30	7/1/31
Number of Rooms	109	109	109	109	109	109	109	109	109	109	109
Annual Available Rooms	39,785	39,785	39,785	39,785	39,785	39,785	39,785	39,785	39,785	39,785	39,785
Occupied Rooms	25,065	25,065	25,065	25,065	25,065	25,065	25,065	25,065	25,065	25,065	25,065
Occupancy	63.0%	63.0%	63.0%	63.0%	63.0%	63.0%	63.0%	63.0%	63.0%	63.0%	63.0%
Average Rate	\$405.90	\$405.90	\$405.90	\$405.90	\$405.90	\$405.90	\$405.90	\$405.90	\$405.90	\$405.90	\$405.90
REVENUE											
Rooms	\$15,186,312	\$15,445,211	\$15,695,211	\$16,014,939	\$16,378,402	\$16,787,181	\$17,242,181	\$17,742,181	\$18,287,181	\$18,872,181	\$19,492,181
Food & Beverage	\$2,791,026	\$2,824,789	\$2,858,552	\$2,892,315	\$2,926,078	\$2,959,841	\$2,993,604	\$3,027,367	\$3,061,130	\$3,094,893	\$3,128,656
Other Operating Departments	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Non-Operating Income	\$2,272,000	\$2,272,000	\$2,272,000	\$2,272,000	\$2,272,000	\$2,272,000	\$2,272,000	\$2,272,000	\$2,272,000	\$2,272,000	\$2,272,000
Total Operating Revenue	\$21,249,338	\$21,541,999	\$21,833,763	\$22,126,254	\$22,418,745	\$22,711,236	\$23,003,727	\$23,296,218	\$23,588,709	\$23,881,200	\$24,173,691
DEPARTMENTAL EXPENSES											
Rooms Expense	\$4,445,807	\$4,531,301	\$4,616,795	\$4,702,289	\$4,787,783	\$4,873,277	\$4,958,771	\$5,044,265	\$5,129,759	\$5,215,253	\$5,300,747
Food & Beverage Expense	\$1,013,070	\$1,023,652	\$1,034,234	\$1,044,816	\$1,055,398	\$1,065,980	\$1,076,562	\$1,087,144	\$1,097,726	\$1,108,308	\$1,118,890
Other Operating Departments Expense	\$3,476,278	\$3,500,669	\$3,525,060	\$3,549,451	\$3,573,842	\$3,598,233	\$3,622,624	\$3,647,015	\$3,671,406	\$3,695,797	\$3,720,188
Total Departmental Expenses	\$8,935,155	\$9,055,622	\$9,175,089	\$9,294,556	\$9,414,023	\$9,533,490	\$9,652,957	\$9,772,424	\$9,891,891	\$10,011,358	\$10,130,825
DEPARTMENTAL PROFIT	\$12,314,183	\$12,486,377	\$12,658,674	\$12,831,698	\$13,004,722	\$13,177,746	\$13,350,770	\$13,523,794	\$13,696,818	\$13,869,842	\$14,042,866
UNDEVELOPED OPERATING EXPENSES											
Administrative and General	\$3,085,263	\$3,121,821	\$3,158,379	\$3,194,937	\$3,231,495	\$3,268,053	\$3,304,611	\$3,341,169	\$3,377,727	\$3,414,285	\$3,450,843
Information and Technology	\$1,013,070	\$1,023,652	\$1,034,234	\$1,044,816	\$1,055,398	\$1,065,980	\$1,076,562	\$1,087,144	\$1,097,726	\$1,108,308	\$1,118,890
Marketing	\$1,381,346	\$1,397,814	\$1,414,282	\$1,430,750	\$1,447,218	\$1,463,686	\$1,480,154	\$1,496,622	\$1,513,090	\$1,529,558	\$1,546,026
Property Operations and Maintenance	\$2,065,191	\$2,101,749	\$2,138,307	\$2,174,865	\$2,211,423	\$2,247,981	\$2,284,539	\$2,321,097	\$2,357,655	\$2,394,213	\$2,430,771
Utilities	\$1,344,688	\$1,361,156	\$1,377,624	\$1,394,092	\$1,410,560	\$1,427,028	\$1,443,496	\$1,460,964	\$1,477,432	\$1,493,900	\$1,510,368
Total Undeveloped Expenses	\$8,895,526	\$9,039,192	\$9,182,858	\$9,326,524	\$9,470,190	\$9,613,856	\$9,757,522	\$9,901,188	\$10,044,854	\$10,188,520	\$10,332,186
GROSS OPERATING PROFIT	\$3,418,657	\$3,457,185	\$3,495,816	\$3,534,448	\$3,573,079	\$3,611,711	\$3,650,343	\$3,688,975	\$3,727,607	\$3,766,239	\$3,804,871
Management Fee	\$1,165,919	\$1,182,477	\$1,199,035	\$1,215,593	\$1,232,151	\$1,248,709	\$1,265,267	\$1,281,825	\$1,298,383	\$1,314,941	\$1,331,499
INCOME BEFORE NON-OPERATING INCOME AND EXPENSES	\$2,252,738	\$2,274,708	\$2,296,781	\$2,318,854	\$2,340,927	\$2,362,999	\$2,385,072	\$2,407,145	\$2,429,218	\$2,451,291	\$2,473,364
NON-OPERATING INCOME AND EXPENSES											
Property Taxes	\$313,391	\$322,792	\$332,193	\$341,594	\$350,995	\$360,396	\$369,797	\$379,198	\$388,599	\$397,999	\$407,400
Insurance	\$429,138	\$438,539	\$447,940	\$457,341	\$466,742	\$476,143	\$485,544	\$494,945	\$504,346	\$513,747	\$523,148
Leasehold Improvements	\$1,054,955	\$1,071,413	\$1,087,871	\$1,104,329	\$1,120,787	\$1,137,245	\$1,153,703	\$1,170,161	\$1,186,619	\$1,203,077	\$1,219,535
Non-Operating Profit	\$2,758,127	\$2,794,380	\$2,830,633	\$2,866,886	\$2,903,139	\$2,939,392	\$2,975,645	\$3,011,898	\$3,048,151	\$3,084,404	\$3,120,657
Total Non-Operating Income and Expenses	\$4,355,616	\$4,606,924	\$4,858,231	\$5,109,538	\$5,360,845	\$5,612,152	\$5,863,459	\$6,114,766	\$6,366,073	\$6,617,380	\$6,868,687
NET INCOME (EBITDA)	\$1,897,122	\$1,897,780	\$1,897,550	\$1,897,320	\$1,897,090	\$1,896,860	\$1,896,630	\$1,896,400	\$1,896,170	\$1,895,940	\$1,895,710

REVENUE AND NOI TEND



Sales / Yield Metrics

Year	1	2	3	4	5	6	7	8	9	10
RE	87.937	87.937	87.937	87.937	87.937	87.937	87.937	87.937	87.937	87.937
Yield	7.22%	7.22%	7.22%	7.22%	7.22%	7.22%	7.22%	7.22%	7.22%	7.22%
Reversioned Value	\$174,112	\$174,112	\$174,112	\$174,112	\$174,112	\$174,112	\$174,112	\$174,112	\$174,112	\$174,112

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DIRECT CAPITALIZATION SUMMARY

A summary of the direct capitalization of the subject is illustrated in the following table.

Income Capitalization Approach

DIRECT CAPITALIZATION SUMMARY				
Analysis Premise	Discounted Cash Flow YR 1 Income			Period Ending:
				2/14/2019
Number of Rooms:				109
Annual Rooms Available:				39,785
Occupied Rooms:				25,065
Occupancy:				63.0%
Average Rate:				\$605.90
RevPAR:				\$381.71
	Total	Ratio to Sales	PAR	POR
REVENUE				
Rooms	\$15,186,512	39.1%	\$139,326	\$605.90
Food & Beverage	\$16,791,058	43.2%	154,046	669.91
Other Operated Departments	\$3,659,345	9.4%	33,572	146.00
Miscellaneous Income	\$3,227,061	8.3%	29,606	128.75
Total Operating Revenue	\$38,863,976	100.0%	\$356,550	\$1,550.56
DEPARTMENTAL EXPENSES				
Rooms Expense	\$4,449,807	29.3%	\$40,824	\$177.53
Food & Beverage Expense	\$13,013,070	77.5%	119,386	519.18
Other Operated Departments Expense	\$3,476,378	95.0%	31,893	138.70
Total Departmental Expenses	\$20,939,255	53.9%	\$192,103	\$835.41
DEPARTMENTAL PROFIT	\$17,924,721	46.1%	\$164,447	\$715.14
UNDISTRIBUTED OPERATING EXPENSES				
Administrative and General	\$3,885,263	10.0%	\$35,645	\$155.01
Information and Telecommunications Systems	\$613,993	1.6%	5,633	24.50
Marketing	\$1,581,540	4.1%	14,510	63.10
Property Operations and Maintenance	\$2,065,191	5.3%	18,947	82.39
Utilities	\$1,344,688	3.5%	12,337	53.65
Total Undistributed Expenses	\$9,490,675	24.4%	\$87,070	\$378.65
GROSS OPERATING PROFIT	\$8,434,046	21.7%	\$77,377	\$336.49
Management Fee	\$1,165,919	3.0%	\$10,697	\$46.52
INCOME BEFORE NON-OPERATING INCOME AND EXPENSES	\$7,268,127	18.7%	\$66,680	\$289.98
NON-OPERATING INCOME AND EXPENSES				
Property Taxes	\$313,351	0.8%	\$2,875	\$12.50
Insurance	\$847,639	2.2%	7,777	33.82
Reserve for Replacement	\$1,554,559	4.0%	14,262	62.02
Non-Operating Rent	\$42,974	0.1%	394	1.71
Total Non-Operating Income and Expenses	\$2,758,522	7.1%	\$25,308	\$110.06
NET INCOME (EBITDA)	\$4,509,604	11.6%	\$41,373	\$179.92
Operating Expense Ratio	88.40%			
Net Income (EBITDA)				\$4,509,604
OAR				/ 5.50%
Indicated Stabilized Value				\$81,992,807
Rounded				\$82,000,000
Value Per Room				\$752,294
* Departmental expense ratios are based on departmental revenues; Franchise/Royalty ratio is based on room revenues; all others are based on total revenues.				
Compiled by CBRE				

CONCLUSION OF INCOME CAPITALIZATION APPROACH

The conclusions via the valuation methods employed for this approach are as follows:

INCOME CAPITALIZATION APPROACH VALUES	
	As Is on February 15, 2018
Direct Capitalization Method	\$82,000,000
Discounted Cash Flow Analysis	\$84,000,000
Reconciled Value	\$84,000,000
Compiled by CBRE	

A summary of the implied direct capitalization rates of the subject is illustrated in the following table.

IMPLIED CAPITALIZATION RATE SUMMARY		
As Stabilized Discounted Cash Flow Value		\$84,000,000
Implied Capitalization Rate Premise	NOI	Implied OAR
Discounted Cash Flow YR 1 Income	\$4,509,604	5.37%
Compiled by CBRE		

Reconciliation of Value

The value indications from the approaches to value are summarized as follows:

SUMMARY OF VALUE CONCLUSIONS	
	As Is on February 15, 2018
Sales Comparison Approach	\$80,000,000
Income Capitalization Approach	\$84,000,000
Reconciled Value	\$84,000,000
Compiled by CBRE	

The cost approach typically gives a reliable value indication when there is strong support for the replacement cost estimate and when there is minimal depreciation. Considering the lack of land sales and subjective nature of estimating depreciation on a property such as the subject, the cost approach has not been used on in our analysis.

In the sales comparison approach, the subject is compared to similar properties that have been sold recently or for which listing prices or offers are known. The sales used in this analysis are considered somewhat comparable to the subject, yet the required adjustments were based on reasonable and well-supported rationale. In addition, market participants are currently analyzing purchase prices on investment properties as they relate to available substitutes in the market. Therefore, the sales comparison approach is considered to provide a reliable value indication, but has been given secondary emphasis in the final value reconciliation.

The income capitalization approach is applicable to the subject since it is an income producing property leased in the open market. Market participants are primarily analyzing properties based on their income generating capability. Therefore, the income capitalization approach is considered a reasonable and substantiated value indicator and has been given primary emphasis in the final value estimate.

Based on the foregoing, the market value of the subject has been concluded as follows:

MARKET VALUE CONCLUSION			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
As Is	Fee Simple Estate	February 15, 2018	\$84,000,000
Compiled by CBRE			

The opinion(s) of market value includes the land, the improvements thereto, and the contributory value of the furniture, fixtures, and equipment. The appraisers assume that the hotel will be, and shall remain, open and operational.

Real Property Value Allocation

PERSONAL PROPERTY

Lodging facilities personal property consists of furnishings, fixtures and equipment (FF&E). These assets are difficult to isolate from the value of an operating hotel/motel property. Personal property is an integral part of a lodging facility. Without furniture, fixtures, and equipment, a hotel could not operate its facilities and rent its guest rooms, and thus would not be able to generate any income attributable to real property. Personal property and real property are uniquely combined in a hotel or motel; unlike an office or other commercial building, a hotel would have to close its doors without furniture, fixtures and equipment. The physical separation of personal property from real property in a hotel is a theoretical rather than a practical matter. Lodging facilities are generally sold with their furniture, fixtures, and equipment in place. While a lender may be restricted from financing the purchase of personal property, without personal property, a hotel's real property would have little value.

Several methods are used to determine the market value of the furniture, fixtures, and equipment. A recommended approach is to use the depreciated replacement cost. As hotels are typically sold with the FF&E in place, a sale of just the FF&E usually takes place as a salvage or liquidation sale, which results in substantially less value than if in place and contributing to the hotel operation. The estimation of the market value of the tangible personal property is an allocation of the total value and is not likely to be a distinct component of a typical real estate transaction of an ongoing operation.

The following depicts a collection of available data and the concluded FF&E cost estimate.

FF&E COST ESTIMATE	
Source	Per Guest Room
Comp Name 1	\$4,403
Comp Name 2	\$2,741
Comp Name 3	\$5,865
Additional data source 1	\$0
Additional data source 2	\$0
Subject	\$5,963
CBRE Estimate	\$25,000
Indicated FF&E Replacement Cost	\$2,725,000
Rounded	\$2,700,000
Compiled by CBRE	

For our analysis, we have indicated a figure of \$25,000 per unit, which corresponds to \$2,700,000, rounded.

FF&E VALUE ESTIMATE	
	As Is on February 15, 2018
FF&E Effective Age (Weighted)	3 Years
MYS Expected Life (Weighted)	8 Years
FF&E Physical Depreciation	38%
MYS Salvage Value of FF&E	10%
FF&E Replacement Cost New	\$ 2,700,000
Less: Salvage Value	\$ (270,000)
Depreciable Cost	\$ 2,430,000
Less Depreciation	\$ (911,250)
Plus Salvage Value	\$ 270,000
Depreciated FF&E Cost	\$ 1,788,750
Rounded	\$ 1,800,000
Depreciated FF&E Cost Per Guest Room	\$16,514
Compiled by CBRE	

BUSINESS VALUE

Hotels are undisputedly a combination of business and real estate: the day-to-day operation of a hotel represents a business over and above the real estate value. The estimate of value for the business interest component of the going concern value is considerably more subjective than the personal property value estimate. This is due to the intangible nature of the business interest. Numerous theories have been developed over time in an attempt to isolate the business component of a hotel. When hotels were routinely leased to hotel operators, separating the income and value attributable to each component was a simple matter. However, during the 1970's, the hotel property leases were replaced with the hotel management contract.

It is widely accepted today that managing agents are hired by hotel owners to operate a property in return for a management fee. The fee is paid to the operator as an operating expense, and what remains is net income available to pay debt service and generate a return on the owner's equity. Purchasers of hotels as real estate investments are able to passively own the property by employing a managing agent, as is the case at the Subject.

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

VALUE ALLOCATION CONCLUSION

Based on the foregoing, the value allocation of the subject has been concluded as follows:

Real Property Value Allocation

AS IS VALUE ALLOCATION	
Interest Appraised - Allocation	Value Conclusion
Fee Simple Estate	
As Is Value	\$84,000,000
Personal Property	\$1,800,000
Business Enterprise Value	\$0
Real Property Value - As Is	\$82,200,000
Compiled by CBRE	