IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF KANSAS (TOPEKA)

In re:	§	Chapter 11
LODGING ENTERPRISES, LLC,	§	Case No. 24-40423
Debtor.[1]	§	

EMERGENCY MOTION OF THE DEBTOR AND DEBTOR IN POSSESSION FOR ENTRY OF INTERIM AND FINAL ORDERS (I) AUTHORIZING THE DEBTOR TO USE CASH COLLATERAL, (II) DETERMINING ADEQUATE PROTECTION, AND (III) GRANTING RELATED RELIEF

Lodging Enterprises, LLC, as debtor and debtor-in-possession (the "Debtor"), by its undersigned counsel, hereby files this motion (the "Motion") seeking entry of an interim order substantially in the form attached hereto as **Exhibit A** (the "Interim Order") and a final order (the "Final Order" and together with the Interim Order, the "Cash Collateral Orders"), pursuant to sections 105, 361, and 363 of Title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (as amended, the "Bankruptcy Code") and Rule 4001 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") (a) authorizing the Debtor to use cash collateral, (b) determining that the Prepetition Secured Parties[2] are adequately protected, and (c) granting related relief. In support of the Motion, the Debtor relies on the First Day Declaration. In further support of the Motion, the Debtor submits as follows:

[1] The last four digits of the Debtor's federal tax identification number are 9343. The Debtor's primary mailing address is 8535 East 21st St. N., Suite 250, Wichita, KS 67206.

[2] Capitalized terms used, but not otherwise defined herein, have the meaning assigned in the *Declaration of Tom Wenner in Support of Chapter 11 Petition and First Day Pleadings* (the "First Day Declaration") filed contemporaneously herewith.

Preliminary Statement[3]

1. As set forth in more detail in the First Day Declaration, which the Debtor hereby incorporates as if fully set forth herein, the Debtor owns a portfolio of 44 hotels and 27 restaurants located in 23 states across the U.S. (the "Portfolio"). The Debtor specializes in 24-hour food, lodging and hospitality services all of which are integral to the Company's unique accommodation solution for employees within the transportation, construction, and resource sectors who encounter extended hours on the road. The Debtor's business supports the employment of more than 900 hospitality professionals, which are employed through Avantic Lodging Enterprises, Inc., a non-debtor management services company, that pride themselves on delivering exceptional guest services to the Debtor's mobile-workforce guests in addition to its business and corporate guests, families, and recreational travelers.

2. The Debtor files this Chapter 11 Case because it needs immediate access to its cash that is being locked up by the Prepetition Secured Parties—even though the Debtor has paid over $17 million in principal since 2019 and **never** missed a debt-service payment. The immediate need for cash is to pay the employees who manage and operate the Debtor's business and to pay the other expenses necessary to keep the hotel business operating. Without immediate access to its cash, the Debtor will be forced to shut down operations. The Debtor requires that sufficient cash be released by the Prepetition Secured Parties no later than July 2, 2024 to ensure adequate time to allow the Debtor to fund the July 5th payroll. This would result in over 900 individuals not being paid for their last two weeks of work and losing their jobs, and the Debtor's 44 hotels and 27 restaurants going dark and no longer servicing their customers. This would seriously jeopardize the Debtor's valuable contracts with a number of railroads companies that provide over 50% of the Debtor's

[3] Capitalized terms used in this Preliminary Statement, but not otherwise defined therein or in the First Day Declaration, have the meaning assigned below.

revenue, cause a disruption of the important service the Debtor provides to the railroads and other customers, and crush the going concern value of the Debtor to the detriment of all stakeholders.

3. The Debtor needs immediate access to its cash and time to put together a plan of reorganization or liquidation. The Debtor believes based on a conservative valuation of its ongoing business it will be in a position to pay all creditors in full, including the Prepetition Secured Parties, and return value for its equity holders. This is exactly why the Bankruptcy Code and Bankruptcy Courts exist.

4. The Prepetition Secured Parties' actions stem from a number of alleged non-payment, technical defaults under the Loan Agreement. The Prepetition Secured Parties have used these alleged defaults to pursue an aggressive, value-destructive strategy that jeopardizes the survival of the Debtor's business.

5. The Debtor went to great lengths to address the alleged defaults with the Prepetition Secured Parties, including proposing numerous solutions over an extended period in an effort to reassure the Prepetition Secured Parties as part of an effort to workout the alleged defaults under the Loan Agreement. The Prepetition Secured Parties rejected all of the Debtor's proposed solutions, instead insisting on unrealistic demands. With next to no liquidity, and a rapidly approaching deadline to fund payroll (which the Debtor lacked the necessary funds to do, and the Prepetition Secured Parties refused to release sufficient funds for), the Debtor was no left with no choice but to file this Chapter 11 Case in an effort to preserve optionality and pursue a value-maximizing path forward.

6. This Motion seeks authority for the Debtor to have immediate access and use of cash collateral consistent with the budget attached hereto as Exhibit 1 to the Interim Order (the "Budget"). This relief is necessary for the Debtor to prevent immediate and irreparable harm, and to permit the Debtor to obtain the funds necessary to meet the July 2, 2024 deadline to fund payroll

and other necessary operational expenses, and, otherwise, avoid a cessation of operations. Absent immediate access to cash collateral, the Debtor will be unable to operate, and, needless to say, suffer irreparable harm to the direct detriment of all its stakeholders, including, ironically, the Prepetition Secured Parties. The Debtor also seeks approval of the use of cash collateral on a final basis and requests a final hearing from the Court.

7. In accordance with Bankruptcy Rule 4001, the following is a concise statement and summary of the proposed material provisions regarding the Debtor's proposed use of cash collateral:[4]

Material Terms	**Summary of Material Terms**
Parties with Potential Interest in Cash Collateral **FRBP** **4001(b)(1)(B)(i)**	The Prepetition Lender.
Purpose and Use of Cash Collateral and Material Terms **FRBP 4001(b)(1)(B)(ii), (iii)**	The Debtor will use cash collateral, consistent with the Budget, to operate their business and pursue a value-maximizing path forward.
Adequate Protection Obligations **FRBP 4001(b)(1)(B)(iv)**	The Prepetition Lender will be adequately protected because the payments the Debtor seeks authority to make under the Budget will preserve and protect the value of the Prepetition Secured Parties' collateral. Additionally, the Prepetition Lender will be adequately protected by an equity cushion, as evidenced by that certain scoped analysis and valuation report dated June 5, 2024, prepared CBRE, Inc. valuation attached hereto as **Exhibit B** (the "Valuation Report"), the Debtor had an enterprise value, as of December 31, 2023, in excess of $255,000,000—well in excess of the Indebtedness (as defined below) due and owing under the Loan Agreement. While the Debtor believes the value reflected in the Valuation Report would need to be discounted, including because it is based on 45

[4] This summary is qualified in all respects by reference to the Interim Order and, to the extent of any inconsistency between the Motion and the Interim Order, the Interim Order shall govern.

	hotels and a non-debtor affiliate owns the 45th hotel, the Debtor believes even with such discounts the Portfolio is worth more than $200,000,000.

JURISDICTION AND VENUE

8. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 28 U.S.C. § 1334(b).

9. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2).

BASIS FOR RELIEF

10. The bases for the relief requested herein are sections 105, 361, and 363 of the Bankruptcy Code and Bankruptcy Rule 4001.

BACKGROUND

A. Chapter 11 Cases

11. On the date hereof (the "Petition Date"), the Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code, commencing the above-captioned chapter 11 case (this "Chapter 11 Case"). The Debtor continues to operate its business and manage its properties as a debtor-in-possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code.

12. No creditors' committee has been appointed in this Chapter 11 Case, and no trustee or examiner has been appointed.

13. A full description of the Debtor's business operations, corporate structures, capital structures, and the circumstances leading to the filing of this Chapter 11 Case is set forth in the First Day Declaration which was filed contemporaneously with this Motion and which is incorporated herein by reference. Additional facts in support of the specific relief sought herein are set forth below.

B. The Debtor's Business

14. The Debtor is the leading provider of crew accommodation and specializes in hotels and lodging services tailored for employees working long hours under hazardous conditions—primarily railroad workers—and protective policies around rest and safety.

15. The Debtor operates 44 Wyndham-branded hotels and 27 restaurants spread across the U.S. and located at many of the nation's great interstates, railroads, and airports.

16. Pursuant to that certain Hotel Management Agreement dated November 27, 2019 (as amended, supplemented, or modified, including by that certain First Amendment to Hotel Management Agreement dated December 31, 2021, the "Management Agreement"), by and between the Debtor and Avantic Lodging Enterprises, Inc., a non-debtor management services company (in its capacity as manager under the Management Agreement, the "Manager"), the Manager performs a number of critical services necessary for the operation of the Debtor's business including, among other things: (i) the preparation business plans, (ii) supplying the Debtor's personnel (the 900 hospitality professionals), (iii) the establishment and maintenance of a suitable method of liaison with both the franchisors of each of the Debtor's hotels and the railroad companies critical to the Debtor's business; and (iv) purchase of necessary supplies, utilities, and performance of various administrative services including the payment of bills preparation (collectively, the "Management Services").

17. In consideration for the Manager's performance of the Management Services, the Management Agreement obligates the Debtor to pay the Manager fees payable in arrears equal to three percent (3%) of the Gross Revenues (as defined in the Management Agreement) received the prior month (the "Management Fees") and to reimburse the Manager for the operating expenses paid on the Debtor's behalf in the performance of the Management Services.

18. The Management Agreement also permits the Manager to act on the Debtor's behalf with respect to the performance of its duties under the Management Agreement. At times the Manager directly incurs expenses on behalf of the Debtor and at other times the Manager incurs expenses in the name of the Debtor. All such expenses are paid from funds provided by the Debtor.

C. Prepetition Loan Agreement

19. The Debtor's primary secured debt was incurred to fund its purchase of the Portfolio in 2019. The Debtor owes approximately $127,596,293.00 (the "Indebtedness"), stemming from that certain Wyndham National Hotel Portfolio Loan (Loan No. 323000003) in the principal amount of $145,000,000 (the "Loan") as evidenced by that certain Loan Agreement between the Debtor, as borrower, and UBS AG ("Original Lender"), dated as of November 27, 2019 (the "Loan Agreement"), as assigned in part to Wilmington Trust, National Association ("Master Servicer"), as Trustee for the benefit of the Registered Holders of UBS Commercial Mortgage Trust 2019-C18, Commercial Mortgage Pass-Through Certificates, Series 2019-C18 (the "Prepetition Lender"), in connection with which Rialto Capital Advisors, LLC is the Special Servicer ("Special Servicer" and, together with the Prepetition Lender and the Master Servicer, the "Prepetition Secured Parties"). The Prepetition Secured Parties have liens and mortgages on all or substantially all of the Debtor's assets.[5]

20. On April 24, 2024, Special Servicer sent the Debtor a notice of default (the "Initial Notice of Default") alleging that the Debtor, with the cooperation and participation of numerous employees, engaged in a systematic effort to divert funds from the Portfolio Accounts (which are outside of the Lender Cash Management System) away from the Cash Management Account controlled by the Prepetition Secured Parties in breach of the Loan Agreement (the "Cash

[5] Nothing contained herein constitutes an admission, and the Debtor hereby expressly reserves its right to contest the amount, validity, and secured status of the Indebtedness.

Management Default"). The Prepetition Secured Parties demanded, among other things, that the Debtor pay $13,260,000.00 they allege was "misappropriated" by May 6, 2024.

21. On May 22, 2024, the Debtor sent a response to the Initial Notice of Default (the "Initial Response Letter") denying the Cash Management Default and the Special Servicer's allegations that the Debtor had misappropriated any funds. The Initial Response Letter also explained: (i) that the Special Servicer was improperly characterizing certain funds, including tips and sales taxes, as "Rents," which either belonged to employees or were remitted to the applicable governmental authority; (ii) that funds properly characterized as "Rents" had not been diverted, as they were expended to cover expenses associated with operating the Portfolio—protecting the Prepetition Secured Parties' collateral; and (iii) that, in any event, the $13 million dollar figure is inaccurate because it ignores legitimate operating expenses that were paid—but that fall within a gap in the Cash Management Agreement.[6] Notwithstanding these issues, the Debtor emphasized its desire to work with the Prepetition Secured Parties towards an equitable resolution of the issues raised in the Initial Notice of Default, in a manner consistent with the realities of the Debtor's business operations.

22. On May 31, 2024, Special Servicer sent the Debtor a second notice of default (the "Second Notice of Default" and together with the Initial Notice of Default and the ROR, the "Notices of Default") alleging that, in addition to the Cash Management Default, the Debtor had further breached the Loan Agreement. First, the Special Servicer claimed that its forensic accountant concluded that the Debtor's audited financials reflected unpermitted debt, in the form of a loan allegedly made to the Debtor by certain affiliates of approximately $118,748,000, and that

[6] As set forth in more detail in the First Day Declaration, the lack of a true-up mechanism in the Lender Cash Management System means the Debtor does not have a formal mechanism to address variances in necessary expenditures (and the Prepetition Secured Parties have ceased their previous informal cooperation).

the Debtor made prohibited advances by, allegedly, loaning certain affiliates sums in excess of $101,816,000 (the unpermitted debt and the prohibited advances, together, the "SPE Default"). Second the Special Servicer claimed that the Debtor further violated the Loan Agreement due to multiple breaches of financial reporting covenants (the "Financial Reporting Default"). The Second Notice of Default alleged that the SPE Default was incurable, and demanded the Debtor cure the Financial Reporting Default on or before June 17, 2024.

23. On June 5, 2024, the Debtor sent a response to the Second Notice of Default (the "Second Response") explaining that the book entries the Prepetition Secured Parties' forensic accountant believed evidenced unpermitted debt and prohibited advances were actually attributable to an innocuous treasury management strategy and the reimbursement of expenses to the Manager of expenses incurred performing the Management Services, respectively. Nonetheless, the Debtor proposed a number of corrective actions to reassure the Prepetition Secured Parties including offers to: (i) make changes to the Debtor's operating account that would eliminate the need for the treasury-management transfers, (ii) have the Debtor's internal accounting team work with its auditor to clarify certain book entries, (iii) prepare and make available new audited financials to the Prepetition Secured Parties' forensic accountant; and (iv) setup weekly deposits from the Portfolio Accounts to the Cash Management Account, and, if desired, to grant the Prepetition Security Parties a security interest in the Portfolio Accounts.

24. With little liquidity, no additional collateral to offer, and the parties seemingly at an impasse, the Debtor made the difficult decision to change course in an effort to preserve and maximize value for all of its stakeholders.

25. On June 18, 2024, the Debtor sent the Special Servicer a proposal (the "Forbearance Proposal") offering to engage a national broker acceptable to the Prepetition Secured Parties to liquidate the Portfolio, in exchange for a forbearance and access to the liquidity necessary to run

the marketing process. Specifically, the Debtor offered to sell four of the underperforming hotels in the Portfolio to obtain incremental liquidity, and asked that the Prepetition Secured Parties release funds from certain reserves and escrows to provide the Debtor the cash necessary to run a robust marketing process. Additionally, the Debtor memorialized the Debtor and its equity owners intent that over $14,550,822.47 advanced to the Debtor by its equity owners between 2021 and 2023 were capital contributions, to alleviate any concern that the funds were any conflicting indebtedness.

26. The Prepetition Secured Parties rejected the Forbearance Proposal and informed the Debtor they would not release funds sufficient to cover the Debtor's operating expenses for expenditures incurred for the period prior to June 30, 2024—including funds needed to meet the July payroll deadline. This was surprising to the Debtor, as it had unequivocally told the Prepetition Secured Parties that unless funds were released the Debtor lacked liquidity to sustain operations—including payment of the 900 hospitality professionals who service the Debtor's business.

27. The Debtor continued to engage with the Prepetition Secured Parties in an effort to avoid this Chapter 11 Case and preserve and maximize value for all the Debtor's stakeholders, but the Prepetition Secured Parties continued to reject the Debtor's proposals necessitating the filing of this Chapter 11 Case.

D. Need for Use of Cash Collateral

28. As set forth more fully in the Budget, the Debtor requires the use of cash collateral to satisfy critical operating expenses, including payments to its Manager—through which the Debtor pays, among other things, over 900 hospitality professionals who without use of cash collateral will not be paid and will lose their jobs, and many, but not all of, its vendors, utilities,

overhead obligations, and other amounts identified on the Budget necessary for the Debtor's continued operations.[7]

29. Without the use of cash collateral, the Debtor would lack sufficient liquidity to continue operations. Specifically, the Debtor would not be able to pay the over 900 employees for their last two weeks of work or going forward, the employees would stop working, and the Debtor's operations would cease thereby causing immediate and irreparable harm to the Debtor, its estate and stakeholders.

RELIEF REQUESTED

30. By this Motion, the Debtor seeks entry of the Interim Cash Collateral Order (i) authorizing the Debtor to use cash collateral as set forth in the Budget, (ii) determining the interests of the Prepetition Secured Parties are adequately protected, and (iii) granting related relief.

A. Use of Cash Collateral Should be Approved

31. Section 363(c)(2) of the Bankruptcy Code governs the Court's approval of the use of cash collateral and provides that a debtor-in-possession may not use cash collateral without the consent of the secured party or approval of the Court. 11 U.S.C. § 363(c)(2). By obtaining approval from the Court to use cash collateral, however, a debtor can continue to operate its business and maintain and enhance the value of its lender's collateral. *See, e.g.*, *In re Constable Plaza Assocs., L.P.*, 125 B.R. 98, 105 (Bankr. S.D.N.Y. 1991); *In re T.H.B. Corp.*, 85 B.R. 192, 195 (Bankr. D. Mass. 1988).

[7] At times the Manager directly incurs expenses on behalf of the Debtor and at other times the Manager incurs expenses in the name of the Debtor. All such expenses are paid from funds provided by the Debtor. For ease of review and simplicity, the Budget does not differentiate between such expenses or the payment of such expenses. Moreover, the Budget does not include, as set forth more fully in the Cash Management Motion, the $15,013,307.80 the majority of which the Debtor believes is being held within subaccounts in the Cash Management Account which the Debtor does not have visibility into because the Prepetition Secured Parties terminated the Debtor's login credentials.

32. The Debtor seeks to use cash collateral, as set forth in the Budget, to operate its business. Specifically, the Debtor requires the cash collateral to permit it to fund operating expenses, preserve and protect its assets, and to generally and otherwise pay obligations critical to the continued operation of its business.

33. The Debtor will require the use of cash collateral to fund, among other things, amounts owed under the Management Services Agreement to its Manager, which, in turn, are used to pay the employees, utilities, vendors and other contract counterparties, all of which are critical to the Debtor's ability to maintain its status as a going-concern. If the Debtor is unable to make these payments, it will undoubtedly lose critical counterparties, including the Railroad Contract Counterparties, which will have a detrimental affect on the value of the Debtor's assets—to the detriment of all stakeholders. It is indisputable the Debtor's value as a going-concern is far greater than the liquidation value of its assets.

34. Without authorization from the Court to immediately use cash collateral to fund the amounts reflected in the Budget, which amounts are the bare-minimum required to permit the Debtor to sustain its operations, the Debtor will be forced to cease operations and will be unable to preserve the value of its estate for the benefit of its creditors and parties-in-interest.

35. It is well established that a Bankruptcy Court, where possible, should resolve issues in favor of preserving the business of the debtor as a going concern:

> A debtor, attempting to reorganize a business under Chapter 11, clearly has a compelling need to use cash collateral in its efforts to rebuild. Without the availability of cash to meet daily operating expenses such as rent, payroll, utilities etc., the congressional policy favoring rehabilitation over economic failure would be frustrated.

Chrysler Credit Corp. v. Ruggiere (In re George Ruggiere Chrysler-Plymouth, Inc.), 727 F.2d 1017, 1019 (11th Cir. 1984); *see also In re Triplett*, 87 B.R. 25, 27 (Bankr W.D. Tex. 1988) (Cash collateral may be used "for the general benefit of the estate and need not be exclusively devoted to

the protection of the creditor or the collateral."). Accordingly, to avoid immediate and irreparable harm, the Debtor requires the immediate use of cash collateral for the payment of necessary business expenses and to continue to operate its business during the period governed by the Interim Order.

B. The Court Should Find that the Prepetition Secured Parties are Adequately Protected

36. Section 363(e) of the Bankruptcy Code provides that upon request of an entity that has an interest in property to be used by a debtor, the court shall prohibit or condition such use as is necessary to provide "adequate protection" of such interest. 11 U.S.C. § 363(e). The Bankruptcy Code does not explicitly define "adequate protection," but does provide a non-exclusive list of the means by which a debtor may provide adequate protection. *See* 11 U.S.C. § 361(c).

37. What constitutes adequate protection must be evaluated on a case-by-case basis. *See Resolution Trust Corp. v. Swedeland Dev. Grp. Inc. (In re Swedeland Dev. Grp. Inc.)*, 16 F.3d 552, 564 (3d Cir. 1994) (citing *MBank Dallas, N.A. v. O'Connor (In re O'Connor)*, 808 F.2d 1393, 1396-97 (10th Cir. 1987)); *Martin v. Prod. Credit Ass'n of Fargo, N.D. (In re Martin)*, 761 F.2d 472, 474 (8th Cir. 1985). Adequate protection is mean to ensure that the secured lender receives the value for which it originally bargained. *See In re Mosello*, 195 B.R. 277, 288 (Bankr. S.D.N.Y. 1996) (citing *In re Swedeland Dev. Grp. Inc.*, 16 F.3d at 564) ("The purpose of 'adequate protection' for a creditor 'is to insure that the creditor receives the value for which he bargained prebankruptcy'"). Courts have noted that "[t]he essence of adequate protection is the assurance of the maintenance and continued recoverability of the lien value during the interim between the filing . . . and the confirmation." *In re Arriens*, 25 B.R. 79, 81 (Bankr. D. Or. 1982); *In re O.P. Held, Inc.*, 74 B.R. 777, 782 (Bankr. N.D.N.Y. 1987). The focus of the requirement is to protect a secured creditor from diminution in value during the use period. *See In re 495 Cent. Park Ave. Corp.*, 136

B.R. 626, 631 (Bankr. S.D.N.Y. 1992); *In re Beker Indus. Corp.*, 58 B.R. 725, 736 (Bankr. S.D.N.Y. 1986); *In re Ledgemere Land Corp.*, 116 B.R. 338, 343 (Bankr. D. Mass. 1990); *In re Kain*, 86 B.R. 506, 513 (Bankr. W.D. Mich. 1988).

38. The payments in the Budget are necessary to preserve the value of the Prepetition Secured Parties' collateral. Without such payments, the Debtor will be forced to liquidate—destroying the value of the Debtor's business operations and assets. If the Debtor's are forced to cease operating, the Prepetition Secured Parties' collateral will lose significant value. Payments necessary to preserve the value of the Prepetition Secured Parties' collateral constitute adequate protection payments. *See, e.g.*, *In re 5028 Wisconsin Ave. Assocs. Ltd. P'ship*, 167 B.R. 699, 706 (Bankr D.C. 1994) ("Usually adequate protection can be accorded the mortgagee by devoting the rents to the necessary cost of operating and preserving the building so as to continue generating rents.") (internal citation omitted)); *see also In re Morning Star Ranch*, 64 B.R. 818, 822 (Bankr. D. Colo. 1986) (analogizing secured party's request for temporary restraining order to stop use of rents generated in debtor's hotel operation as request to prohibit use of cash collateral and concluding debtor was entitled to use, with supervision income generated by property to pay operating expenses including "costs of utilities, telephone service, laundry service, maid service, cleaning service, groundskeeping, supplies and the cost of employees . . . .").

39. "[I]n determining whether a secured creditor's interest is adequately protected, most courts engage in an analysis of the property's 'equity cushion'—the value of the property after deducting the claim of the creditor seeking relief from the automatic stay and all senior claims." *Mendoza v. Temple-Inland Mortg. Corp. (Matter of Mendoza)*, 111 F.3d 1264, 1272 (5th Cir. 1997) (quoting *In re Indian Palms Assoc., Ltd.*, 61 F.3d 197, 207 (3d Cir. 1995)) (internal citation omitted). Case law is nearly uniform in finding that an equity cushion greater than 20% constitutes adequate protection. *See, e.g.*, *In re Knight Energy Corp.*, Nos. 09-32163, 09-32165, 2009 Bankr.

LEXIS 1841, at *3 (Bankr. N.D. Tex. June 26, 2009) (applying the 20% equity cushion test to determine whether the secured lender was adequately protected).

40. Here, the Debtor has far greater than the 20% equity cushion courts routinely find suffices as adequate protection. As discussed above, the Valuation Report reflects a value, after taking into account certain deductions, of $200,000,000, which results in an equity cushion that is well over $50 million in excess of the indebtedness owing to the Prepetition Secured Parties under the Loan Agreement, which represents an equity cushion in excess of **35%**. Moreover, this equity cushion in excess of 35% does not account for the substantial funds in the Debtors' various bank accounts.

41. Furthermore, as also discussed above, the revenue generated from the Portfolio was more than sufficient to service the indebtedness owing to the Prepetition Secured Parties—it was the Prepetition Secured Parties' unreasonable, value-destructive decision to starve the Debtor of liquidity by withholding excess cash, not the Debtor's failure to make timely payments, that necessitated the filing of this Chapter 11 Case.

42. Accordingly, the Debtor submits there is ample support for the Court to find that the Prepetition Secured Parties interests are adequately protected.

C. The Requirements of Bankruptcy Rules 4001(b)(2) and 6003(b) Have Been Satisfied

43. Pursuant to Bankruptcy Rule 4001(b)(2), a minimum of 14 days' notice is required before a final hearing on the Motion take place. The same rule, however, also provides that the Court "may conduct a preliminary hearing before such 14-day period expires, but the court may authorize the use of only that amount of cash collateral as is necessary to avoid immediate and irreparable harm to the estate pending a final hearing." Fed. R. Bankr. P. 4001(b)(2).

44. In addition, Bankruptcy Rule 6003(b) provides that, "[e]xcept to the extent that relief is necessary to avoid immediate and irreparable harm, the court shall not, within 21 days after the filing of the petition," grant relief upon "a motion to use, sell, lease, or otherwise incur an obligation regarding the property of the estate." Fed. R. Bankr. P. 6003(b).

45. As set forth above, the Debtor has an immediate and urgent need to use cash collateral consistent with the Budget. Absent the use of cash collateral, the Debtor will not be able to meet its working capital and liquidity needs, and its estate and creditors will suffer immediate and irreparable harm. Accordingly, the Debtor submits that the requirements of Bankruptcy Rules 4001(b)(2) and 6003(b) have been satisfied.

D. Request for Final Hearing

46. Pursuant to Bankruptcy Rule 4001(b)(2), the Debtor requests the Court schedule a final hearing on the Motion.

47. The Debtor requests that they be authorized to serve a copy of the signed Interim Order, which fixes the time and date for the filing of objections, if any, by electronic mail, where possible, and otherwise by first class mail upon the Notice Parties listed below.

NOTICE

48. The Debtor has served notice of the Motion via electronic mail, where available, or overnight mail on (a) the Office of the United States Trustee; (b) counsel to the Prepetition Lender, the Servicer, and the Special Servicer; (c) all known creditors holding secured claims against the Debtor's estate; (d) those creditors holding the largest 20 unsecured claims against the Debtor's estate; (e) the Internal Revenue Service; (f) the state attorneys general for the states in which the Debtor conducts business and (g) all parties that have requested or that are required to receive notice pursuant to Bankruptcy Rule 2002. The Debtor submits that, under the circumstances, no other or further notice is required.

49. A copy of this Motion is available on (a) the Court's website, at www.ksb.us.gov, and (b) the website maintained by the Debtor's proposed Claims and Noticing Agent, Kroll Restructuring Administration LLC, at https://cases.ra.kroll.com/lodgingenterprises/.

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WHEREFORE, the Debtor respectfully requests that the Court grant the relief requested herein and such other and further relief as is just and proper.

Dated: June 26, 2024

Respectfully submitted,

/s/ Jonathan A. Margolies

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EXHIBIT A

Interim Order

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF KANSAS (TOPEKA)

In re:	§	Chapter 11
LODGING ENTERPRISES, LLC,	§	Case No. 24-40423
Debtor.[1]	§	

INTERIM ORDER (I) AUTHORIZING THE DEBTOR TO USE CASH COLLATERAL, (II) DETERMINING ADEQUATE PROTECTION AND GRANTING RELATED RELIEF, AND (III) SCHEDULING A FINAL HEARING

Upon the motion (the "Motion")[2] of the above-captioned debtor and debtor-in-possession (collectively, the "Debtors") for entry of an order, pursuant to sections 105, 361, and 363 of the Bankruptcy Code and Bankruptcy Rule 4001, authorizing the Debtor to use cash collateral, determining adequate protection, and granting related relief; the Court finds that: (a) it has jurisdiction over the matters raised in the Motion pursuant to 28 U.S.C. §§ 157 and 1334(b); (b) this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); (c) the relief requested in the Motion is in the best interest of the Debtors, their estates and creditors, and is necessary to prevent immediate and irreparable harm; (d) notice of the Motion and the hearing thereon (the "Interim Hearing") has been given via electronic mail, to the extent possible, or overnight mail to (i) the U.S. Trustee, (ii) counsel for the Prepetition Secured Parties (iii) all known creditors holding secured claims against the Debtors' estates, (iv) those creditors holding the 20 largest unsecured claims against the Debtor's estate, (v) the Internal Revenue Service, (vi) the states attorneys general for the states in which the Debtor conducts business; and (viii) all parties that have requested or that are required to receive notice pursuant to Bankruptcy Rule 2002; (e) the interest

[1] The last four digits of the Debtor's federal tax identification number are 9343. The Debtor's primary mailing address is 8535 East 21st St. N., Suite 250, Wichita, KS 67206.

[2] Capitalized terms used, but not otherwise defined herein, have the meaning assigned in the Motion.

of the Prepetition Lender is adequately protected by an equity cushion in excess of 20%; and (f) based on the Motion, the First Day Declaration, and the record established at the Interim Hearing and after due deliberation thereon, good and sufficient cause exists for the granting of the relief as set forth herein. Therefore,

IT IS HEREBY ORDERED THAT:

1. The relief requested in the Motion is hereby GRANTED on an interim basis.

2. Any objections to the Motion with respect to the entry of this Interim Order that have not been withdrawn, waived or settled and all reservations of rights included therein, are hereby denied and overruled with prejudice in all respects.

3. A final hearing on the relief requested in the Motion shall be held on _____, 2024, at __:___ _.m. (prevailing Central Time) (the "Final Hearing"). Any party in interest objecting to the relief sought at the shall file written objections no later than on _____, 2024, at __:___ _.m. (prevailing Central Time) (the "Objection Deadline"). Any such objection must be: (a) filed with the Court; and (b) actually received by: (i) the Office of the United States Trustee; (ii) proposed counsel to the Debtor, Hunton Andrews Kurth, LLP, 600 Travis St., Ste. 4200, Houston, Texas 77002, Attn: Timothy A. ("Tad") Davidson II, email: tdavison@Huntonak.com, Hunton Andrews Kurth LLP, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219, Attn: Jason W. Harbour, email jharbour@HuntonAK.com, Segfried & Bingham, P.C., 2323 Grand Boulevard, Ste. 1000, Kansas City, MO 64108, Attn: Jonathan A. Margolies, email: jmargolies@sb-kc.com; (iii) counsel to the Prepetition Secured Parties; and (iv) counsel for any official committee appointed in this Chapter 11 Case, on or before the Objection Deadline.

4. The Debtor shall file a proposed form of final order granting the relief sought in the Motion on a final basis, no later than seven days prior to the Final Hearing.

5. The Debtor is authorized to use cash collateral from the Petition Date until the Final Hearing consistent with the expenditures identified on the Budget attached hereto as Exhibit 1. The Prepetition Secured Parties are ordered to release cash collateral to the Debtor in an amount sufficient to cover the expenditures identified on the Budget. This requirement includes the Prepetition Secured Parties timely releasing cash collateral to allow the Debtor to fund July 5th payroll.

6. The Debtor shall provide to the Office of the United States Trustee, counsel to the Prepetition Secured Parties, and counsel to any official committees appointed in these cases, upon written request, a report of actual receipts and disbursements for the prior week compared to the Budget on a weekly basis.

7. The Prepetition Secured Parties are ordered to provide the Debtor, and its advisors, access to the bank accounts, including by providing or restoring login credentials associated with such accounts, identified on the list attached hereto as Exhibit 2 (the "Bank Accounts") to permit the Debtor to monitor and otherwise view balances and activity in such accounts. The Prepetition Secured Parties are further ordered, to the extent necessary, to release funds from the Bank Accounts sufficient for the Debtor to satisfy the expenditures identified on the Budget.

8. Nothing in this Interim Order or the Motion shall be construed as prejudicing the rights of the Debtor to dispute or contest whether the Prepetition Secured Parties have a valid perfected security interest in the cash collateral or any other assets of the Debtor.

9. The Debtor is authorized and empowered to take all actions necessary to implement the relief granted in this Interim Order.

10. Within three business days of the entry of this Interim Order, the Debtor shall serve a copy of this Interim Order, thereby providing notice of the Final Hearing, on (a) the Office of

the United States Trustee; (b) counsel to the Prepetition Secured Parties; (c) those creditors holding the 20 largest unsecured claims against the Debtors' estate; (d) the Internal Revenue Service, (e) the state attorneys general for the states in which the Debtor conducts business, and (f) all parties that have requested or that are required to receive notice pursuant to Bankruptcy Rule 2002.

11. A reply to any timely filed and served objection may be filed with the Court and served on or before 12:00 p.m. (prevailing Eastern Time) on the day that is at least two business days before the a final hearing on the Motion.

12. Notwithstanding any Bankruptcy Rule (including, but not limited to, Bankruptcy Rule 6004(h)) or Local Bankruptcy Rule that might otherwise delay the effectiveness of this Order, the terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

13. This Court shall retain exclusive jurisdiction over any and all matters arising from or related to the implementation or interpretation of this Interim Order.

Signed: [●], 2024
Topeka, Kansas

_____
UNITED STATES BANKRUPTCY JUDGE

Exhibit 1

(Budget)

Lodging Enterprises, LLC
Cash Flow Budget

	Month Ended Wednesday, July 31, 2024 ($'s)	Month Ended Saturday, August 31, 2024 ($'s)	Month Ended Monday, September 30, 2024 ($'s)	Total ($'s)
CASH INFLOW				
Room Receipts	5,689,418	5,535,654	5,291,899	16,516,971
Food and Beverage Receipts	1,326,337	1,190,048	1,141,374	3,657,759
Transportation & Other Receipts	363,253	363,278	357,884	1,084,415
Sales Tax Collected	494,802	466,510	445,113	1,406,425
Employee Tips Collected	126,461	111,939	107,181	345,581
July 1, 2024 Cash, Including to Fund Payroll	1,500,000	-	-	1,500,000
CASH INFLOW FROM OPERATIONS	**9,500,271**	**7,667,429**	**7,343,451**	**24,511,151**
CASH OUTFLOW				
Room Expenditures	2,167,179	1,561,982	1,508,082	5,237,243
Food and Beverage Expenditures	1,434,650	1,023,441	981,582	3,439,673
Transportation & Other	228,263	228,263	222,216	678,742
Administrative & General	1,482,256	1,187,831	1,191,860	3,861,947
Information & Technology	134,541	134,541	134,541	403,623
Sales & Marketing	14,430	15,330	15,510	45,270
Franchise	120,931	116,356	201,794	439,081
Property Maintenance	539,227	534,173	533,909	1,607,309
Utilities	379,000	403,200	356,600	1,138,800
Workers Compensation Insurance	45,314	45,314	-	90,628
Lease payments	57,378	57,378	57,481	172,237
Sales Tax Paid	-	494,802	466,510	961,312
Employee Tips Paid	63,231	111,939	107,181	282,351
Critical Vendors	136,930	824,999	-	961,929
Health, Safety and Environmental	132,000	-	-	132,000
July 2024 Reimbursement	1,500,000	-	-	1,500,000
CASH OUTFLOW FROM OPERATIONS	**8,435,330**	**6,739,549**	**5,777,266**	**- 20,952,145**
NET CASH FLOW FROM OPERATIONS	**1,064,942**	**927,880**	**1,566,185**	**- 3,559,007**
Professional Fees	-	835,000	735,000	1,570,000
Portfolio Improvements	20,000	546,335	860,668	1,427,003
TOTAL NET CASH FLOW	**1,044,942**	**(453,455)**	**(29,483)**	**562,004**
CASH BALANCE AT START OF PERIOD	**494,733**	**1,539,675**	**1,086,220**	**494,733**
CASH BALANCE AT END OF PERIOD	**1,539,675**	**1,086,220**	**1,056,737**	**1,056,737**
Beginning WF Cash Management Clearing Accounts	**6,267,302**	**6,267,302**	**6,267,302**	**6,267,302**
July 1, 2024 Cash, Including to Fund Payroll	(1,500,000)	-	-	(1,500,000)
July 2024 Reimbursement of Above Use	1,500,000	-	-	1,500,000
Ending WF Cash Management Clearing Accounts	**6,267,302**	**6,267,302**	**6,267,302**	**6,267,302**

Exhibit 2

(Bank Accounts)

Account Holder	Bank Name	Account Type	Ending of Account #
Lodging Enterprises LLC	PNC Bank	Clearing Account	1812
Lodging Enterprises LLC	PNC Bank	Clearing Account	1839
Lodging Enterprises LLC	PNC Bank	Clearing Account	1847
Lodging Enterprises LLC	PNC Bank	Deposit Account	4802
Lodging Enterprises LLC	INTRUST Bank	Operations Account	9341
Lodging Enterprises LLC	Wells Fargo Bank	Cash Management Account	0248
Lodging Enterprises LLC	Wells Fargo Bank	Deposit Account	5940
Lodging Enterprises LLC	Wells Fargo Bank	Deposit Account	5957
Lodging Enterprises LLC	Wells Fargo Bank	Deposit Account	9139
Lodging Enterprises LLC	Wells Fargo Bank	Deposit Account	0695
Lodging Enterprises LLC	Wells Fargo Bank	Deposit Account	3037
Lodging Enterprises LLC	Wells Fargo Bank	Deposit Account	2841
Lodging Enterprises LLC	Wells Fargo Bank	Deposit Account	5368
Lodging Enterprises LLC	US Bank	Deposit Account	0273
Lodging Enterprises LLC	US Bank	Deposit Account	2615
Lodging Enterprises LLC	US Bank	Deposit Account	9941
Lodging Enterprises LLC	Security State Bank	Deposit Account	0636
Lodging Enterprises LLC	Platte Valley Bank	Deposit Account	3240
Lodging Enterprises LLC	The Eastern Colorado Bank	Deposit Account	2563
Lodging Enterprises LLC	Foothills Bank	Deposit Account	0021
Lodging Enterprises LLC	Bank of The San Juans	Deposit Account	7630
Lodging Enterprises LLC	Citizens State Bank	Deposit Account	3597

Lodging Enterprises LLC	Everyone's Federal Credit Union	Deposit Account	8164
Lodging Enterprises LLC	First Interstate Bank	Deposit Account	0741
Lodging Enterprises LLC	Prosperity Bank	Deposit Account	4333
Lodging Enterprises LLC	Desert Community Bank / Flagstar Bank	Deposit Account	6701
Lodging Enterprises LLC	West Texas National Bank	Deposit Account	4613
Lodging Enterprises LLC	West Texas National Bank	Deposit Account	7388
Lodging Enterprises LLC	Banner Bank	Deposit Account	9611
Lodging Enterprises LLC	M&T Bank	Deposit Account	1295
Lodging Enterprises LLC	First National Bank	Deposit Account	5109
Lodging Enterprises LLC	The Rawlins National Bank	Deposit Account	9012
Lodging Enterprises LLC	Midstates Bank	Deposit Account	8852
Lodging Enterprises LLC	RVR Bank	Deposit Account	9871
Lodging Enterprises LLC	Points West Community Bank	Deposit Account	4095
Lodging Enterprises LLC	First Citizens Bank	Deposit Account	4809
Lodging Enterprises LLC	BancFirst	Deposit Account	0202
Lodging Enterprises LLC	Eagle Bank	Deposit Account	1973
Lodging Enterprises LLC	Central Bank	Deposit Account	7378
Lodging Enterprises LLC	First Tennessee Bank	Deposit Account	9415
Lodging Enterprises LLC	City State Bank	Deposit Account	4702

Exhibit B

Valuation Report

CBRE VALUATION & ADVISORY SERVICES

Avantic Lodging Enterprises Restricted Appraisal

CBRE GROUP, INC. FILE NO. CB24US015369-3

VCM GLOBAL ASSET MANAGEMENT

CBRE

CBRE

3550 Lenox Road, Suite 2300
Atlanta, GA 30326
www.cbre.com

Date of Report: June 5, 2024

Mr. Tom Vukota
Founder & Chief Executive Officer (CEO)
VCM GLOBAL ASSET MANAGEMENT
5360 N. Academy, Suite 250
Colorado Springs, CO 80918
Phone: 303.819.7770

RE: Avantic Lodging Enterprises Operating Company
8535 E 21st Street N. Wichita, Kansas 67206
CBRE, Inc. File No. CB24US015369-3

Dear Mr. Vukota:

At your request and authorization, CBRE, Inc. (CBRE) has prepared a scoped analysis and valuation to provide an opinion of the enterprise value (EV – i.e., the entire value of the business) of the 100% ownership interest of Avantic Lodging Enterprises (the Company, subject, Avantic, or Lodging Enterprises), an operating going concern entity that includes 45 lodging facilities, 28 restaurants, a shuttle / transportation operation, and other related operations. Founded in 1984 and based in Wichita, Kansas, Lodging Enterprises offers a full suite of services, specializing in contracted railway crew lodging accommodations.

The purpose of the valuation is to provide support for internal decision-making purposes only. As authorized, this scoped engagement and resulting restricted appraisal report will provide an opinion of the enterprise value based on an income approach and related market based multiple method. As discussed, this scoped engagement will focus on historical and budget data and projections provided by the Client, and we will assume as extraordinary assumptions that the Client provided data is correct and applicable. The asset approach will not be used in this scoped analysis and valuation for internal decision-making purposes.

It is our opinion that the fair market value of a 100% interest in the Company on a controlling and marketable basis, as of December 31, 2023 (date of value), is:

$255,000,000.

In arriving at this opinion of value, we relied on a going-concern premise. This premise assumes that the Company is an ongoing business enterprise with management operating in a rational way with a goal of maximizing shareholder value. 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), and the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and American Society of Appraisers. VCM Global Asset Management and Avantic Lodging Enterprises are the users of this restricted appraisal 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).

CBRE provided a similar analysis about one year ago, and the following, while not a complete list given the limited scope of services with this engagement, provides a list of salient changes or differences when comparing our 2022 and May 2023 analyses to this December 31, 2023, analysis. In summary, the overall result is that value indication has not materially changed since our analysis about a year ago.

- A year ago, the uncertainty in the market overall was comparably higher that included:
- A rapidly increasing inflation rate that peaked at 9.1% in the summer of 2022, was 4.9% as of our May 2023 analysis and dropped to 3.4% for the 12-month period December 2022 to December 2023 dropped to 3.4%);
- It is notable that the Company continues to increase transient, non-rail performance in terms of market share, occupancy and revenue where possible;
- Labor shortage has softened but still elevated;
- A rapidly increasing federal fund rate that took place in 2022, in effort to control and reduce the nation's rapidly rising inflation (i.e., goods, services, labor, energy, etc.) but appears to have peaked, the outlook, as of December 31, 2023, per Fed data it is anticipated that 2024 may make several rate cuts;
- Despite oil prices declining from its multi-year highs, it remains comparatively high;
- Ongoing supply chain issues that were not back to pre-pandemic status but continue to improve as of year-end 2023;
- Improving transient occupancy in available and relevant subject markets;
- A resilient labor market as unemployment remains historical low as of December 31,2023 and anticipated to remain low in 2024;
- Despite increases in the Fed Rate and inflation, the hospitality and rail sectors remain strong with comparatively small changes in rates of return, when compared to other alternative investments; and

- The Company's contracts that limited the increase in pricing caused by inflation were all negotiated by the end of 2023 and are per contract renewals rate increases that are no longer capped by pre-Covid levels but are tied to the CPI, which is salient to the 2024 budget and forecasted earnings.

The overall level of uncertainty anticipated about a year ago has changed and it is considered overall lower currently and in the foreseeable future when compared to our May 2022 and May 2023 analyses and overall assessment of the market. The overall outlook currently is viewed as better as evident by the Company's yearend financials that outperformed budget 2023 both on a gross revenue and an earnings front. While inflation peaked over the summer (2022) at a rate of 9.1%, the rate of increase has declined to 3.4% as of December 2023, and is anticipated to improve, but it is likely to remain (also referred to as being "sticky") above the 2% level.

Compared to December 2022 CPI inflation, CPI inflation fell by 3.1 percentage points, from 6.5 percent in December 2022 to 3.4 in December 2023. Consumer prices for all items rose 3.4 percent from December 2022 to December 2023.[1] Energy prices decreased 2.0 percent in 2023, after increasing 7.3 percent in 2022. Fuel oil prices and utility gas service prices declined 14.7 percent and 13.8 percent, respectively, from December 2022 to December 2023. Gasoline prices declined 1.9 percent in 2023, following a decline of 1.5 percent in 2022. In contrast, electricity prices continued to increase, rising 3.3 percent in 2023 after increasing 14.3 percent in the prior year.

Additionally, the national economy remains comparatively resilient and strong with 4th quarter real GDP increasing to 3.4 percent. The labor market remains strong comparable to a year ago. While the labor market strength shows the resilience of the US economy, it does have some impacts on the labor costs and still imposes challenges on meeting staffing needs. Additionally, the general consensus in 2023 was a concern that the US would slip into in a comparatively mild and short-lived recession sometime in the latter part of 2023, but that didn't happen. The consensus is for an overall favorable outlook for 2024 and beyond.

[1] https://www.bls.gov/opub/ted/2024/consumer-price-index-2023-in-review.htm

Also, rail transport remains a very favorable alternative to trucking for transporting goods based on a cost per mile, especially for certain commodities and long-distance hauls. Lastly, of material importance was the Company's ability to renegotiate its contracts with rail vendors that started in late 2022 and reportedly ended around November of 2023. These new agreements materially improve the Company's ability to recapture the impact of high inflation.

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

Douglas Main, ASA, CEC, CRE, MAI, SGA
Executive Vice President
National Practice Co-Leader
Sports, Entertainment, and Leisure
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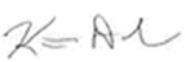
Certification

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.
8. The reported analyses, opinions, and conclusions were developed, and this restricted appraisal 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 restricted appraisal report is subject to the requirements of the Appraisal Institute and American Society of Appraisers relating to review by its duly authorized representatives.
10. As of the date of this report, Doug Main, ASA, CEC, CRE, MAI, SGA and Kevin M. Donahue, MAI have completed the continuing education program for Designated Members of the Appraisal Institute.
11. As of the date of this report, Doug Main, ASA, CEC, CRE, MAI, SGA and Kevin M. Donahue, MAI have completed the Standards and Ethics Education Requirements for the Appraisal Institute.
12. Doug Main, ASA, CEC, CRE, MAI, SGA and Kevin M. Donahue, MAI have not made a personal observation of the Company and its assets that are the subject of this restricted appraisal report.
13. No one provided significant appraisal assistance to the persons signing this restricted appraisal report.
14. 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.
15. Doug Main, ASA, CEC, CRE, MAI, SGA and Kevin M. Donahue, MAI have provided limited scope valuation services, as appraisers, regarding the Company and its assets that are the subject of this restricted appraisal report within the three-year period immediately preceding acceptance of this assignment.



Doug Main, ASA, CEC, CRE, MAI, SGA



Kevin M. Donahue, MAI

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ADDENDA

A Avantic Top 50 Target Markets
B Qualifications

We were engaged by VCM Global Asset Management to provide the following restricted use report.

VALUATION PURPOSE

The purpose of the valuation is to provide an opinion of the fair market value of Avantic Lodging Enterprises (the Company), on a 100% controlling and marketable interest basis as of December 31, 2023. As discussed, this scoped engagement will focus on historical and budget data and projections provided by the Client, and we will assume as extraordinary assumptions that the Client provided data is correct and applicable. Additionally, as agreed upon for this scoped analysis that provides an opinion of the enterprise value excludes the asset approach but does consider others.

CLIENT

The client is VCM Global Asset Management.

INTENDED USERS

The intended users are VCM Global Asset Management ("Client") and Avantic Lodging Enterprises and such other parties and entities (if any) expressly recognized by CBRE as "Intended Users".

INTENDED USE

The intended use is for Internal decision-making purposes only.

SCOPE OF APPRAISAL

Our analysis considers those facts and circumstances present at the Company at the valuation date. Our opinion would most likely be different if another Valuation Date was used. The factors we considered in this scoped analysis include the history of the business, economic outlook, financial condition of the business, earnings and the market prices for companies in the same or similar line of business.

This report is a restricted appraisal report, as defined in USPAP Standard 10[2]. Specifically, the restricted appraisal report is not an appraisal reported intended for parties other than the client, not does it seek to meet all the requirements of the Internal Revenue. The scope of work included:

1. Analyzed the Company provided financial statements and forecasts.

[2] 2020-2021 Uniform Standards of Professional Appraisal Practice (USPAP), effective to December 31, 2023.

2. Investigated and analyzed the economic and industry environment in which the Company operates.
3. Examined, selected, and applied various valuation methods to arrive at our opinion of the fair market value of the Company's enterprise value.

VALUATION PROCESSS AND PROCEDURES

One of the tenets of valuation is that investors are risk averse. This means that investors will either avoid risk or expect to earn a higher rate of return on investments that carry higher risk. One of the objectives of this analysis is to develop a risk profile and use it to develop an appropriate expected rate of return on investment in the Company. To arrive at our conclusion of the enterprise value, in this scoped work, we performed the following procedures:

- Identified the nature of the business and reviewed the history of the Company since its inception.
- Interviewed the Company's Chief Executive Officer (CEO) regarding the history and nature of the Company, historical and expected financial performance, and other factors deemed relevant to this appraisal.
- Analyzed the history, nature, management, and competitive position of the Company, and other factors deemed relevant to this appraisal.
- Researched the general economic outlook and the outlook for the specific industry at the date of the valuation.
- Analyzed the Company provided financial statements and forecasts.
- Investigated and analyzed the economic and industry environment in which the Company operates.
- Examined, selected, and applied various valuation methods to arrive at our opinion of the fair market value of the enterprise value of the Company.

STANDARD OF VALUE

The standard of value is "fair market value."[3] The U.S. Department of Labor Proposed Regulation 29 CFR Part 2510 and IRS Revenue Ruling 59-60, 1959-1, C.B. 237 define fair market value as:

the price at which the property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts.

[3] International Glossary of Business Valuation Terms. IRS Treasury Regulations, Estate Tax Regulations 20.2031-1 and Gift Tax Regulations 25.2512-1 define the term similarly.

Rev. Rul. 59-60 also states that "in addition that the hypothetical buyer and seller are assumed to be able, as well as willing, to trade and to be well informed about the property and the market for such property."

PREMISE OF VALUE

Our opinion of value relied on a going-concern premise. This premise assumes that the Company is an ongoing business enterprise with management operating in a rational way with a goal of maximizing shareholder value. Additionally, we assume that there is no planned or contemplated discontinuance of any line of business nor any liquidation of the Company.

BASIS OF VALUE

Assumes the subject interest is a controlling interest, where the interest can direct administration, management and operations of the Company. This may increase the value of the Subject Interest relative to an equivalent ownership interest that lacks control. Our analysis does consider and tests the inclusion of an interest that accounts for various elements including control, synergy potential, market expansion, and potential of the multifaceted company business segments that could be independent (i.e., unique opportunities such as scalable property-management and franchise platforms as well as separate operation / entity relating to the real estate holding business).[4] This assessing includes the recognition of the potential growth opportunities available with a dual but complementary focus: (1) real estate acquisition, ownership, and operation of hotel real estate and (2) hotel management, branding and marketing, and franchise licensing. Additionally, the company has complementary operations or departments that include food and beverage and related transportation.

Additionally, the basis of assumed 100% interest value used in this scoped analysis, assumes the subject interest is marketable. As a result, there is no adjustment applied for a lack of marketability that may cause the ownership interest to be less valuable than an equivalent ownership interest that is marketable.

INTEREST LEVEL OF VALUE

For purposes of this scoped analysis, we assume a control value on a marketable basis. For reference, control value is the first level, and it assumes the ability to control a business's decisions has impact on value, especially on the value of a private firm. So, potential buyers often may be willing to pay more for a controlling interest than for a minority interest. Typically, there are two

[4] The industry offers examples like Hilton Worldwide Holdings (Park Hotels & Resorts and Hilton Grand Vacations) and La Quinta.

groups of buyers associated with control: strategic and financial. The difference between strategic and financial control is the expected synergies available to a strategic buyer. Strategic buyers often pay a premium over financial buyers, if they possess synergies that may not be available to other buyers.

The ability to realize cost savings and/or achieve revenue synergies by combining your business with their existing operations means that strategic acquirers may be willing to pay a premium to the marketable minority value.

After discussion with the Company CEO, we understand that the company has two basic pathways for material growth: organic growth through capital expenditures ("build") or non-organic growth through acquisitions ("buy"). These are positive attributes of the Company that we have considered in this scope analysis that is restricted to the client for internal use.

POTENTIAL BUYERS

Given the asset basis, unique market growth opportunities, the contract components and limited competition, we believe the likely subset of buyers would include financial buyers as well as strategic buyers. To recap, strategic buyers are those who will most likely pay more in an acquisition than the company could receive if it sold to a financial buyer. Strategic buyers usually already have their distribution and corporate channels in place and know how the product or service will fit in their pipeline, making it more valuable to them than to another buyer. As a result, for this internal decision-making restricted appraisal report we have given considered (i.e., multiplier selection, etc.) and resulting weight to both potential buyer groups in our final reconciliation.

HIGHEST AND BEST USE

The value premise assumes that the management is operating in a rational manner with a goal of maximizing owner value of the underlying asset(s). In the case of the Company, the highest and best use under a going-concern premise is continued operation of the existing company and its associated assets.

EXTRAORDINARY ASSUMPTIONS

An extraordinary assumption is defined as "an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions."[5]

- The financial information provided is assumed reliable and correct.
- Our analysis is scoped per the client and excludes the asset approach.

[5] 2020-2021 Uniform Standards of Professional Appraisal Practice (USPAP)

- We didn't inspect any of the Company assets.
- Additionally, the client is fully knowledgeable of the history and operations of the Company and authorized the development of a restricted appraisal report.

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."[6]

- None noted

[6] 2023-2024 Uniform Standards of Professional Appraisal Practice (USPAP)

COMPANY BACKGROUND & CHARATERTICS

The following information was provided by the client and portions are taken directly from the Project Cargo document provided. The excerpts are presented to provide a general summary of the Company, its programs, and mission.

Background & Description

Founded in 1984 and based in Wichita, Kansas, Lodging Enterprises offers a full suite of services and is the leading provider of crew accommodations and specializes in hotels and lodging services tailored for employees working long hours under hazardous and protective policies around rest and safety. In November 2019, Lodging Enterprises was re-branded to Avantic Lodging Enterprises, LLC. The Company is a based out of 8535 E 21st Street N. Wichita, Kansas, where corporate professionals perform and oversee core accounting, financial reporting, tax compliance, contract management, business development, purchasing, human resources and capex functions. In summary, the company capabilities are full service that include real estate ownership and management as well as franchise and management operations that include:

- Personnel Management
- Guest Satisfaction & Customer Service
- Hotel Maintenance
- Revenue Management
- Marketing
- Food & Beverage Management
- Purchasing
- Financial Accounting
- Capex Management
- Tax Compliance
- Businesses Development
- Contract Management

On December 2, 2019, VCM Lodging Enterprises acquired the company for a reported $215.5 million, which is considered relevant as it occurred pre-COVID 19 (COVID). Recently, on April 28, 2022, the company purchased the Rest-Full Inn and Cafe in Coffeyville, KS, and successfully converted the property to a Travelodge by Wyndham.

The exhibit below highlights some of the key features and specialized services:



Some additional salient facts, assessments, and observations that pertain to the Company include:

- A Geographical Diversified Portfolio with Room for Material Growth;
- Unique Platform Servicing a Key Component of U.S. Transportation Infrastructure;
- Stable, guaranteed cash flow from long term relationship with investment grade partners;
- Experienced Management Team;
- Franchise Contracts;
- The Portfolio represents the largest U.S. railway crew lodging platform, with ample room for growth to expand with additional hotels along current partners' rail lines as well as those of other Class I railroad operators;
- Railway crews have railed on lodging enterprises for "dark and quiet" lodging facilities for over 30 years;
- Provide specifically designed accommodations to comply with federal regulations and railway union specifications related to rest time, safety, off hours transportation and the personal needs of railway employees;
- For the past several years the Company continues to increase transient, non-rail performance in terms of market share, occupancy and revenue, where possible;
- Railway unions required that lodging facilities satisfy minimum standards and offer certain amenities that traditional hotels are unable or unwilling to provide;
- Federal safety laws required compliance in a range of areas, including a mandate that railway crew obtain at least 10 hours of rest time between shifts and the establishment of interruption free sleeping quarters;
- Railway customers highly value the service provided by Lodging Enterprises to help ensure on time performance, mitigate employee fatigue, provide visibility on costs and maintain high employee moral;
- The strategic locations and unique features of Lodging Enterprises' hotels, as well as the specialized services provided to railway customers, serve as a competitive moat against competing hotel alternatives;
- Strategically located near high volume railroad hubs and switching terminals;
- Each hotel is supported by a contract(s) with one of four large North American railway partners: Union Pacific, BNSF, CSX and Canadian Pacific;

- The contracts have a staggered maturity profile;
- "Must stay" provisions prohibit railroad employees from using competing hotels within a specified radius;
- Lodging Enterprises is also in conversation with CSX "on a potential hotel development opportunity";
- Long term relationships and superior service produce renewals and predictable cash flows;
- Lodging Enterprises' median relationship tenure with its railway customers is nearly 30 years;
- 94 railway crew contracts renewed since 1984;
- Majority of contracts establish "take or pay" minimums on the number of room nights reserved at a stipulated rate, most of which have adjustment factors related to inflation;
- Current contracts typically have an initial term of five years with renewal options;
- Dependable accommodations are extremely important to railroad operators, as unplanned down time resulting from insufficient lodging and thus operators must plan based on peak volume;
- Broadly diversified Portfolio by Flag, Geography & Railway Partners;
- 75% of Room Revenue from Contracts with Long Term Investment Grade Railway Partners;
- Contract Maturity Schedule 65% of Available Rooms Guaranteed by Railway Partners;
- Renegotiation of agreements allow the Company to reset their revenue program and benefit from rates that increased based on CPI (not caps below CPI during these higher inflationary times);
- In November 2017, Lodging Enterprises executed an agreement with Wyndham to rebrand the hotels, which has increased transient bookings and non-rail revenue with Wyndham flag; and,
- Rail volumes, and in particular intermodal demand has grown considerably the past decade, and COVID-19 has highlighted the importance of the national rail network. The Company has material opportunities to expand along the rail network and enter new markets. The Company has identified its Top 50 Target Markets (see addendum A) revealing more than 65,000 available room nights.

RAIL OUTLOOK & TRENDS

According to the Association of American Railroad publication *Rail Time Indicators, A Review of Traffic Trends & Key Economic Indicators Shaping Demand for Rail Transportation* (dated January 10, 2024, referred to as the Rail Time Indicator report), total carloads on U.S. railroads (excluding the U.S. operations of Canadian and Mexican railroads) were up 7.3% in December 2023 over December 2022. Total carloads were up 2.0% in Q4 2023 over Q4 2022, their best year-over-

year quarterly percentage gain since Q1 2022. U.S. railroads originated 11.70 million total carloads in 2023 — up 0.7% (81,504 carloads) over 2022, up 0.7% (78,633 carloads) over 2021, and the most for a full year since 2019. Additionally, according to other information published in the Rail Time Indicator report, the Institute for Supply Management (ISM) released on December 15, its semi-annual forecast. According to the forecast, 58% of manufacturing respondents expect revenues to be higher in 2024 than in 2023, with overall revenue growing 5.6% in 2024 (up from 0.9% in 2023). The ISM says, "Manufacturing's purchasing and supply executives…are optimistic about overall business prospects for the first half of 2024 and more excited about faster growth in the second half." On the services side, 43% of respondents expect 2024 revenues to be higher than in 2023. The ISM says, "Services supply executives…are guarded about the first half of 2024, but expect robust growth in the second half."

Rail Time Indicator report also provided information about consumer confidence, excerpts of which are provided as follows:

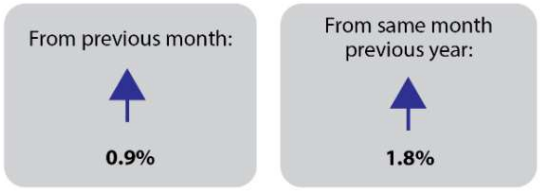
- "The Conference Board's Index of Consumer Confidence rose sharply to 110.7 in December from 101.0 in November. It's the highest it's been since July 2023 and, before that, January 2022."
- In a press release, Dana Peterson, the Conference Board's chief economist, said, "December's increase in consumer confidence reflected more positive ratings of current business conditions and job availability, as well as less pessimistic views of business, labor market, and personal income prospects over the next six months."
- The index of consumer sentiment from the University of Michigan also rose sharply — from 61.3 in November to 69.7 in December, the highest it's been since July 2023 and, before that, December 2021. The economist in charge of the Michigan index said, "Consumer sentiment…soared 14% in December, reversing all declines from the previous four months. These trends are rooted in substantial improvements in how consumers view the trajectory of inflation."

According to information published by United States Federal Reserve, United States Rail Freight (referred to as the Fed Report) was 972,647 carloads in December of 2023, Historically, United States Rail Freight reached a record high of 1,521,036 in May of 2006 and a record low of 821,331 in May of 2020 (due to COVID). According to the Fed report, the December 2023 Freight Transportation Services Index (TSI) was up 0.9% from the previous month and up 1.8% from the same month in 2022.[7] The Transportation Services Index (TSI) is a measure of the month-to-

[7] https://www.bts.gov/newsroom/december-2023-freight-transportation-services-index-tsi-09-previous-month-and-18-same

month changes in the output of services provided by the for-hire transportation industries. The freight index measure changes in freight shipments while the passenger index measures changes in passenger travel. The TSI tells us how the output of transportation services has increased or decreased from month to month. The index can be examined together with other economic indicators to produce a better understanding of the current and future course of the economy. The movement of the index over time can be compared with other economic measures to understand the relationship of changes in transportation output to changes in Gross Domestic Product (GDP).





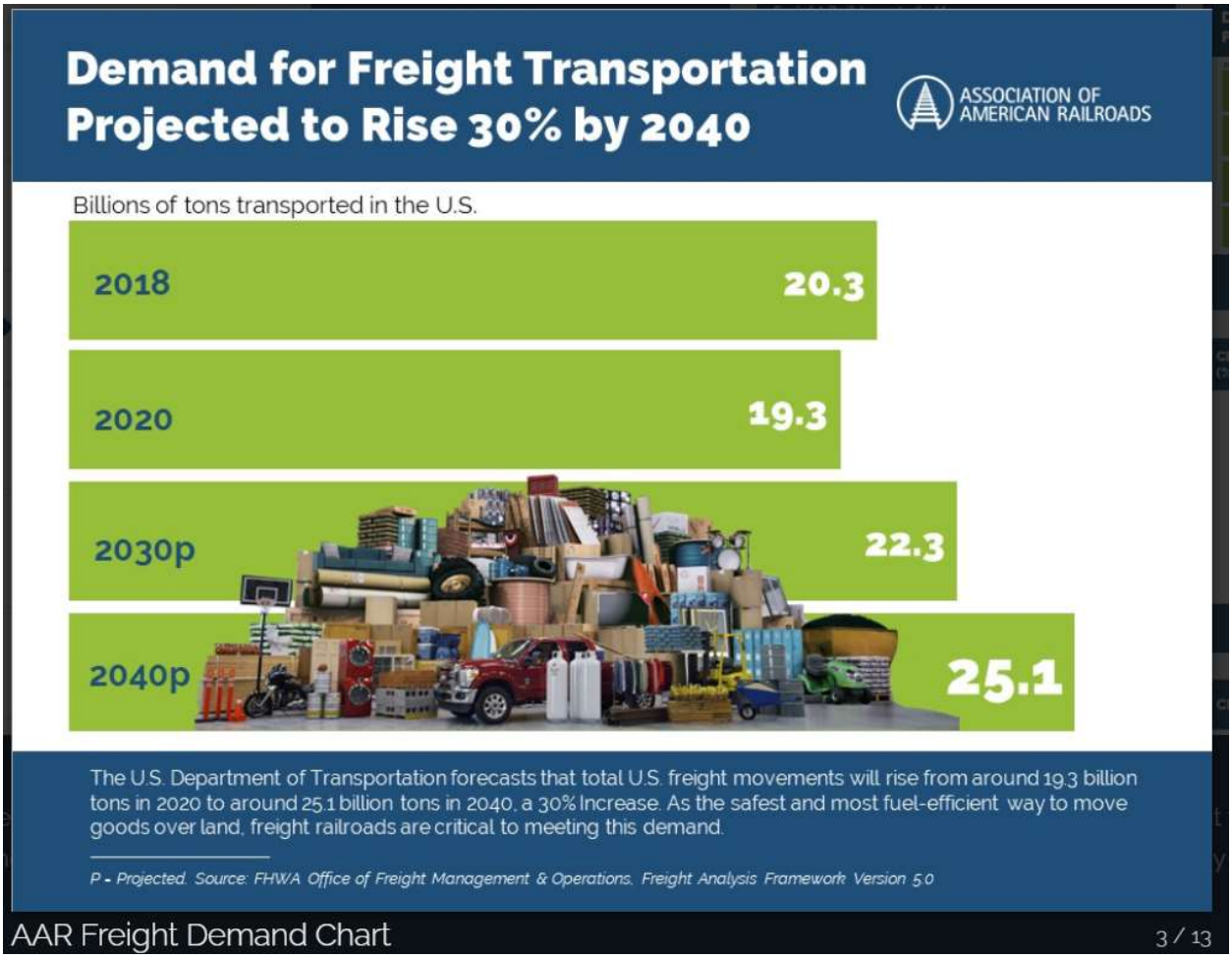
Freight Transportation Services Index

The Freight Transportation Services Index (TSI), which is based on the amount of freight carried by the for-hire transportation industry, rose 0.9% in December from November, rising for the first month after a one-month decline, according to the U.S. Department of Transportation's Bureau of Transportation Statistics' (BTS). From December 2022 to December 2023 the index rose 1.8%

The overall long-term trend relating to for-hire freight shipments reveal an increase of about 1% for the five years from December 2018 to December 2023, and are up 18.1% in the 10 years from December 2013.

According to the Association of American Railroads[8] demand for Freight transportation project to rise 2024. Specifically, as illustrated in the following graphic, the Federal Highway Administration forecasts that total U.S. freight movements will rise from around 19.3 billion tons in 2020 to 25.1 billion tons in 2040 — a 30% increase. For reference, freight rail is part of an integrated network of trains, trucks and barges that ships around 61 tons of goods per American every year. In a typical year, freight railroads haul around 1.6 billion tons of raw materials and finished goods.

[8] https://www.mordorintelligence.com/industry-reports/united-states-rail-freight-transport-market



MARKET VOLATILITY

We draw your attention to a combination of inflationary pressures (leading to higher interest rates) and recent failures/stress in banking systems which have significantly increased the potential for constrained credit markets, negative capital value movements and enhanced volatility in property markets over the short-to-medium term.

Experience has shown that consumer and investor behavior can quickly change during periods of such heightened volatility. Lending or investment decisions should reflect this heightened level of volatility and the potential for deteriorating market conditions.

It is important to note that the conclusions set out in this report are valid as at the valuation date only. Where appropriate, we recommend that the valuation is closely monitored, as we continue to track how markets respond to evolving events.

CURRENT ECONOMIC CONDITIONS

Commercial real estate market conditions have deteriorated at the macro level. The significant recent increase in the cost of capital and reduced volume of transaction activity is impacting price

discovery and creating an increase in uncertainty. Increasing interest rates and subdued economic growth will continue to weigh on commercial real estate fundamentals and investment transaction volumes. This creates a higher degree of uncertainty in general, though the impacts may vary by market and asset class/type.

At its March 2024 (postdate of value information) meeting, the Federal Reserve held the federal funds rate at a range of 5.25% to 5.50%, but indicated it still expects to make three quarter-percentage-point cuts by year-end. While the Fed expects that GDP growth and inflation will become more balanced by year-end, it remains attentive to inflation risks.

The CBRE "House View" is for the yield on the 10-year Treasury to drop in 2024, which should aid in the recovery of real estate investment volume. This is consistent with many market participants who anticipate the cost of capital in the future to be lower than current levels.

While opinions vary on future economic issues, the general market consensus at the time of this appraisal is that high interest rates and economic uncertainty will keep real estate capital markets activity subdued in the first half of 2024. The prospect of higher inflation in coming months will likely cause volatility in financial markets; however, leasing activity will likely remain relatively resilient as economic growth outpaces expectations. CBRE expects that investment activity will pick up later in the year as markets fully reprice amid greater interest rate certainty. Amid this uncertain and dynamic environment, investment market performance will be uneven across property types.

NATIONAL HOTEL 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.

Hotel Market National Overview

The following overview was derived primarily from CBRE Hotels Research (CBRE Hotels) Q4 2023 Hotel Horizons© report for the United States, as well as CBRE Econometric Advisors (CBRE-EA), and Kalibri Labs.

National Economic Summary

U.S. Real GDP increased in Q4 2023 at an annualized rate of 3.3%, marking six consecutive quarters of growth for the economy, ending the year up 2.5% in 2023. Fourth-quarter real GDP was primarily boosted by growth in consumption expenditures, exports, residential and inventory investments, non-residential fixed investment, and government spending.

Headline CPI inflation continued to decline in Q4 2023, with average year-over-year CPI inflation at 3.2%, down from 3.6% in Q3. The CPI inflation was 3.4% from December 2022 to December 2023. The personal consumption expenditure (PCE) price index, an indicator often watched by the Federal Reserve, was up 1.7% year-over-year in Q4 and 3.7% for the full year 2023.

Fourth-quarter unemployment dropped to 3.7% at the end of Q4, slightly lower than 3.8% at the end of Q3. On average, the economy added 631,000 jobs during the quarter, down from the 667,000 jobs added in Q3 2023. Within leisure and hospitality, employment increased by approximately 105,000 during Q4 2023, a 0.6% increase over Q3 2023.

Average hourly wages for production and nonsupervisory employees climbed by 4.3% year-over-year in Q4 2023. The leisure and hospitality sector recorded an increase of 4.6% in average hourly wages year-over-year and 995,000 job openings, down 46.5% from a year ago but still 8.5% above its 2019 level.

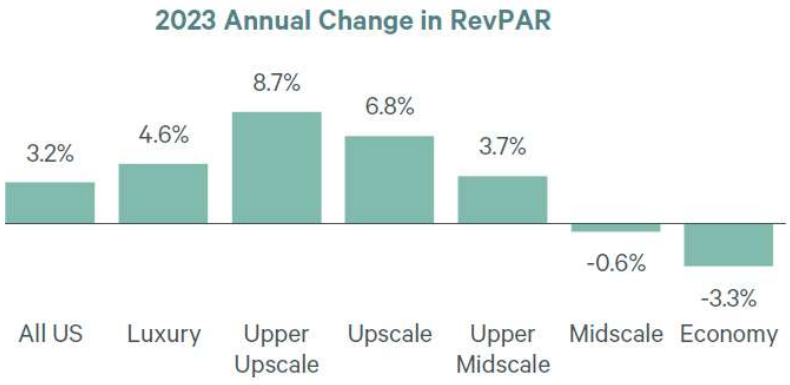
CBRE Econometric Advisors' Baseline forecast calls for full-year Real GDP growth of 1.6% in 2024, followed by 1.5% growth in 2025. CPI inflation is expected to drop to 2.5% in 2024 and stabilize at 2.1% in 2025.

Hotel industry revenue per available room (RevPAR) was down 1.9% year-over-year in Q4 2023, representing 110.3% of Q4 2019. CBRE Hotels Research expects RevPAR growth for 2024 to be 3.0% year-over-year, followed by 3.5% and 3.4% growth in 2025 and 2026, respectively.

National Hotel Summary

Following 3.2% revenue per available room (RevPAR) growth in 2023, CBRE expects another year of growth in 2024, with average daily rates (ADR) increasing 2.3% and occupancy increasing 45 basis points (bps) to 65.3%. 2024 would mark the fourth consecutive year of positive RevPAR growth this cycle with RevPAR forecast to reach 113.2% of 2019's level on a nominal basis. We expect growth to be strongest at urban and airport locations in 2024, given the continued recovery in group and inbound international demand and the normalization in leisure travel.

CBRE Hotels Research's Baseline forecast incorporates a full-year 2024 GDP growth outlook of 1.6%, employment gains of 0.5% and CPI of 2.5% both of which have been positively revised by 37 bps and 42 bps since our prior forecast release in October. However, despite the positive revision to the macroeconomic outlook, we are reiterating our 3% RevPAR growth outlook for 2024 to account for the higher degree of competitive encroachment from alternative lodging sources, and the persistent gap between inbound and outbound international travel.



Source: CBRE Hotels Research, Kalibri Labs, Q4 2023.

In 2023, the U.S. economy grew at an annualized rate of 2.5%, besting expectations of 0.2% growth at the start of the year. The uptick in economic growth drove record RevPAR of $95.84 up 3.2% year-over-year. RevPAR growth was driven by a 2.7% increase in ADR and 0.31 percentage point increase in occupancy. Growth was attributable to continued improvement in group and business travel, and inbound international visitation, partially offset by a slight contraction at resort locations.

With respect to supply growth, 2023 marked a low point at less than 0.5%, and CBRE expects supply growth to remain muted owing to elevated financing and construction costs, and the number of assets in the market available at below replacement costs. For 2024, CBRE expects supply growth of just under 1% (net), and CBRE expects hotel supply to grow at a 0.87% CAGR over the next three years.

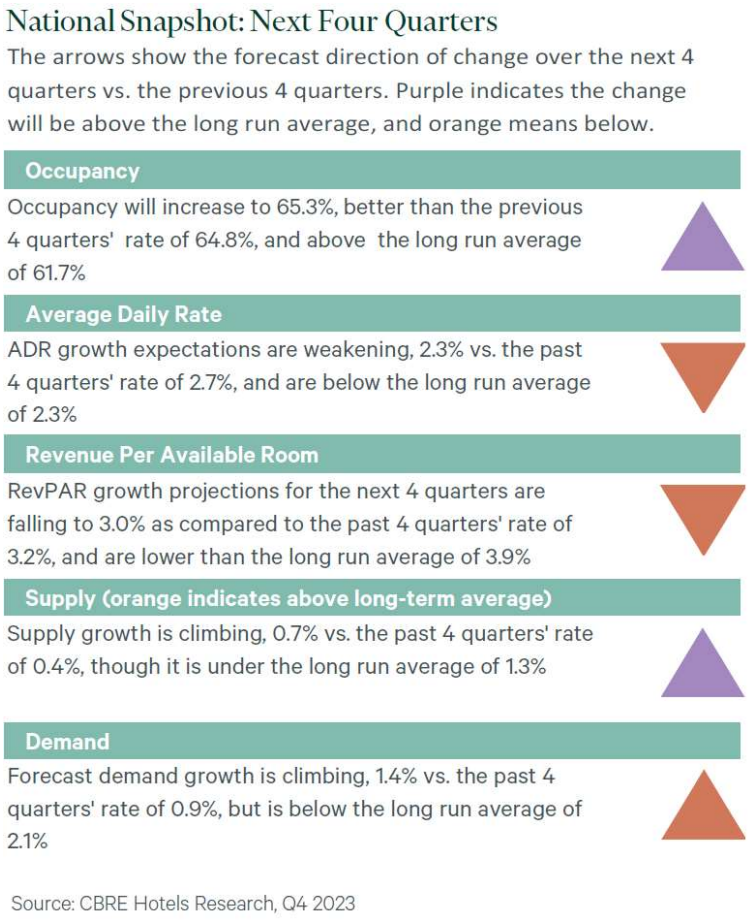
The following table summarizes our five-year history and forecast for the U.S. hotel market (all hotels).

Annual Performance - Five Year History and Forecast - All US Hotels

Year	Occ	Δ Occ	ADR	Δ ADR	RevPAR	Δ RevPAR
2019	67.3%	0.4%	$129.59	0.8%	$87.16	1.2%
2020	43.4%	-35.5%	$100.41	-22.5%	$43.56	-50.0%
2021	58.5%	34.9%	$121.37	20.9%	$71.02	63.0%
2022	64.5%	10.2%	$143.99	18.6%	$92.87	30.8%
2023	64.8%	0.5%	$147.86	2.7%	$95.84	3.2%
2024F	65.3%	0.7%	$151.19	2.3%	$98.68	3.0%
2025F	66.0%	1.1%	$154.81	2.4%	$102.16	3.5%
2026F	66.5%	0.8%	$158.77	2.6%	$105.65	3.4%
2027F	67.1%	0.8%	$162.90	2.6%	$109.24	3.4%
2028F	67.4%	0.5%	$166.93	2.5%	$112.49	3.0%

Source: CBRE Hotels Research, Kalibri Labs, Q4 2023.

The following chart provides a snapshot of national trends forecast over the next four quarters. The arrows show the forecasted direction of change over the next four quarters vs. the previous four quarters. Purple indicates the change will be above the long run average and orange means below.



Source: CBRE Hotels Research, Q4 2023

Investment Rates

Investment rate data for hotel properties from the latest Real Estate Investor Surveys published by RealtyRates and PwC is illustrated in the following table:

Hotel Investor Survey Data									
	Discount Rate			Overall Cap Rate			Terminal Cap Rate		
Source/Type	Range		Average	Range		Average	Range		Average
RealtyRates: 1st Qtr. 2024									
Lodging	8.97%	- 17.18%	12.99%	6.29%	- 16.35%	10.85%	-		
Full Service	8.97%	- 15.02%	13.16%	6.29%	- 13.89%	10.83%	-		
Limited Service	9.38%	- 17.18%	13.15%	6.93%	- 16.35%	11.01%	-		
Golf/Gaming/Resort	9.05%	- 16.29%	12.21%	6.85%	- 15.30%	10.08%	-		
PWC: 1st Qtr. 2024									
Luxury	7.00%	- 12.00%	9.69%	4.50%	- 10.00%	8.00%	6.00%	- 10.00%	8.09%
Full Service	4.50%	- 12.00%	9.95%	7.00%	- 10.50%	8.70%	6.00%	- 10.50%	8.68%
Limited Service	11.00%	- 15.00%	12.50%	9.00%	- 12.00%	10.38%	9.00%	- 12.50%	10.88%
Select Service	9.00%	- 15.00%	11.44%	8.00%	- 10.00%	9.00%	8.00%	- 11.50%	9.56%

Compiled by: CBRE

Historically, the PwC Survey for the hospitality market has been published on a semi-annual basis. However, beginning in Q4 2021, the PwC Survey began including the hospitality market on a quarterly basis.

According to PwC, as of 1st Qtr. 2024, average discount rates and overall capitalization rates, in the luxury/upper-upscale segment increased by 3 basis points and 12 basis points, respectively, while terminal capitalization rates remained unchanged compared to the 4th Qtr. 2023 survey. For the full-service segment, average discount rates, overall capitalization rates and terminal capitalization rates increased 5 basis points, 12 basis points, and 10 basis points, respectively compared to the 4th Qtr. 2023 survey. For select-service hotels, average discount rates decreased by 25 basis points, while average overall capitalization rates and terminal capitalization rates increased by 6 basis points and 31 basis points, respectively. For limited-service hotels, average discount rates, overall capitalization rates, and terminal capitalization rates were all unchanged compared to 4th Qtr. 2023. Compared to the 1st Qtr. 2023 survey, the overall capitalization rates increased by 55, 65, 25 and 73 basis points for the luxury, full-service, select-service, and limited-service segments, respectively.

CBRE Publications

The following excerpts are from various publications recently published by CBRE Hotels regarding cap rates and hotel trends.

H2 2023 CBRE Cap Rate Survey

"Fewer survey respondents believe cap rates will increase in H1 2024 than did so in H1 2023. This likely reflects investor expectations of a more accommodative Federal Reserve policy and bond yields decline from October 2023 highs."

The following chart summarizes the CBRE H2 2023 Cap Rate Survey results for hotel markets across the country.

Hotel

Market	Full Service / Branded			Limited Service / Branded		
	Luxury Destination Resort	City Center	Other	Drive-To Resort	City Center	Other
Atlanta	5.5% - 7.25%	7.5% - 9.5%	8% - 10%	6.75% - 8.25%	7.75% - 9.25%	8.25% - 10.25%
Austin	6% - 7.5%	6.5% - 7.5%	7% - 8%	6.5% - 7.5%	7% - 8%	7.5% - 8.5%
Charlotte	5% - 7%	6% - 8%	7% - 9%	6% - 8%	7% - 9%	8% - 10%
Chicago	7% - 9%	8% - 9%	8.5% - 9.5%	7% - 8%	8.5% - 9%	9% - 10%
Columbus	7.5% - 8.5%	7.5% - 8.5%	7.5% - 8.5%	7.5% - 8.5%	8% - 9%	8.5% - 9.5%
Dallas	6.25% - 7.75%	6.75% - 7.75%	7.25% - 8.5%	7% - 8%	7.25% - 8.5%	7.75% - 9%
Denver	7% - 7.5%	7.5% - 8.5%	8% - 9%	7% - 7.5%	7.5% - 8.5%	8% - 9%
Detroit	-	7.5% - 9%	8% - 9.5%	-	8% - 9%	8.5% - 10.25%
Houston	7% - 8.5%	7.25% - 8.25%	7.5% - 8.5%	7.5% - 8.5%	7.75% - 8.75%	8.25% - 9.25%
Las Vegas	7% - 8%	8% - 8.5%	8.5% - 9.5%	7.5% - 8.5%	8.5% - 10%	9% - 10%
Los Angeles	4.25% - 6%	6.25% - 7.75%	6.5% - 7.75%	6% - 7%	7% - 8%	7.25% - 8.5%
New Orleans	7% - 8.5%	7.25% - 8.5%	7.75% - 9%	7.5% - 8.5%	7.75% - 9%	8.25% - 9.5%
Phoenix	6.5% - 9%	6% - 7.5%	6% - 8.5%	6.5% - 9.25%	6.5% - 9.5%	5.5% - 8.25%
Sacramento	5.5% - 7%	6.5% - 8%	6.5% - 8%	5.5% - 7%	7% - 8.5%	7.5% - 9%
San Antonio	6.75% - 8.25%	7.25% - 8.25%	7.75% - 8.75%	7.25% - 8.25%	7.75% - 8.75%	8.25% - 9.25%

Source: CBRE Econometric Advisors, H2 2023.

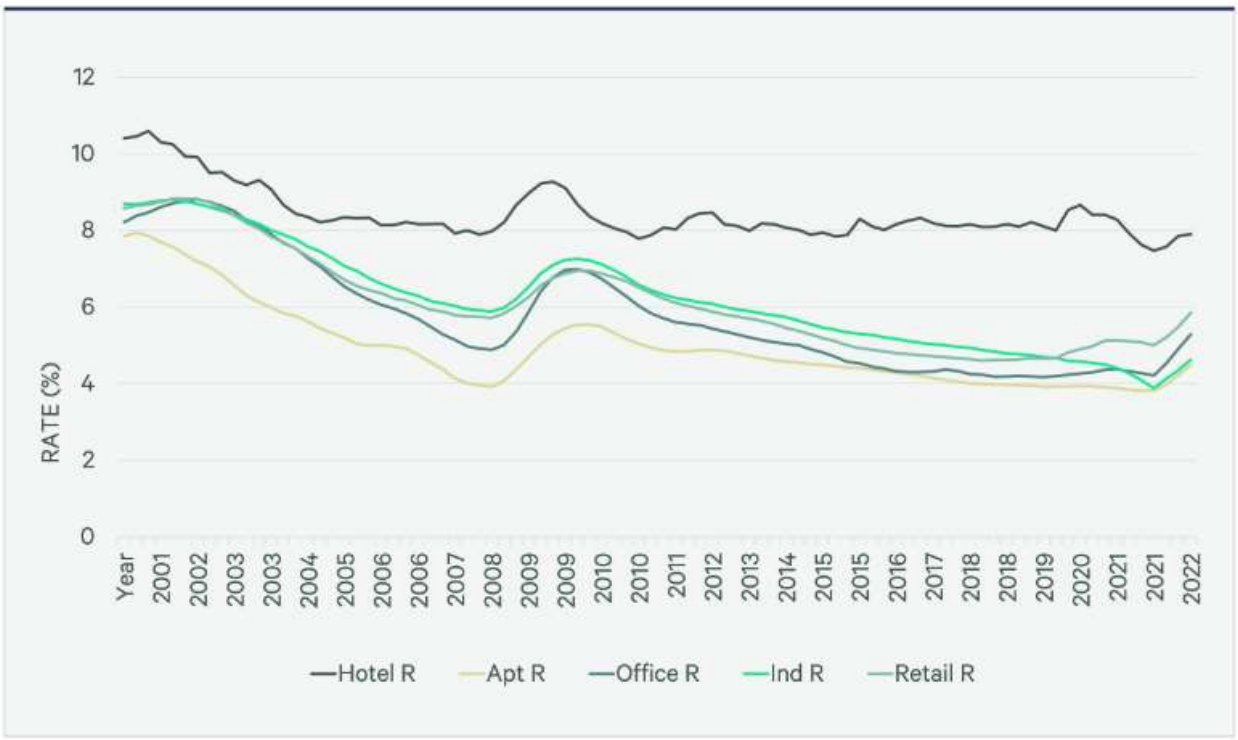
Connections & Disconnections of Commercial Property Cap Rates

Published on January 16, 2024, this study takes a long-term look at cap rates for different property types. Following is a summary of this publication.

"Commercial real estate cap rates, a closely followed measure of overall return and a convenient property valuation metric, exhibited low volatility and remained within a narrow range during the past two decades. Cap rate data aggregated across office, retail, multifamily, industrial and hotel properties from Q1 2001 through Q4 2022 averaged 6.29% with a standard deviation of 1.12%. The minimum and maximum cap rates were 4.88% and 8.87%, respectively. Real Estate Research Corporation (RERC), a data source extending back to Q1 1989, produced close to the same results with an average cap rate of 7.85% and standard deviation of 1.31%. The RERC data are introduced throughout this Viewpoint as checks for robustness of the CBRE data.

Because the commercial property industry, including investment funds, REITs, brokers and appraisers, is largely organized by property type, cap rates are commonly separately reported for multifamily, industrial, office and retail, representing the four main types, and hotel, health care and specialty real estate uses. These category-specific cap rates are thought to contain useful information, such as rental and supply conditions in each category, that is obscured by relying on the aggregate cap rate, a problem often referred to as aggregation bias.

Figure 1: CBRE Commercial Real Estate Cap Rates, Q1 2001 — Q4 2022



Source: CBRE.

Historical cap rate data exhibit differences across property types, yet the paths through time are quite similar. Figure 1 shows the pattern of property type cap rates reported by CBRE from 2001 through 2022. Declining interest rates meaningfully contribute to the downward trend in cap rates beginning in the early 2000s until recently. The movements across all property types in Figure 1 are remarkably consistent except for hotel cap rates, which departed from the prevailing pattern beginning in the early 2010s. Figure 2 shows the RERC data for the same property type cap rates over the same period. These time series closely resemble those in Figure 1, although the departure of hotel cap rates appears approximately two years later.

Figure 2: RERC Commercial Real Estate Cap Rates, Q1 2001 — Q4 2022



Source: RERC.

A plausible hypothesis to explain the upward movement of hotel cap rates away from trend since the early 2010s is the contemporaneous rise of online short-term rental availability. In 2009 Airbnb logged revenues of $850,000. By 2012 revenues grew to $45 million, and in 2017 they were $2.5 billion. The emerging supply surge of paid accommodation properties during the 2010s may have caused investors to rethink future hotel performance thus elevating overall return requirements. A growing share of the 140 million U.S. homes suddenly became competitors to traditional hotels.

Since 2001 cap rates for all property types have remained within a range of under 500 basis points (bps), experienced very low volatility, and are highly correlated. The magnitudes of some outcomes are likely affected by smoothing in the data but not in a meaningful way.

Cap rate movements reflect both changes in macroeconomic factors and significant changes in property type fundamentals, such as the impact of short-term rentals on hotel assets, e-commerce sales on retail stores, remote or hybrid working on office buildings, and supply chain challenges on warehouse & distribution facilities. Investors should adjust property portfolio weightings when such changes first appear."

Maturation of the Hotel Industry Drives Convergence with Other Sectors to Facilitate Growth

Published on January 9, 2024, this study analyzes that maturation of the hotel industry and convergence with other sectors. Following are some excerpts from this publication (**full article here**).

Signs of the maturation of the U.S. lodging industry are abundant. Traditional hotel room unit growth is slowing, margins and profits are under pressure, revenue per available room (RevPAR) growth is not keeping pace with inflation, and there is increasing competition from short-term rentals, cruise lines, and other forms of lodging (i.e., glamping, camping, "van life").

At the same time, the industry is experiencing a convergence in the short-term rental, branded residential, and more traditional residential (single and multi-family) real estate markets. Services and amenities are more important than ever in traditional residential real estate, as are improvements in shared spaces and the desire for more communal activities for all ages to instill a sense of belonging, something that had historically been more common in active adult communities and senior living.

Today, individuals rent out their homes via short-term rental platforms. Sovereign wealth funds and large real estate investors lower their costs, increase capacity utilization (particularly in shoulder periods), and increase their returns by selling luxury residences as part of new resort developments. What were once primary residences are now rentals, and what were once rentals are now homes.

Given the large number of renters across the globe, we see an opportunity for hospitality owners and brands to grow their footprints and their loyal customer bases by expanding into, merging, or partnering with residential real estate companies to create trusted and amenitized co-living, student housing, vacation home and senior-living communities.

Our view is that this is likely to come full circle as the brands look for growth. Will growth into these areas—senior housing, multifamily rentals, student housing—come in the form of 100% ownership? It's unlikely, but direct investments and additional partnerships are likely."

INVESTMENT ACTIVITY

The following information was extracted from the 2023 Year-End MSCI Real Capital Analytics (RCA) Capital Trends – US Hotel report.

"Investment activity in the hotel sector was a little stronger in 2023 than the headline figures imply. Deal volume fell for deal structures of all types, but the sharper drops for portfolio and entity-level sales obscure some relative improvements. There was a divergence between the full-service and limited-service segments for the year as well.

Transaction Volume Summary

	Q4 2023		2023	
	Vol ($b)	YOY	Vol ($b)	YOY
Hotel Total	7.3	-42%	26.2	-47%
Full-Service	3.9	-49%	12.5	-44%
Limited-Service	3.4	-32%	13.7	-50%
Single Asset	5.4	-36%	22.1	-37%
Portfolio & Entity	1.9	-55%	4.1	-72%

The drop in sales volume for 2023 was not as bad as the contraction in 2020 when the double whammy of the Covid-19 pandemic and a hotel-specific credit crunch hit. It was also not as bad as the pace of decline seen in 2008 and 2009 when the Global Financial Crisis savaged credit availability for all commercial property. Still, the high double-digit declines for the year are a sign of market challenges.

One part of the challenge is the rippling aftershock from the medicine used to protect the economy during the worst parts of the pandemic. Central bank interventions and limited demand for investment capital helped push interest rates to record lows. By 2021 and 2022 when investors were willing to take on some risks, the low rates drove a surge in investment.

Annual volume fell to only $26.2b but some of the drop was simply the market moving away from the easy financing. As time marches on and the market gets further from that period of low rates, drops in deal volume can moderate so long as there is not some next shock. Indeed, as highlighted on the next page, drops in deal volume diminished across most quarters of the year.

Annual Transaction Volume and Pricing



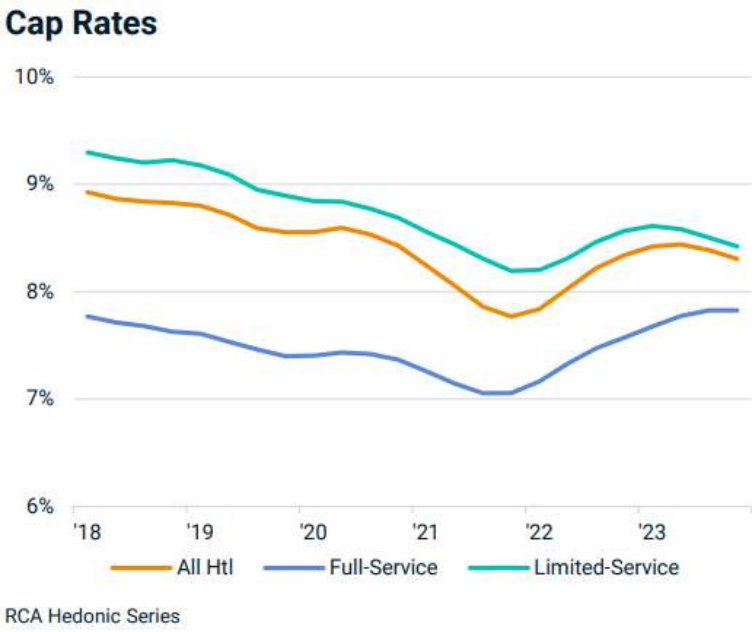
Deal structure mattered in 2023 as well, with portfolio and entity level sales down 55% from a year earlier. Individual asset sales were stronger, showing only a 36% decline.

Quarterly Deal Volume and Pricing Summary

	Q4 2023 Volume			RCA CPPI			Price Averages		
	$b	YOY Chg	#Props	YOY Chg	1-qtr Chg	1-yr Chg	$/unit	Cap Rate	YOY Chg (bps)
Hotel	7.3	-42%	483	-36%	-0.2%	-0.5%	122,976	8.3%	0
Full-Service	3.9	-49%	112	-29%	0.2%	-1.9%	173,374	7.8%	30
Limited Service	3.4	-32%	371	-38%	-0.2%	0.2%	96,969	8.4%	-10
6 Major Metro	2.8	-19%	79	-14%	1.4%	3.1%	219,345		
Non-Major Metro	4.5	-51%	404	-39%	-1.3%	-2.0%	99,552		

RCA Hedonic Series cap rates, changes are rounded.

Hotel property prices fell in 2023 though the timing of the decline is unique to the sector. The RCA CPPI for hotels had grown at a 5.3% YOY pace as recently as the first quarter of 2023 but slipped to a decline of 0.5% by year-end. In other sectors, declines in prices generally moderated throughout the year.



There was a divergence in hotel cap rate trends for 2023, with the full-service segments still facing upward pressure even as the limited-service segments began to decline. This divergence in pricing was mirrored in deal volume as well.

Our hedonic cap rate series for full-service hotels closed at 7.8% in the fourth quarter of 2023, up 20 bps from a year earlier. This measure for the limited-service segments closed at 8.4% for the quarter, down 20 bps from a year prior.

Cap rates for both segments were higher at the end of 2023 than the lows in this cycle seen in 2021. Full-service cap rates bottomed out at 7.1% in the third quarter of 2021 while those for limited-service segments hit a low of 8.2% in the fourth quarter of that year. Relative to history though, limited-service cap rates are outperforming.

From 2015 to 2019, limited-service cap rates averaged 9.1%, putting the fourth quarter cap rates 70 bps lower than the pre-pandemic averages. For full-service assets though, the market is back where it was before the pandemic.

Deal volume improved in the second half of 2023 for the limited service segments, with a shallower decline in year-over-year trends for asset sales. What was a 49% YOY drop in the second quarter moderated to only a 32% YOY decline by the fourth quarter.

The full-service segments were on a different path into the fourth quarter, however. Individual asset sales seemed to be turning the corner into the third quarter, with a moderation of the declines seen in the previous quarter. But then by the fourth quarter these segments posted the sharpest decline for the year. Individual asset sales for the full-service segments were also lower in the fourth quarter than for the first quarter. Normally the fourth quarter is the strongest period of the year."

NATIONAL OVERVIEW CONCLUSION

While the hospitality industry is recovering from the worst downturn in history, there are still significant near-term challenges. The Russia-Ukraine and Israel-Hamas wars continue to weigh on the economy, while inflation reached a 40-year high and interest rates reached a 22-year high in 2023. However, recent inflation numbers indicate the Fed's policies might be working and many experts conclude the Fed is likely done hiking rates and rate drops in 2024 are likely. Hotel wages are up year-over-year and hotel wage growth pressures are likely to persist, at least for the near term.

Debt markets continue to remain challenging in terms of cost and availability of capital, which has put downward pressure on asset values and severely strained transactions activity; however, the market remains highly liquid and there is evidence of notable spread compression - particularly for quality, cash flowing assets. As interest rates continue to settle and new supply remains severely muted at less than 50% of long-term historical averages, investors will have greater clarity with respect to underwriting and executing transactions. Deal volume will likely surge as the year progresses once major trades are made by large REITs and public equity firms, which will lead to greater price discovery and investor confidence.

Further, business and group travel should continue to improve at an observable pace. Leisure demand also remains relatively strong, particularly with the ease and acceptance of remote working that has fueled demand for more blended business/leisure ("bleisure") trips. Many leisure-centric markets continue to perform at or near historic peaks and well above pre-pandemic levels, although there has been a deceleration in demand and rate growth as outbound international travel is returning in full force. Fortunately for operators, there has also been a surge in inbound international travel as travel restrictions have eased in major international feeder markets like China.

Overall, the hotel market is highly liquid and lodging assets remain favored among investors given the prospect for attractive, risk adjusted yields relative to other commercial real estate asset types.

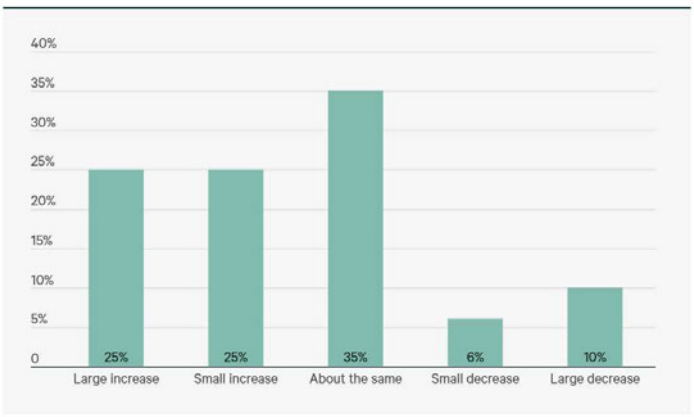
Lodging fundamentals remain strong, supply side pressures are muted for the time being, and transaction activity is expected to return in the next 12 months as buyers and sellers adjust to the new normal interest rate environment. While the potential of new variants, geopolitical conflicts, and interest rate uncertainty could drastically change forecasts, most observers remain cautiously optimistic regarding the prospects for the hospitality industry fundamentals over the next 12 to 24 months.

PORTFOLIO CHARACTERISTICS

The following characteristics of the subject portfolio are considered when analyzing the portfolio as a whole:

- According to CBRE's Global Hotel Investor Intentions Survey 2024[9] Global Hotel Investors Plan to Buy More This Year (2024), as noted in the table below that summarizing the U.S. Investor's Buying Intension U.S. Per the CBRE survey, investors have generally positive sentiment about the hotel market this year, with half of those surveyed planning to increase their hotel investment. This is being driven by expectations of higher total returns and favorable price adjustments.

Figure 9: U.S. Investors' Buying Intentions



Source: CBRE Global Hotel Investor Intentions Survey 2024.

- The geographic diversity of the product is always considered as it impacts overall investment risk. The subject exhibits strong diversification as it is comprised of 45 hotels located in 23 states.
- The size of the portfolio, which drives the overall economies of scale, typically has a significant impact (both on the initial acquisition cost and operational efficiencies). In general, the size of a portfolio is based on the total dollar amount ($50MM is typically considered to be a minimum figure). This size parameter is important as it is necessary to

[9] As of May 1, 2024 publication.

generate the interest of larger, institutional investors. Portfolios typically benefit from this component as the total dollar amount of each asset is relatively small (i.e. it would be very time consuming to try and assemble a similar portfolio through one-off acquisitions). However, it is also important to note that if the portfolio is too large, it limits the pool of potential buyers and therefore, becomes somewhat of a negative. The subject's portfolio size of 45 properties with a combined value over $50MM is above a minimum threshold for many portfolio buyers. Given the quality and scarcity of available hotel portfolios like the subject, the subject and comparable portfolios have generated some buyer interest from institutional buyers.

- Most institutional lenders would prefer to lend on portfolios as it is more difficult for them to lend on one-off properties value at $20 million or less. The amount of time and effort to finance such small deals are equivalent to the amount of time and effort that it takes to place debt on a portfolio. Available debt financing for large portfolios of good quality assets is significant and would impact demand from all investors. The subject is generally comprised of average quality, adequately maintained hotels with a national brand affiliation and market exposure and would benefit from adequate available financing. Due to the low rates in the marketplace today, there is adequate demand in the debt market for portfolios such as the subject.
- Reportedly, since early 2020 Avantic Lodging has funded and deployed approximately 27 million for capital improvements in the platform, upgrading products / facilities offered to varying degrees. The lender mandated FF&E Escrow reportedly was increased to 4%. According to the client the overall age of the portfolio remains a challenge and has been considered in the operations as well the selection of market-based rates.

Other Sources & Information Regarding Rates & Multiples

- NYU industry study (Hotel/Gaming) indicates an average EV-to-EBITDA Multiple of 14.98x.[10]
- Wyndham Hotels & Resorts (WH) EV-to-EBITDA is at 13.59x.
- Ashford Hospitality Trust Inc. (AHT) 2023 EBITDA multiple at 12.3x.

[10] Data used is as of January 2024, https://www.stern.nyu.edu/~adamodar/pc/datasets/vebitda.xls.

- On May 24, 2023, Pebblebrook Hotel Trust (PEB) announced another closing on the 125-room Hotel Vintage Seattle (Seattle, WA) for $33.7 million. Based on the hotel's operating performance reported, the $33.7 million sales price reflects an 11.2x EBITDA multiple.[11]
- Apple Hospitality's latest twelve months EV-to-EBITDA multiple is 11.7x and its EV-to-EBITDA multiple for the four-year period December 2019 to December 2023 averaged 17.5x.[12]

[11] www.hotelnewsresource.com/article126559.html

[12] Apple Hospitality REIT, Inc. (NYSE: APLE) is a publicly traded real estate investment trust ("REIT") that owns one of the largest and most diverse portfolios of upscale, rooms-focused hotels in the United States. Apple Hospitality's portfolio consists of 223 hotels with more than 29,400 guest rooms located in 87 markets throughout 37 states as well as one property leased to third parties. Concentrated with industry-leading brands, the Company's hotel portfolio consists of 99 Marriott-branded hotels, 119 Hilton-branded hotels and five Hyatt-branded hotels.

The following is a list of companies that operate in a related industry or sector similar to Apple Hospitality REIT Inc. Size, growth, and various financial metrics to narrow also went into the selection of companies listed below[13].

EV / EBITDA Benchmarks

Name	Ticker	EV / EBITDA
Chatham Lodging Trust REIT	NYSE:CLDT	10.1x
Service Properties Trust	NASDAQGS:SVC	10.7x
Host Hotels & Resorts Inc	NASDAQGS:HST	11.5x
Apple Hospitality REIT Inc	NYSE:APLE	11.7x
Braemar Hotel & Resorts Inc	NYSE:BHR	11.8x
Sunstone Hotel Investors Inc	NYSE:SHO	12.0x
RLJ Lodging Trust	NYSE:RLJ	12.0x
Park Hotels & Resorts Inc	NYSE:PK	12.2x
Xenia Hotels & Resorts Inc	NYSE:XHR	12.6x
Ryman Hospitality Properties Inc	NYSE:RHP	14.7x
Real Estate	SECTOR:REST.US	15.3x
NNN REIT Inc	NYSE:NNN	15.7x

Additionally, according to information complied by MicroCap.co multiples reported for a sampling of 32 companies with varying EBITDA earning levels, revealed an average EBITDA multiple[14] of about 26.9x. According to the information published, "between cohorts of companies whose

[13] https://microcap.co/average-hotel-ebitda-margin-and-hotel-ebitda-multiple/

[14] Note that the revenue multiple uses the market cap to calculate the multiple whereas the EBITDA multiple uses the enterprise value. This is because EBITDA takes out the effect of debt, so to make it more comparable, we take the enterprise value as the numerator, which takes into account debt and cash of the company.

revenue is between $1 million and $200 million and between $200 million and $500 million, there isn't a clear correlation in the EBITDA multiples". Breaking it down by size of companies, this following is a set of observations for the average hotel EBITDA multiple:

- The average EBITDA multiple for companies with revenue between $1 million and $200 million is 23.5x.
- The average EBITDA multiple for companies with revenue between $200 million and $500 million is 21.3x.

According to their research, the data set analyzed for average hotel EBITDA margins included 580 companies[15], which is viewed as a comparatively large sample size. The subject's gross margins historically and forecasted generally range about 60% to 62%, which is at the upper end of the data indicated in the table below.

From Revenue	Upto Revenue	# of Data	Gross Margin %	EBITDA Margin %
1	20	409	60%	16%
20	200	109	59%	17%
200	500	16	49%	17%
500	No Max	46	49%	20%
Total Average	microcap.co	580	58%	16%

Key observations of the average hotel EBITDA margin:

- The average EBITDA margin for companies with revenues between $1 million and $20 million is 16%.
- The average EBITDA margin for companies with revenues between $20 million and $500 million is 17%.
- The average EBITDA margin for companies with revenues larger than $500 million is 20%.

[15] (Note for here as well that hotels with outliers or no data were removed from the data set.) https://microcap.co/average-hotel-ebitda-margin-and-hotel-ebitda-multiple/

- Since there are more hotel businesses with smaller revenues (i.e. there are 409 companies in the data set, the average hotel EBITDA margin for the total data set of 580 companies is 16%.

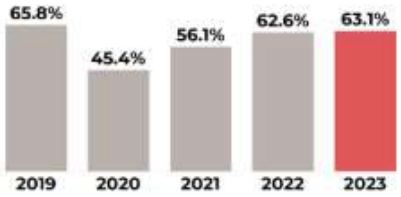
As the following table from the National Association of Realtors, the hospitality sector continued to advance at the end of 2023.

Hotel

Occupancy rate in the last 12 months: 63.1%
Average daily rate in the last 12 months: $155/room
Revenue per available room in the last 12 months: $98/room

The hospitality sector continued to advance at the end of 2023. Yet, despite gains in average daily rates and revenue per available room, hotel occupancy hasn't fully recovered back to the figures seen before the pandemic. The 12-month occupancy rate lags 2.7 percent behind the pre-pandemic benchmark.

12-month Occupancy Rate in November



Specifically, in November 2023, the average daily rate (ADR) per room rose to $155/room, up 18% from November 2019. The revenue per available room (RevPAR) also increased to $98/room, up 13% compared to the same period in 2019.

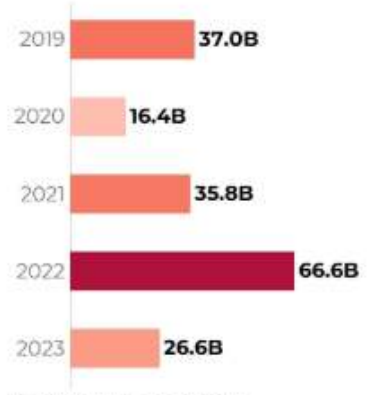
12-month ADR and RevPAR in November

	Average daily rate	Revenue per available room
2019	$131	$86
2020	$106	$48
2021	$122	$68
2022	$148	$93
2023	$155	$98

ADR is the total revenue/number of rooms. RevPAR is ADR x occupancy rate.

Sales acquisitions have declined since the last year. In November 2023, the 12-month sales volume dropped to $26.6 billion from $66.6 billion in the previous year.

12-month Sales Volume as of November



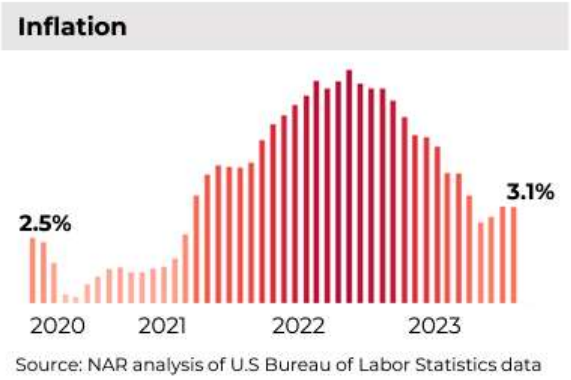
Source: NAR analysis of CoStar data

Locally, Maui Island in Hawaii is a standout in the hospitality industry, boasting a significant ADR hike of 54% from before the pandemic. It also claims the nation's highest ADR and RevPAR, at $604 and $395, respectively. Meanwhile, New York City tops the charts as the busiest hotel hub with an occupancy rate of 81%, and Sarasota, FL, has seen an impressive 50% jump in hotel RevPAR.

On the flip side, the San Jose/Santa Cruz and San Francisco/San Mateo areas in California have not yet overcome the pandemic's impact, with their RevPAR dipping by 28% and 27%, respectively, compared to November 2019.

NATIONAL ASSOCIATION OF REALTORS®

According to National Association of REALTORS® Commercial Real Estate Market Insights December 2023 Inflation continues to ease and inflation may not have yet reached the Federal Reserve's goal of 2%, but it's considerably lower than the previous year. As of November 2023, consumer prices were 3.1% higher than the previous year. A year ago, the inflation rate stood at 7.1%. But the inflation rate will further ease in the following months, driven by a continued slowdown in rent growth. The National Association of REALTORS® (NAR) forecasts inflation to drop to 2.7% in 2024.



Source: NAR analysis of U.S Bureau of Labor Statistics data

According to the NAR, The Federal Reserve's interest rate ended the year at 5.5%, marking a one percentage increase compared to the previous year. However, with rate hikes likely done, the Federal Reserve has announced its intention to initiate rate cuts next year. While interest rates set the foundation for borrowing costs, these lower interest rates are expected to stimulate investment activity in commercial real estate. The National Association of REALTORS® forecasts interest rates to fall below 4.5% by the end of next year.

NAR's outlook said the U.S. economy was not anticipated to expand to this extent in 2023, especially following the multiple rate hikes by the Fed. Against all expectations, the economy grew more than 5% in the third quarter. Despite grappling with high interest rates and inflation, Americans maintained a persistent spending spree, contributing to the advancement of economic growth throughout 2023. The prospect of lower interest rates signals optimism for continued economic expansion in 2024.

Additionally, according to information in related STR article by Amanda Hite, STR President, the 2024 hotel projections, industry experts are optimistic about the future of the hospitality sector. Projections for 2024 and beyond indicate positive trends, with an anticipated ADR change of 3.1%, occupancy change of .6%, and revenue per available room (RevPAR) change of 4.1%.

Traditionally, during economic downturns, the industry has experienced an influx of new hotel supply. However, a unique aspect of the current situation is the limited supply of new hotels, attributed to the prevailing interest rate environment. This scarcity of new developments has prompted hospitality researchers to ponder whether it could contribute to the industry's improved performance in the coming years.

The STR article states that while the industry's KPIs have not reached pre-pandemic levels, they still see continued growth in RevPAR carried by strong traveler fundamentals. These fundamentals include low levels of unemployment among college educated individuals, an increase in households above $100k in income, a rise in disposable income, and a stable corporate environment.

The industry's resilience and solid traveler fundamentals positions hotels for potential growth in the coming years. The diverse sources of demand, including leisure and business travel, contribute to a balanced outlook for the hospitality sector in 2024. According to GlobeStreet,[16] "Hotels Are 'Hottest' Asset Class So Far in 2023". According to the article in Globestreet, 2023 has seen a tremendous start for hotel investors. The sale of the Diplomat Beach Resort in Hollywood, Fla., was the third-largest single-asset sale in US history. The recent closing of the AC Hotel Phoenix Biltmore set a record price-per-key for upscale select-service assets in the Phoenix market. Kevin Davis, Americas' CEO, JLL Hotels & Hospitality Group, said in prepared remarks that investors are buying into the thesis that long-term growth trends in certain markets will outweigh near-term capital market's dislocation. "As a result, these investors are willing to buy at cap rates that are lower than the cost of debt because the growth story is so compelling." The article goes on to says. "The American Hotel & Lodging Association (AHLA) and Oxford Economics recently reported that it expects hotel-generated state and local tax revenue to set a record at $46.71 billion this year. Additionally, it sees average U.S. hotel occupancy reaching 63.8% in 2023 – just shy of 2019's level of 65.9%.

Morgan Stanley's Bluhm notes that lodging deal activity is picking up amid lowering rates.17 Specifically he said, "A lot of capital is waiting on the sidelines," Bluhm said. "So hotel values will improve" in the future. He pointed to the "durability of consumers," the hotel guests who are returning after the pandemic break. Large chains have demonstrated that "scale is powerful," he added, referencing the 2016 acquisition of Starwood Resorts by Marriott International Inc. Marriott's stock has more than tripled since, as revenue and earnings have burgeoned.

[16] www.globest.com/2023/02/23/hotels-are-hottest-asset-class-so-far-in-2023/

[17] https://www.ai-cio.com/news/hotel-investing-remains-cheap-as-sectors-recovery-continues-per-analyst/

According to a December 22, 2023, article by Hospitality News[18] entitled "U.S. hotel investment set to accelerate in 2024, particularly in top urban markets", the overall outlook is viewed favorably. According to the article, "Despite the expectation of prolonged economic uncertainty and geopolitical headwinds in 2024, U.S. hotel performance is forecasted to remain above pre-pandemic levels and provide a favorable backdrop for hotel investors. On the demand side, leisure travel will gradually normalize amidst increased outbound travel options. Conversely, group, business and international travel will continue to reemerge as return-to-office mandates grow and consumers prioritize spending on travel. This will underpin a boost in performance for U.S. urban markets, including New York, Boston, Chicago and San Francisco, among others.

Rates will also remain elevated through 2024; however, there are signs of ADR growth slowing down due to pricing fatigue. Since April 2023, trailing-12-month ADR has consistently grown less than 1%, month-over-month. Nevertheless, the U.S. hotel industry is expected to deliver robust performance in 2024, with year-end RevPAR forecasted to be up 18.1% from 2019. Look for urban markets to lead the way and attract increased investment, with major markets, such as Chicago, Los Angeles and New York City, to drive transaction activity.

Even though 2023 witnessed the second-highest number of hotel transactions on record, the prevailing high cost of debt resulted in the lowest level of transaction volume in 10 years (excluding 2020). Portfolio volume contracted to an unprecedentedly low level, comparable only to the two previous event crises of COVID-19 and the Great Financial Crisis (GFC). Additionally, the average deal size plummeted to its lowest point since the GFC, reaching just $31 million. This decline in portfolio volume and average deal price reflects the challenge investors face in financing larger deals. However, this sentiment is expected to pivot in 2024. In the latest Federal Reserve meeting in December, its monetary policy view turned accommodative, with a new consensus that they will cut rates earlier and faster in 2024. This shift will likely encourage hotel investors to be more acquisitive. According to our latest Global Hotel Investor Sentiment Survey, 81% of investors are expected to be net buyers in 2024, the highest total ever recorded since the inception of the annual survey in 2001. This positive investor outlook bodes well for the U.S. hotel investment market as the challenge of capital market dislocation will begin to ease. Expect investment activity to accelerate over the next 12 months.

[18] Story contributed by Ophelia Makis, sr. analyst, Americas Hotels Research, JLL Hotels & Hospitality Group

Two sectors on opposite ends of the spectrum have emerged as the most appealing and liquid for U.S. hotel investors: irreplaceable luxury assets and select-service and extended-stay hotels. With global wealth continuing to rise over the long-term, as well as the growing appeal for unique travel experiences, luxury hotels are anticipated to remain the most favored among investors in 2024, particularly those who are less reliant on leverage. The increased demand for irreplaceable luxury assets has spurred a notable rise in luxury hotel liquidity post-pandemic. In 2023, the number of single-asset luxury hotel transactions reached the third highest level in the past seven years, totaling 39.

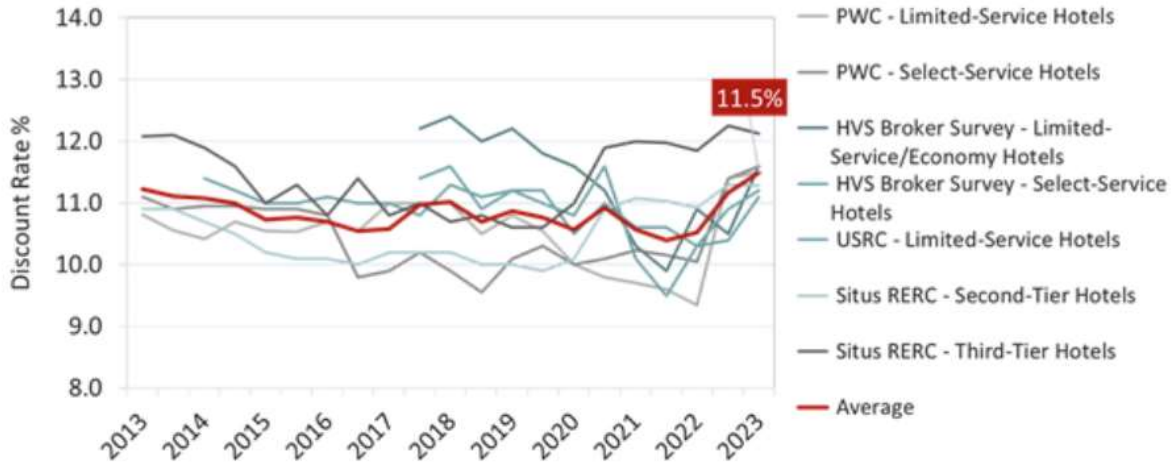
The U.S. hotel industry is expected to deliver robust performance in 2024, with urban markets leading the way. This supports the increased optimism for accelerated hotel investment activity over the next 12 months as capital market dislocation eases, reflected in a positive investor sentiment and an accommodative signal from the Federal Reserve to lower interest rates next year earlier and faster. Financial pressures and dispositions stemming from expiring private equity funds' life cycles will also create opportunities for investors to acquire assets. U.S. hotel investment is poised to rebound, with a focus on luxury and select-service and extended-stay hotel assets in top urban markets. Collectively, these factors signal a positive outlook for accelerated U.S. hotel investment in 2024.

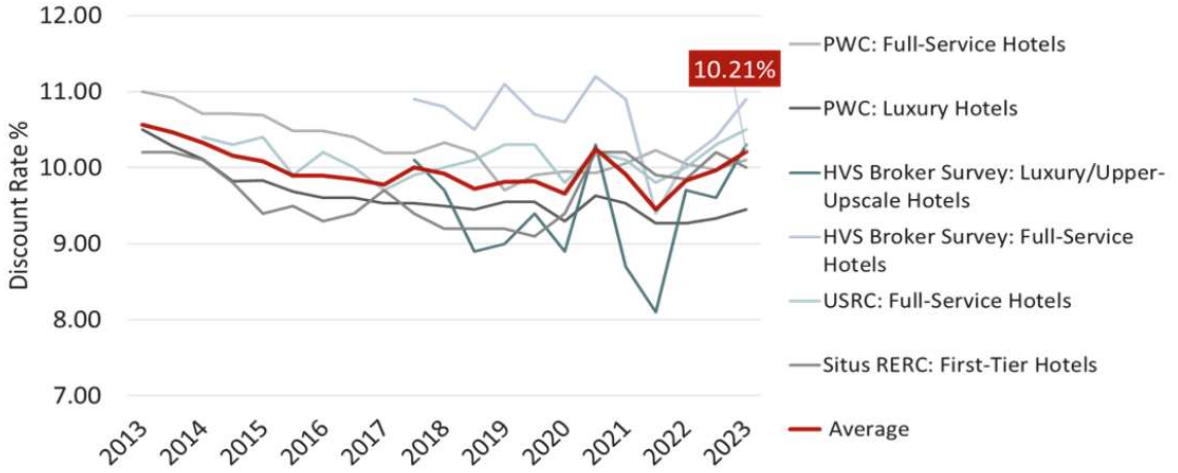
According to Sara Havlena, the editor-in-chief of Crittenden Real Estate magazine and The Crittenden Report, in a December 4, 2023, article, *Hotels will be a favored property type in 2024*.[19] Hoteliers will see more available capital next year. Hotels are becoming one of the most financeable commercial real estate asset classes in the market given the positive leverage between cap rates and loan rates, along with continued strong operating performance. Lenders have begun to over-allocate new originations to hotels to make up for the declines in loan volumes elsewhere. This should continue into 2024 unless rates move meaningfully lower or cap rates on other asset classes move significantly higher.

[19] https://crittendenreport.com/hotels-will-be-a-favored-property-type-in-2024/

The following rate information was compiled and provided by Daniel H. Lesser, President & CEO of LW Hospitality Advisors LLC (LWHA).[20]

Investor Surveys





Sources: HVS, PWC, USRC, Situs RERC

[20] https://www.hotel-online.com/press_releases/release/q4-2023-major-u-s-hotel-sales-survey/

PORTFOLIO PREMIUM

Portfolio premiums can be achieved for good quality, well branded hotels in primary and secondary markets with reasonable upside potential. In this instance, however, portfolio pricing would warrant a meaningful discount to aggregate asset values based on the differences in buyer profile and investment characteristics for a portfolio versus individual asset transaction. When considering the qualities of the subject portfolio, the following characteristics were considered and previously discussed:

- Market considerations: The geographic diversity of the product is always considered as it impacts overall investment risk.

  Subject Characteristics: The subject offers strong geographic diversity, as the assets are located across the United State.

- Market considerations: The size of the portfolio, which drives the overall economies of scale, typically has a significant impact (both on the initial acquisition cost and operational efficiencies).

  Subject Characteristics: The subject offers an aggregate value of over $50MM and includes 45 properties. This is considered to be an attractive portfolio as it meets the minimum value hurdle and number of assets. In addition, the scarcity of similar quality portfolios on the market would attract strong buyer interest.

- Market considerations: Interviews with market participants revealed that most institutional lenders would prefer to lend on portfolios as it is more difficult for them to lend on an individual asset. The amount of time and effort to finance such small deals are equivalent to the amount of time and effort that it takes to place debt on a hotel portfolio. Available debt financing for large portfolios of good quality assets is significant and would impact demand from all investors.

  Subject Characteristics: The subject is generally comprised of Class C assets located in secondary market. The portfolio would benefit from adequate available financing. This is supported by the fact lenders surveyed by CBRE indicated there would be demand in the debt market for this type of portfolio.

- Market considerations: The operations of the subject could have an impact on the desirability of the assets.

  Subject Characteristics: The subject properties are limited service hotels that cater to the rail industry. The properties have contracts with the rail lines at a set rate in exchange for guaranteed nightly bookings. In the current inflationary environment, the contracts limit ADR growth in the near-term. However, as the contracts are renewed, new rates in line with the current market will be negotiated and the long-term outlook for the contracts is positive.

Overall, the subject portfolio consists of an attractive group of properties that are locationally diverse and offer operating efficiencies due to the rail line contracts and the limited-service operations of the individual properties. Premiums in the range of 5% to 20% are typical for larger, locationally diverse portfolios similar to the subject and the subject would likely achieve a premium within that range.

Valuation Methodology

In estimating the value of the enterprise value of the Company, we considered the three generally accepted approaches to valuation, which are commonly referred to as the:

1. Income Approach
2. Market Approach
3. Asset / Cost Approach

Within each approach to value, a variety of methodologies exist to estimate fair market value. The following sections contain a brief overview of the theoretical basis of each approach, as well as a discussion of the specific methodology used in our analysis.

ASSET APPROACH

The Asset Approach is generally considered to yield the minimum benchmark of value for an operating enterprise. The most common methods within this approach are Net Asset Value and Liquidation Value. Net Asset Value represents net equity of the business after assets and liabilities have been adjusted to their fair market values. The Liquidation Value of the business represents the present value of the estimated net proceeds from liquidating the Company's assets and paying off its liabilities.

INCOME APPROACH

The Income Approach serves to estimate value by considering the income (benefits) generated by the asset over a period of time. This approach is based on the fundamental valuation principle that the value of a business is equal to the present worth of the future benefits of ownership. The term income does not necessarily refer to income in the accounting sense but to future benefits accruing to the owner.

The most common methods under this approach are Capitalization of Earnings and Discounted Future Earnings. Under the Capitalization of Earnings method, normalized historic earnings are capitalized at a rate that reflects the risk inherent in the expected future growth in those earnings. The Discounted Future Earnings method discounts projected future earnings back to present value at a rate that reflects the risk inherent in the projected earnings.

MARKET APPROACH

The Market Approach compares the subject company to the prices of similar companies operating in the same industry.

VALUATION METHODS CONSIDERED & USED

We considered the approaches but based on our defined scope of work, the Income and Market approach were used and most relevant to provide an opinion of the Enterprise Value of the Company.

COMPANY VALUATION

BUSINESS ANALYSIS

We believe the Company has certain competitive strengths and weaknesses, along with the following potential opportunities and risks:

Strengths

- Geographically diversified portfolio with room for growth;
- Unique platform servicing a key component of U.S.;
- Agreement renewals allow for improved annual expense recovery and revenue increases;
- Transportation infrastructure ;
- Stable, guaranteed cash flow from long-term strategic relationships with investment grade freight railway partners (these strategic proven relationships with the rail companies are a form of a barrier to entry as is the location, product type, amenities, services, etc. the Company provides);
- Strong platform poised to deliver growth supported by in-place, experienced management;
- Advantageous and flexible debt structure and franchise contracts;
- Limited competition (it requires the right location, product, services and relationships with rail companies)
- Opportunity for m;arket expansion and to lead consolidation (see addendum for Avantic's Top 50 Target Markets – more than 65,000 additional potential room nights identified)
- Rail labor settlement in December 2022; and
- Improving supply chain logistics and comparative advantage of rail per mile cost when ;compared to truck transport.

Weakness / Challenges

- Impacts of inflation (potential "stickiness");
- Tight labor market; and
- Changing fuel costs

Opportunity for Further Consolidation

As noted, the hospitality and food and beverage market for rail crew and rail line services is highly fragmented with the Company being the largest player. While there are other companies that

provide sourcing and contracting specialized hospitality services for crew members with layover housing and transportation needs (i.e., Hotel Solutions Ltd., Allied Hospitality Group, Inc., Accommodations Plus International (API), CLC Lodging, etc.). These companies are primarily for the airline, cruise, sports, and trucking segments, not rail. While API[21] and CLC Lodging provide booking for the rail industry, it is limited and doesn't offer the control, infrastructure, design, and complete suite of services that the Company offers. In summary, the niche market that is the Company's focus is highly fragmented, ripe for consolidation in a segment that requires rail company relationships, a proven track record providing specialized infrastructure, amenities, and services that the rail companies demand. The Company also has demonstrated the ability to select a location with complete built to suit design and construction services that is viewed as Best in Class "Dark & Quiet" Hotel Construction Conversions and Renovations.

SUMMARY HISTORICAL & FORECASTED INCOME STATEMENTS

The following table provides a summary of the revenue and expenses related to the Company's operations as provided by the Company. The table covers revenue, expenses, and EBITDA from Pre-COVID 2019 (actual) to 2023 (actual), and 2024 budget[22], some period averages, and a client provided 5-year forecast (2025 to 2029).

[21] www.apiglobalsolutions.com/rail

[22] Note based on data provide the initial 4 months reveals the Company is exceeding budget both on total revenue and earnings. The company anticipates actual 2023 will exceed both budget 2023 revenue and earnings.

Avantic Lodging Enterprises

Operating History and Forecast
($ 000s, except per room figures)

	ACTUAL								REFORECAST				
	2019	2020-COVID	2021-COVID	2022	2023	5 Year	2022 & 2023	2024	Year 1	Year 2	Year 3	Year 4	Year 5
	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Average	Average	Budget	2025	2026	2027	2028	2029
Occupancy % *	68.2%	52.6%	54.8%	54.9%	57.8%	57.7%	56.4%	58.5%	60.5%	60.5%	60.5%	60.5%	60.5%
ADR	$60.43	$69.99	$69.98	$72.24	$75.01	$69.53	$73.62	$76.32	$76.62	$78.92	$81.28	$83.53	$86.27
RevPAR	$41.24	$36.79	$38.33	$39.69	$43.39	$39.89	$41.54	$44.68	$46.38	$47.78	$49.21	$50.55	$52.22
* Occupancy excludes minimum guaranteed rooms that are unused.													
Rooms	56,183	50,230	52,134	54,615	59,705	54,574	57,160	61,441	63,591	65,500	67,465	69,500	71,600
Food and Beverage	11,409	8,684	10,463	11,658	12,967	11,036	12,313	14,202	14,770	15,287	15,750	16,220	16,707
Transportation & Other Income	2,750	3,033	3,395	4,101	3,658	3,387	3,880	4,413	4,523	4,660	4,780	4,900	5,025
Total Revenue	70,343	61,947	65,992	70,374	76,330	68,997	68,183	80,056	82,884	85,447	87,995	90,620	93,332
Revenue Growth		-11.9%	6.5%	6.6%	8.5%				3.5%	3.1%	3.0%	3.0%	3.0%
Rooms	15,585	12,619	13,681	16,547	18,253	15,337	17,400	17,791	18,313	18,600	18,750	18,900	19,200
Food and Beverage	9,295	8,215	9,034	10,344	10,986	9,575	10,665	11,337	11,600	11,939	12,255	12,625	12,900
Transportation & Other Income	2,537	2,411	2,466	2,341	2,539	2,459	2,440	2,805	2,836	2,920	3,000	3,075	3,150
Departmental Expense	27,417	23,245	25,181	29,232	31,778	27,371	27,207	31,933	32,749	33,459	34,005	34,600	35,250
TOTAL DEPARTMENTAL PROFIT	42,925	38,702	40,811	41,142	44,552	41,626	40,977	48,123	50,135	51,988	53,990	56,020	58,082
Margin	61.0%	62.5%	61.8%	58.5%	58.4%	60.3%	60.2%	60.1%	60.5%	60.8%	61.4%	61.8%	62.2%
Administrative & General***	4,965	5,441	4,845	5,543	6,604	5,480	6,074	6,787	6,920	7,025	7,130	7,237	7,346
Management Fee	1,449	1,890	1,980	2,125	2,291	1,947	2,208	2,401	2,487	2,563	2,640	2,719	2,800
Management Fee % of Income	2.06%	3.05%	3.00%	3.02%	3.00%	2.83%	3.24%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Information & Technology	1,205	747	1,438	1,477	1,442	1,262	1,460	1,650	1,652	1,670	1,686	1,705	1,730
Sales & Marketing	468	184	148	146	171	224	159	194	200	200	200	200	200
Franchise **	583	614	1,080	1,094	1,092	893	1,093	1,455	1,455	1,455	1,455	1,455	1,455
Property Maintenance	3,972	3,662	4,086	4,517	5,032	4,254	4,775	5,338	5,605	5,773	5,946	5,950	5,950
Utilities	3,764	3,470	3,785	4,216	4,264	3,900	4,240	4,465	4,530	4,600	4,669	4,739	4,810
Operating Expense	16,406	16,009	17,362	19,118	20,896	17,958	18,240	22,290	22,849	23,286	23,726	24,005	24,291
** 2018 includes category called royalty.													
Gross Operating Profit	26,519	22,692	23,449	22,024	23,656	23,668	22,840	25,833	27,286	28,702	30,264	32,015	33,791
Insurance	1,066	1,629	2,018	2,172	2,174	1,812	2,173	2,558	2,600	2,650	2,680	2,692	2,718
Property Tax	1,860	1,997	1,987	1,631	1,906	1,876	1,769	1,873	1,905	1,955	1,985	2,020	2,025
Less: FF&E Reserve	2,009	2,097	1,980	2,111	3,053	2,250	2,582	3,202	3,315	3,418	3,520	3,625	3,733
Reserves as % of Gross	2.86%	3.39%	3.00%	3.00%	4.00%	3.26%	3.50%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Non-operating Expense	4,935	5,723	5,985	5,914	7,133	5,938	6,524	7,633	7,820	8,023	8,185	8,337	8,476
EBITDA Before Reserves* **	23,593	19,066	19,444	18,221	19,576	19,980	18,899	21,402	22,781	24,097	25,599	27,303	29,048
EBITDA Less Reserves* **	**21,584**	**16,969**	**17,464**	**16,110**	**16,523**	**17,730**	**16,317**	**18,200**	**19,466**	**20,679**	**22,079**	**23,678**	**25,315**
EBITDA Less Reserves Margin* **	**30.7%**	**27.4%**	**26.5%**	**22.9%**	**21.6%**	**25.7%**	**23.9%**	**22.7%**	**23.5%**	**24.2%**	**25.1%**	**26.1%**	**27.1%**
***** Before Corporate Overhead and Asset Management Fee**													

Overall, the data reveals a comparatively stable and profitable operation, with a favorable EBITDA less reserves to interest debt ratio. However, the revenue and expenses (i.e., labor, etc.) was impacted by COVID-19 (COVID). The impact of COVID on the Company continued in 2021 and 2022. However, other uncertainties and economic conditions that were noted in our May 2022 date of value analysis continued (supply chain concerns) and an accelerating inflation rate that peaked at 9.1%, June 2022 (over the 12 months ending June 2022 it was the largest 12-month increase since the 12-month period ending November 1981) but remained comparably high during 2022. Based on April 2023 data inflation was at 4.9% and declined to 3.4% as of December 2023.

As noted, uncertainty that impacted the Company's 2022 performance included the railroad strike concerns during the summer and fall of 2022 that eventually required Congress to step and force a settlement (December 2, 2022). As these factors are resolved (i.e., rail strike) or continue to lessen (i.e., inflation, supply chain, etc.) the outlook continues to improve. Additionally, the outlook for the Company's ability to increase revenue will continue to improve its contracts have been renegotiated throughout 2023, allowing for rate increases that are not capped at rates material below CPI.

As a result, the Company revenue will increase and allow the Company to exceed or stay at pace with above normal historical inflation rates. The Company's 2023 gross revenue exceeded pre COVID 2019 levels and is on track to continue to improve in 2024. The overall margins are also in line with industry data, and those forecasted by the Company.

Given the nature of the Company's operations, the availability of market data, the recent and pending renegotiating of agreements, settled and adverted rail strike, reduced inflationary pressures, improved supply chain, continued strong demand for rail transport, and given our scoped analysis, we utilized the market approach in our analysis, as well as a discounted cash flow based on the Company's forecast (based on the initial 5 years forecast provided).

EV-TO-EBITDA MULTIPLE

To value capital-intensive companies like hotels, we used the EV-to-EBITDA multiple, which is EV (enterprise value) divided by EBITDA less reserves (earnings before interest, tax, depreciation, and amortization). The following table summarizes the analysis and resulting indicators.

INDICATORS - EBITDA MULTIPLE ($000s)													Range of Indicators			
#	1	2	3	4	5	6	7	8	9	10	11	12				
Items	2019 Actual	Escalated 3% / Yr. (Non COVID)	2020-COVID	2021-COVID	2022	2023	5 Year Average	2022 to 2023 Average	2024 Budget	Reforecast 2025	Reforecast 2026	Reforecast 2027	Min	Average	Median	Max
Gross Revenue	70,343	76,865	61,947	61,947	65,992	70,374	68,997	68,183	80,056	82,884	85,447	87,995	61,947	72,094	70,343	85,447
EBITDA Less Reserves	21,584	23,585	16,969	17,464	16,110	16,523	17,730	16,317	18,200	19,466	20,679	22,079	16,110	18,602	17,730	23,585
EBITDA Margin Less Reserves	30.7%	30.7%	27.4%	28.2%	24.4%	23.5%	25.7%	23.9%	22.7%	23.5%	24.2%	25.1%	22.7%	25.9%	24.4%	30.7%

	EBITDA (000s)		EBITDA Multiple Range *	Range Indicators (000s) *
Indicator 1 Lower	21,584	X	11.50	$ 248,215
Indicator 1 Upper	21,584	X	12.50	$ 269,799
Indicator 2 Lower	23,585	X	10.50	$ 247,646
Indicator 2 Upper	23,585	X	11.50	$ 271,231
Indicator 3 Lower	16,969	X	15.25	$ 258,781
Indicator 3 Upper	16,969	X	16.25	$ 275,751
Indicator 4 Lower	17,464	X	14.75	$ 257,594
Indicator 4 Upper	17,464	X	15.75	$ 275,058
Indicator 5 Lower	16,110	X	16.00	$ 257,760
Indicator 5 Upper	16,110	X	17.00	$ 273,869
Indicator 6 Lower	16,523	X	15.75	$ 260,238
Indicator 6 Upper	16,523	X	16.75	$ 276,761
Indicator 7 Lower	17,730	X	15.00	$ 265,951
Indicator 7 Upper	17,730	X	16.00	$ 283,681
Indicator 8 Lower	16,317	X	15.75	$ 256,985
Indicator 8 Upper	16,317	X	16.75	$ 273,301
Indicator 9 Lower	18,200	X	14.50	$ 263,900
Indicator 9 Upper	18,200	X	15.50	$ 282,100
Indicator 10 Lower	19,466	X	13.50	$ 262,791
Indicator 10 Upper	19,466	X	14.50	$ 282,257
Indicator 11 Lower	20,679	X	12.50	$ 258,487
Indicator 11 Upper	20,679	X	13.50	$ 279,166
Indicator 12 Lower	22,079	X	11.00	$ 242,869
Indicator 12 Upper	22,079	X	12.00	$ 264,948
$	16,110	Min	10.50	$ 242,869
$	18,892	Average	14.33	$ 266,214
$	17,965	Median	14.88	$ 265,449
$	23,585	Max	17.00	$ 283,681

* Upper end of range reflects opportunities / upside due to strategic buyer that could potentially realize cost savings (i.e., overhead), increased market share, earnings growth, and optimizing business segments (i.e., development, asset ownership, management, franchise, etc.).

EBITDA COVERAGE RATIO

When the resulting coverage ratio (EBITDA / interest) is greater than 1, it indicates that generally the company can pay off its liabilities, debts, and other obligations. Based on information currently provided, the Company's annual principal and interest (P+I) on debt remained unchanged at $10,599,668. Based on the EBIDTA (after reserves) presented prior, the coverage ratio for the Company ranges from the low of about 1.5 during the peak and very high periods of inflations(June 2022 at 9.1%, contracts not yet renegotiated, unsettled rail contract, lingering impacts of supply chain, and labor shortages) to 1.72 to 2.38 for 2019, Budget 2024 and 2025 to 2029 Company forecasts)[23]. During the 2020 and 2021 COVID period, during the 2022 period that experienced

[23] EBITDA Less Reserves Coverage 2019A = 2.04 ($21.584MM / $10.6MM), 2020A = 1.60 ($16.97MM / $10.6MM), 2021A = 1.63 ($17.295MM / $10.6MM), 2022A = 1.52 ($16.110MM / $10.6MM), 2023A = 1.56 ($16.532MM / $10.6MM), 5-year average = 1.67 ($17.730MM / $10.6MM), 2024B = 1.72 ($18.200MM / $10.6MM), 2025F = 1.84 ($19.466MM / $10.6MM), 2026F = 1.95 ($20.679MM / $10.6MM), 2027F = 2.08 ($22.079MM / $10.6MM), and 2028F = 2.23 ($23.678MM / $10.6MM).

40-year high inflation and the fastest raise in Fed rates, and during the uncertainty of 2023 (i.e., inflation, contract renegotiations, etc.) the Company demonstrated a comparatively strong coverage ratio (over 1.5 with an indicated 5-year average from 2019 to 2023 at about 1.7), well above the industry average that included many situations of entities revealing ratios well below 1 (in some cases negative). Overall, the coverage ratio for the Company is competitive and is a positive attribute.

CASH FLOW EBITDA FORCAST ANALYSIS

The following table summarizes the discounted cash flow analysis of the Company's forecasted EBITDA. Discount rate is based on adjusting the cap rate for the anticipated growth or inflation rate. As indicated, the December 2024 inflation rate was 3.4%, 150 basis points lower than the May 2023 rate but the inflation rate while much lower is anticipated to remain above the Fed's target rate of 2% through 2024.

Based on the Gordon Growth model (GGM) the discount rate applied is 12.0%[24], lower rate than our May 2023 analysis given recent trends, the outlook for 2024, the contractual requirement to increase FFE account percentage to 4, the material decline in the rate of inflation, and the contract renegotiation for the subject, which limits the impact of higher inflation. Our discount rate selection used a mid-year period convention.

The indicated terminal cap rate applied to the EBITDA is estimated at a selected 12.5x multiple, which is supported by the market and reflects the continued growth opportunities that includes new agreements that are tied to the CPI. The rates are rounded for the analysis herein.

As indicated, given that the enterprise value provided herein assumes 100% interest of the Company on a control and marketable basis, there is not a discount for lack of control or lack of marketability.

[24] DR of 12%, average growth in earnings of about 4.5%, going in cap rate of 7.5% or about a 13.3x multiple. A terminal multiple applied to forecasted EBITDA at 11.75x.

INDICATOR DCF ($000s)					
Time Period	0	1	2	3	4
Mid Period	0.5	1.5	2.5	3.5	4.5
Fiscal Year	Year 1	Year 2	Year 3	Year 4	Year 5
EBITDA Less Reserves	18,200	19,466	20,679	22,079	23,678
		7.0%	6.2%	6.8%	7.2%
PV Factor	0.9449112	0.8436707	0.7532774	0.6725691	0.6005081
Discounted @ 12.0%	17,197	16,423	15,577	14,850	14,219

(+) Sum of PV of Earnings	78,266	
(+) PV of Terminal Value	167,071	
= Total Enterprise Value	245,337	
Rounded	$ 245,000	

EBITDA Terminal (Fiscal Year 5)		23,678
Terminal EBITDA Multiple	x	11.75
Terminal Value		278,216
PV Factor	x	0.6005081
PV of Terminal Value		167,071

RECONCILIATION & ENTERPRISE VALUE CONCLUSION

We effectively gave comparable weight to the DCF ($245MM) and EBITDA multiple (range of about $243MM to $284MM, average of $266MM) methods. Our scoped analysis based on the Client's restricted use didn't evaluate an asset approach. In the final analysis, the fair market value of the Company on a controlling, marketable basis (Enterprise Value), as of December 31, 2023, is:

$255,000,000.

ASSUMPTIONS AND LIMITING CONDITIONS

1. CBRE, Inc. through its appraiser (collectively, "CBRE") has inspected through reasonable observation the subject property. However, it is not possible or reasonably practicable to personally inspect conditions beneath the soil and the entire interior and exterior of the improvements on the subject property. Therefore, no representation is made as to such matters.
2. The report, including its conclusions and any portion of such report (the "Report"), is as of the date set forth in the letter of transmittal and based upon the information, market, economic, and property conditions and projected levels of operation existing as of such date. The dollar amount of any conclusion as to value in the Report is based upon the purchasing power of the U.S. Dollar on such date. The Report is subject to change as a result of fluctuations in any of the foregoing. CBRE has no obligation to revise the Report to reflect any such fluctuations or other events or conditions which occur subsequent to such date.
3. Unless otherwise expressly noted in the Report, CBRE has assumed that:

   (i) Title to the subject property is clear and marketable and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. CBRE has not examined title records (including without limitation liens, encumbrances, easements, deed restrictions, and other conditions that may affect the title or use of the subject property) and makes no representations regarding title or its limitations on the use of the subject property. Insurance against financial loss that may arise out of defects in title should be sought from a qualified title insurance company.

   (ii) Existing improvements on the subject property conform to applicable local, state, and federal building codes and ordinances, are structurally sound and seismically safe, and have been built and repaired in a workmanlike manner according to standard practices; all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; and the roof and exterior are in good condition and free from intrusion by the elements. CBRE has not retained independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, makes no representations relative to the condition of improvements. CBRE appraisers are not engineers and are not qualified to judge matters of an engineering nature, and furthermore structural problems or building system problems may not be visible. It is expressly assumed that any purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of building systems.

   (iii) Any proposed improvements, on or off-site, as well as any alterations or repairs considered will be completed in a workmanlike manner according to standard practices.

   (iv) Hazardous materials are not present on the subject property. CBRE is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater, mold, or other potentially hazardous materials may affect the value of the property.

   (v) No mineral deposit or subsurface rights of value exist with respect to the subject property, whether gas, liquid, or solid, and no air or development rights of value may be transferred. CBRE has not considered any rights associated with extraction or exploration of any resources, unless otherwise expressly noted in the Report.

   (vi) There are no contemplated public initiatives, governmental development controls, rent controls, or changes in the present zoning ordinances or regulations governing use, density, or shape that would significantly affect the value of the subject property.

   (vii) All required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, nor national government or private entity or organization have been or can be readily obtained or renewed for any use on which the Report is based.

   (viii) The subject property is managed and operated in a prudent and competent manner, neither inefficiently or super-efficiently.

   (ix) The subject property and its use, management, and operation are in full compliance with all applicable federal, state, and local regulations, laws, and restrictions, including without limitation environmental laws, seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, and licenses.

   (x) The subject property is in full compliance with the Americans with Disabilities Act (ADA). CBRE is not qualified to assess the subject property's compliance with the ADA, notwithstanding any discussion of possible readily achievable barrier removal construction items in the Report.

   (xi) All information regarding the areas and dimensions of the subject property furnished to CBRE are correct, and no encroachments exist. CBRE has neither undertaken any survey of the boundaries of the subject property nor reviewed or confirmed the accuracy of any legal description of the subject property.

Unless otherwise expressly noted in the Report, no issues regarding the foregoing were brought to CBRE's attention, and CBRE has no knowledge of any such facts affecting the subject property. If any information inconsistent with any of the foregoing assumptions is discovered, such information could have a substantial negative impact on the Report. Accordingly, if any such information is subsequently made known to CBRE, CBRE reserves the right to amend the Report, which may include the conclusions of the Report. CBRE assumes no responsibility for any conditions regarding the foregoing, or for any expertise or knowledge required to discover them. Any user of the Report is urged to retain an expert in the applicable field(s) for information regarding such conditions.

4. CBRE has assumed that all documents, data and information furnished by or behalf of the client, property owner, or owner's representative are accurate and correct, unless otherwise expressly noted in the Report. Such data and information include, without limitation, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any error in any of the above could have a substantial impact on the Report. Accordingly, if any such errors are subsequently made known to CBRE, CBRE reserves the right to amend the Report, which may include the conclusions of the Report. The client and intended user should carefully review all assumptions, data, relevant calculations, and conclusions of the Report and should immediately notify CBRE of any questions or errors within 30 days after the date of delivery of the Report.
5. CBRE assumes no responsibility (including any obligation to procure the same) for any documents, data or information not provided to CBRE, including without limitation any termite inspection, survey or occupancy permit.
6. All furnishings, equipment and business operations have been disregarded with only real property being considered in the Report, except as otherwise expressly stated and typically considered part of real property.
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ADDENDA

Addendum A

AVANTIC TOP 50 TARGET MARKETS

Addendum B

QUALIFICATIONS

CBRE VALUATION & ADVISORY SERVICES

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