

May 15, 2020

Mr. Danny Avidan, CFO  
MRR Thirteen Limited  
600 Madison Avenue, 20th Floor  
New York, NY 10022

Re: Bowery File No. JOB-2004173757  
Hotel Indigo  
294-Room Boutique Hotel Condominium  
180 Orchard Street / 171 Ludlow Street  
New York, NY 10002

Dear Mr. Avidan:

In accordance with your request, we have completed an updated appraisal report of Hotel Indigo, a 294-Room Boutique Hotel Condominium at 180 Orchard Street / 171 Ludlow Street in New York, NY for the purpose of advancing an updated opinion of the As Is Fair Value of the Fee Simple Interest in the subject as of March 31, 2020.

The client and intended user is MRR Thirteen Limited. The Intended Use is to aid the Company in the preparation of the prospectus and/or financial statements to be published in the Tel Aviv Stock Exchange in 2020. We confirm that we have given our full consent to the inclusion of the valuation in its entirety within the Company Prospectus to be published in the Tel Aviv Stock Exchange in 2020 and any Draft Prospectus to be published or disclosed to the Israeli Security Authority. We also consent to the inclusion of this valuation within periodic reporting. This letter has been prepared in compliance with IFRS 13 (International Financial Reporting Standards 13-fair value measurement). The depth of analysis discussed in this letter is specific to the needs of the client. The report is intended only for use in the preparation of financial statements.

We previously appraised the subject property for MRR Thirteen Limited with the same intended users and intended use on March 4, 2020 with an effective date of December 31, 2019. This prior appraisal was prepared under the Appraisal Report option of Standard Rule 2-2(a) of USPAP. We incorporate by reference the detailed description, subject photos, property analysis, neighborhood description, zoning and tax analysis included within this report and have updated the market analysis, income approach including a DCF analysis, and value conclusion. To fully understand this updated appraisal report, the reader is advised to reference these sections of our prior appraisal report date March 4, 2020. Given the current Coronavirus pandemic, the hotel is operating at a very low occupancy and Mr. Purple is currently closed.

The hotel has not been re-inspected. We have relied on information obtained from the property owner and our prior inspection dated December 13, 2019 regarding the condition. Based on our conversation with the owner the condition of the building is unchanged.

The subject, 180 Orchard Street / 171 Ludlow Street, also known as the Hotel Indigo, consists of a 26-story boutique hotel condominium. The subject was constructed in 2015 and the hotel opened in early 2016. The hotel contains 294 hotel rooms, a rooftop lounge and bar, outdoor terrace space, swimming pool, a meeting room and a fitness center. The initial development included a hotel, retail and garage component. They were segregated into three separate condominium units as per a Condominium Offering Plan as of May 2014. The retail and garage condos have been sold. This appraisal pertains to the hotel component only. The entire property contains 195,181 square feet of gross building area, of which 154,585 gross square feet (143,172 square feet above grade) is attributable to the hotel portion of the development, 19,723 square feet is attributable to the lower level garage, and 10,633 square feet is attributable to the grade level/second floor retail space. The valuation pertains solely to the hotel component of the property, which includes an undivided 88.8345 percent interest in the common elements of the property.

The subject property has not sold subsequent to the effective date of our prior appraisal and we are not aware of any current bids, offers, or options to purchase for this asset.

The subject property is located on the east side of Orchard Street, through to and fronting the west side of Ludlow Street, between East Houston Street and Stanton Street, in the Lower East Side section of the Borough of Manhattan, City and State of New York. The subject site is identified on the New York City tax assessment maps as Block 412, Lot 1003 and contains 15,611 square feet. The property is situated in a C4-4A as amended by New York City.

The hotel has a Business Interruption insurance policy through their affiliation with IHG Hotels that covers profit loss related to the Coronavirus pandemic. We have requested but have not been provided with the projected amount of insurance proceeds to be obtained. Thus, our valuation as of March 31, 2020 does not include the insurance proceeds. We note that hotel ownership returned the offered PPP loan through the government.

Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformance with the Standards of Professional Practice and Code of Professional Ethics of the Appraisal Institute, and the Uniform Standard of Professional Appraisal Practice (USPAP) and IFRS 13.

The Scope of Work performed to complete this appraisal report involved an updated analysis of the overall economy, the national and local hotel market, including an analysis of the subject hotel's competitive set. The valuation scope is limited to the Income Capitalization Approach, which is considered the most meaningful valuation approach appropriate for the subject property type and is typically considered the primarily approach used by market participants. Occupancy, ADR, F&B and other revenue, operating expenses and the capitalization rate were forecasted based upon analysis through March 2020 and information provided by area professionals, including appraisers, hotel operators and owners. The Cost Approach was not considered necessary for credible results due to the age and condition of the subject improvements, as well as the fact that this approach is typically not used or considered a reliable indicator of value by market participants. Given there are no hotels sales during this pandemic, the Sales Comparison Approach was not considered necessary for credible results.

After carefully considering all available information and factors affecting value, our opinion of value is:

#### Final Value Opinion

Value	Interest Appraised	Date of Value	Conclusion
Fair Value As Is	Fee Simple	March 31, 2020	\$154,400,000

The above final value conclusion considers an exposure time of six months to twelve months. This conclusion is predicated on interviews with local brokers and other real estate industry sources, on information obtained in the verification process of recent sale transactions for similar properties, and our analysis of supply and demand forces in the local market.

The value conclusions are subject to the following **Extraordinary Assumptions**<sup>1</sup> that may affect the assignment results. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions:

- In following government orders to self-isolate as part of an effort to contain the spread of the COVID-19 virus, we were unable to conduct an inspection of the subject property. We have therefore relied on an inspection performed on December 13, 2019 when we previously appraised the subject property. It is an Extraordinary Assumption of this report, that the condition of the subject property, as well as all mechanical systems, are unchanged since our inspection conducted on December 13, 2019.

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<sup>1</sup> The definition of Extraordinary Assumptions can be found in the Glossary of Terms, which is located in the Addenda.

•As of the date of this report, NYC is on pause until May 28, 2020. A phased reopening will begin once NYC meets certain benchmarks. It is an Extraordinary Assumption of this report that NYC restaurants and bars will be reopened in June 2020 with restrictions on occupancy.

The value conclusions are based on the following **Hypothetical Conditions**<sup>2</sup> that may affect the assignment results:

•None.

The opinions of value expressed herein are subject to the certification, assumptions and limiting conditions, and all other information contained in the following written appraisal report.

The global outbreak of a “novel coronavirus” known as COVID-19 was officially declared a pandemic by the World Health Organization (WHO) on March 11, 2020. It is currently unknown what direct, or indirect, effect this event may have on the national economy, the local economy, or the market in which the subject property is located. The reader is cautioned and reminded that the conclusions presented in this appraisal report apply only as of the effective date(s) indicated. The appraiser makes no representation as to the effect on the subject property of this event, or any event, subsequent to the effective date of the appraisal.

### Valuation Uncertainty

We note that in a letter from the International Valuations Standards Council (IVSC), dated March 30, 2020, the IVSC states that “if the valuation date coincides with economic or political crises or immediately follows such an event, significant valuation uncertainty arises because the only inputs and metrics available for the valuation are likely to relate to the market before the event occurred and therefore have limited relevance to the situation on the valuation date. The impact of the event on the attitude of market participants, and therefore prices, will not be known during its immediate aftermath. Because of this, uncertainty caused by market disruption is rarely quantifiable.”

Further, it is important to note that IVSC points out that, “Valuation uncertainty should not be confused with risk. Risk is the exposure that the owner of an asset has to potential future gains or losses. Risk can be caused by various factors affecting either the asset itself or the market in which it trades.” Therefore, risks are considered by informed buyers and sellers and typically reflected in market prices.

Since the coronavirus pandemic began, economies all over the world have come to a halt. There are many unanswered questions that remain including:

- How long will the pandemic last? When it does slow down, will it be due to an effective vaccine and/or treatment?
- How long will the related restrictions remain in place?
- How/when will the economy reopen? When it does reopen, will all businesses reopen?
- What will be the overall impact on our economy?

In addition to the lack of clarity in the economic outlook, the necessary social distancing during this pandemic poses more questions as to the return of the hospitality industry in general.

In order to support our forecast, we have spoken to various market participants and researched local, national and international government policies and experiences regarding current and proposed phased-in business reopening and social distancing regulations to gain further insights into investor expectations.

### COVID-19 and its Effect on Commercial Real Estate

The emergence of the novel Coronavirus and the ensuing global pandemic is a challenge unlike any other we’ve faced in our lifetimes. While the initial economic consequences have cut quickly and deeply, the full effect on our economy and what the consequences may be on commercial real estate is yet to be seen.

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<sup>2</sup> The definition of Hypothetical Conditions can be found in the Glossary of Terms, which is located in the Addenda.

With information changing daily, the full picture of how the pandemic is shaping the real estate market is still coming into focus. However, we can look at historical data to understand how the market responded to previous external shocks. Additionally, we can look at the evolving social and demographic trends that may shed additional light on how property valuations may be impacted.

### **Summary & Key Takeaways**

- In an attempt to counter and control the pandemic, governments halted unnecessary travel and ordered residents to shelter-in-place. To mitigate the loss of revenue from drops in consumption, companies reacted with mass layoffs. With no source of revenue, businesses and residents struggled to pay bills.
- Given the lack of liquidity, decreased demand, and an uncertain future, nearly all sectors will experience some state of turbulence; however, retail and hospitality will be most impacted.

### **The State of the Economy Prior to the Pandemic**

Economic, consumer and financial foundations were solid prior to the pandemic.

- Total employment was at record levels and since 2018, there were more job openings than the number of people unemployed.
- Retail Sales were at a record high, incomes were rising, and household debt was on the decline.
- U.S. Bank Reserves were up to \$1.7T from \$44B pre-GFC (Global Financial Crisis), corporate profits were near an all-time high, and corporate cash on hand was at a record level.
- Overall, construction as a share of stock has declined over the past year for most sectors, compressing vacancy rates to near all-time lows.

However, as the date of this report, 33.5 million have filed for unemployment, with a record 20.5 million jobs cut in April 2020 alone, with 1.6 million in New York State. The unemployment rate is 14.7% as of May 8, 2020. GDP has fallen 4.8% and several retailers including J. Crew, Pier 1 Imports and Modell's Sporting Goods have filed for bankruptcy. While some of these retailers were already struggling, more are expected to follow suit.

### **National Hotel Market Update**

Entering 2020, the overall outlook was that values would remain stable in the near term, followed by moderate increases; however, the sector may now experience the largest drops in value in recent history. Restrictions on travel, business activity, and individual movement are having an unprecedented impact on the sector. All relevant metrics, such as occupancy, ADR, and RevPAR, have plummeted since the start of the pandemic. This impact, along with the related effects on the economy, will have a significant impact on hotel values. We believe scenarios such as those outlined below, will likely affect the market and property-level fundamentals:

- Markets with excess supply, elevated construction levels, and service-oriented industries are expected to see large value decreases
- Properties that are dependent on business, group, or international travel such as those in gateway markets and near airports are expected to see weak fundamentals
- Less vulnerable hotels include budget, economy, and extended stay

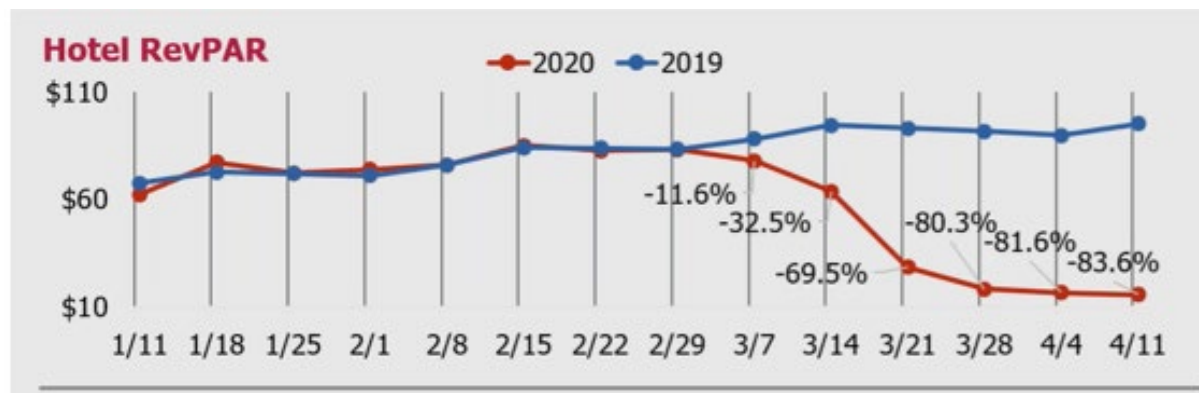
Nationwide occupancy dropped to 22.6% as of the week ended March 28, 2020 and has remained in the 22% to 26% range each week through the week ended April 25, 2020. This figure was worse for the top 25 markets in the U.S. The national ADR for the week ended April 25<sup>th</sup> was 42.9% down compared to the prior year resulting in a RevPAR decline of 78.4% to \$19.14. According to STR's Jan Freitag, this is expected to be the "new normal" until the number of new COVID-19 cases show a significant slowdown.

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U.S. hotels have already lost more than \$15 billion in room revenue and rapidly accelerating, as reported by American Hotel & Lodging Association (AHLA). AHLA stated that hotels are on pace to lose more than \$500 million in room revenue per day based on current and future reported occupancy rates.

Many hotels have suspended all operations in order to mitigate losses and some that are open have been adding to their occupancy by working with municipalities to house COVID-19 patients or those that have been exposed to the virus, health care workers and even a portion of the homeless population.

The following chart, presented by HVS with data provided by STR, summarizes the U.S. hotel RevPAR on a weekly basis through April 11, 2020.

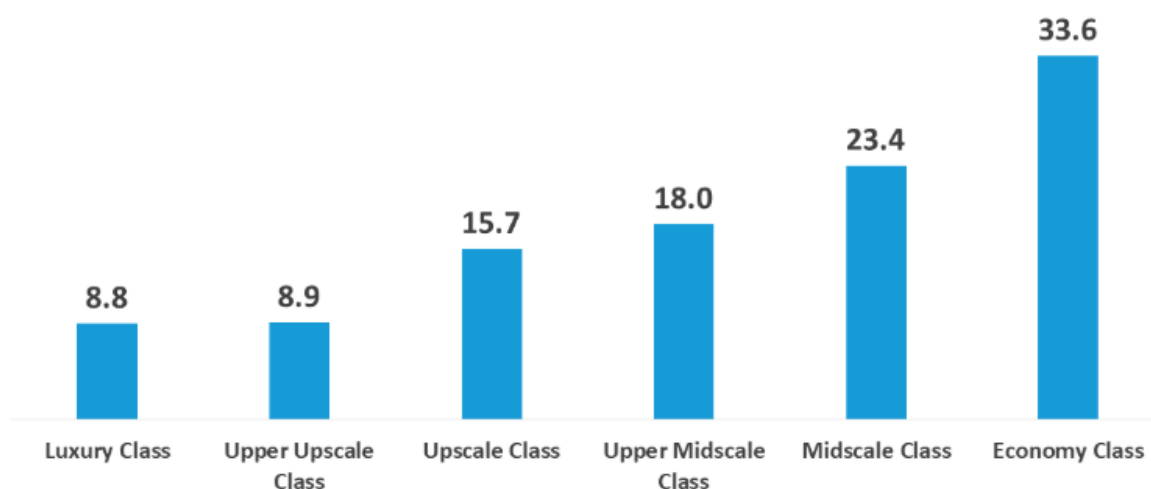


Source: HVS, with data provided by STR

The 83.6% decline in RevPAR for the week ending April 11, 2020 is the worst RevPAR decline ever reported in STR's 35-year history. The chart below illustrates the total U.S. occupancy % by class for the week ending April 11, 2020.

### Class Performance: Economy Holds On

Total U.S., Occupancy %, week ending April 11

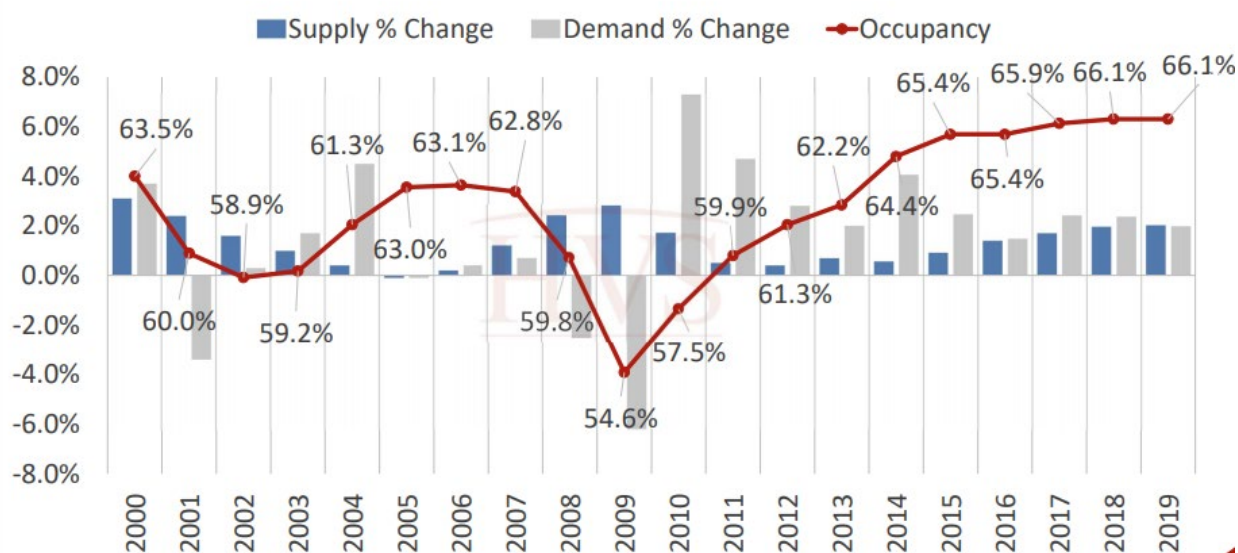


Source: STR

As shown above, the luxury and upper upscale class are most affected with the lowest occupancy below 9.0%, while economy is the least affected with 33.6% occupancy.

The U.S. lodging market has proven to be resilient in past downturns and shocking events such as 9/11. Jan Freitag of STR stated that "2020 will be the worst year on record for occupancy ... We do, however, expect the industry to begin to recover once the economy reignites and travel resumes." The following chart shows the U.S. lodging market trends through prior cycles.

U.S. Lodging Market Trends Through Prior Cycles



Source: HVS, with data provided by STR

It is important to note that U.S. hotels are entering this industry recession in a much more profitable position than past recessions. Occupancy levels were at a record high in 2019 and according to CBRE's April 14, 2020 report "Viewpoint: Hotel - Expectations for the Year Ahead", profit margins in U.S. hotels are 450 bps greater than the long-run average. While we anticipate a challenging future for the industry, we believe travel will recover quickly and return to and outpace pre-COVID levels once a vaccine is developed.

### New York City Hotel Market Update

New York City's hotel market has been one of the hardest hit markets as the city has had the most virus cases compared to anywhere in the country. Occupancy in NYC hotels have dropped more than 80%. Some New York City hotels have found alternative ways to increase occupancy by converting their hotels into coronavirus quarantines, emergency housing for first responders, those infected with the virus and the homeless. On April 13, 2020, the New York City mayor Bill De Blasio announced plans to use 6,000 vacated hotel rooms as homeless shelters.

The following chart, presented by LWHA, summarizes the New York City hotel market RevPAR change on a weekly basis compared with the same period in the prior year.

New York City Hotel Market RevPAR declines per week (2020 compared with same period 2019)

Period	RevPAR % Change
March 1 - 7	-16.8%
March 8-14	-54.6%
March 15 - 21	-86.5%

Source: Dan Lesser, LWHA

After speaking with and listening to leading hotel experts both in the U.S. and in New York City via one-on-one conversations and webinars, one thing is clear: the future is uncertain. Hotels are either closed or operating with minimal occupancy. There are no buyers and no sellers active in the current hospitality market and debt is unavailable. Thus, determining a market value as of March 31, 2020 is difficult to say the least. It is unknown how long the pandemic will last, how long the related restrictions will remain in place and what will be the overall impact on our economy. As of the date of this letter, the New York City economy remains shut down.

### The Subject Property Update

The property owner provided the March 2020 STR report, which is summarized below. We have also summarized the subject's competitive set.

	March 2019			March 2020		
	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR
Subject	90.70%	\$198.36	\$179.86	26.40%	\$176.23	\$46.50
% Change				-70.9%	-11.2%	-74.1%
Competitive Set	89.40%	\$247.23	\$220.99	28.00%	\$216.51	\$60.68
% Change				-68.7%	-12.4%	-72.5%
Subject vs. Competitive Set				-0.02 pp	(\$40.28)	(\$14.18)
				-5.7%	-18.6%	-23.4%

Hotel	Address	Zip Code	# of Rooms	Date Opened
Hotel On Rivington	107 Rivington Street	10002	109	Oct 2004
Sixty LES	190 Allen Street	10002	141	Jul 2008
The Standard East Village	25 Cooper Square	10003	144	Dec 2008
The Ludlow Hotel	180 Ludlow Street	10002	175	Jun 2014
Joie De Vivre	50 Bowery	10013	229	May 2017
Public Hotel	215 Chrystie Street	10002	367	Jun 2017

Source: STR

As summarized above, the subject had an occupancy of 26.4% during the month of March compared to 90.7% in the prior year. We note that March was only partially affected by COVID-19. We expect April and May to have even lower occupancy.

We also present the following chart that summarizes the March performance of the subject, the overall New York market, the Upper Upscale class, the subject's submarkets along with the competitive set.

	March 2020		
	Occupancy	ADR	RevPAR
Subject	26.40%	\$176.23	\$46.50
Market: New York, NY	34.50%	\$180.06	\$62.15
Market Class: Upper Upscale	27.70%	\$214.70	\$59.58
Submarket: Village/Soho/Tribeca, NY	29.20%	\$217.72	\$63.54
Submarket Scale: Upscale Chains	28.40%	\$217.13	\$61.64
Competitive Set	28.00%	\$216.51	\$60.68

As illustrated above, the subject hotel is in line with its overall market and submarkets in terms of occupancy for the month of March. We reiterate that the month of March was only partially affected by COVID-19 and we expect much lower results for April and possibly for several months going forward.

## Projection Assumptions

NYC has extended the stay at home order through May 28, 2020. The number of hospital admissions and daily deaths are declining and assuming these trends continue, NY State will begin a phased re-opening. While hotels have been allowed to remain open, we do not know when NYC will permit the reopening of restaurants and bars. Restaurant and bars will likely have new occupancy restrictions to consider as well.

For purposes of this update, we assume that NYC restaurants and bars will be reopened in June with restrictions on occupancy. We have phased in the subject's hotel occupancy and F&B income starting in June. We assume some restrictions will be in place until a vaccine is developed and distributed, which we assume will be in 2021.

As a hotel would have a certain level of expenses whether open or closed, we assume that the subject hotel stays open during 2020; however, with very low occupancy and lower ADR for the remainder of the year, resulting in an EBITDA that is a fraction of our previous projection. We assume that the hotel's performance will improve during the second half of 2020, make a comeback in 2021 and 2022 with stabilized occupancy and ADR by Year 4.

We present the 2019 performance and the owner's 2020 budget (pre-COVID-19) along with our DCF assumptions as of 12/31/19 and revised as of 3/31/20. We note that we have modeled a monthly forecast for Year 1 occupancy and ADR that can be found in the Addenda.

### Summary of Bowery DCF Assumptions

	Actual 2019 Performance	Owner's 2020 Budget*	Bowery Assumptions as of 12/31/19 (Yr 1 begin 1/1/20)	Bowery Assumptions as of 3/31/20 (Yr 1 begin 4/1/20)
Occupancy Year 1	89.80%	90.00%	90.0%	49.4%
Occupancy Year 2			90.0%	75.0%
Occupancy Year 3+			90.0%	90.0%
ADR Year 1	\$245.53	\$258.33	\$255.50	\$213.47
ADR Growth Year 2			3%	17%
ADR Growth Year 3			3%	9%
ADR Growth Year 4+			3%	3%
RevPAR Year 1	\$220.52	\$232.39	\$229.95	\$105.49
RevPAR Growth Year 2			3%	78%
RevPAR Growth Year 3			3%	30%
RevPAR Growth Year 4+			3%	3%
Mr. Purple Rev Year 1	\$4,284,466	\$4,227,169	\$4,250,000	\$1,500,000
Total Revenue Year 1	\$30,834,011	\$32,586,473	\$32,293,540	\$14,469,882
EBITDA (NOI) Year 1	\$9,459,116	\$9,793,790	\$9,377,034	\$2,288,195
Terminal Cap Rate			6.75%	6.75%
Discount Rate			7.50%	7.50%
<b>Value</b>			<b>\$162,700,000</b>	<b>\$154,400,000</b>

\*Owner's 2020 Budget, pre-COVID-19



### **Bowery Assumptions as of March 31, 2020**

#### **Occupancy & ADR**

Our Year 1 monthly projections can be found in the Addenda. Based on ownership's reported occupancy and ADR in April, we have applied an occupancy of 4.4% and an ADR of \$100. In May, we have applied 10.0% occupancy and ADR in \$160. We assume business will slowly increase for the remainder of Year 1 (ending March 31, 2021). Overall, our Year 1 occupancy is projected at 49.4% and ADR is projected at \$213, both well below previous years. In Year 2, we project ADR to increase to \$250.00, a 17.1% increase, \$271.50 in Year 3 and 3% per annum thereafter. We assume the hotel will reach 75.0% occupancy in Year 2 and will return to our previous projection of 90.0% by Year 3 and remain at that level throughout the projection period.

#### **F&B & Other Income**

In Year 1, we project half the income in each of these previously projected categories. By Year 2, we re-establish our original Year 1 projections of \$1,550,000 and \$1,750,000, respectively. We project this will grow by 3% per annum thereafter.

#### **Mr. Purple Income**

There is a lease in place for Mr. Purple with an experienced food and beverage servicer in the hotel industry - Gerber Group Food and Beverage. The lease is dated March 11, 2015. The Gerber Group lease is for a 10-year term with two, five-year extension options. The base fee is 5% of gross revenue but not less than \$350k per year. In addition, there is an "implied rent" of 15% of gross revenue (but not less than \$700k per year) increased by CPI annually if F&B space is fully operated by non-union staff and 10% of gross revenue (but not less than \$500k per year) to be increased by CPI annually, if the F&B space is operated by unionized kitchen staff. Further, there is an incentive fee of 30% of annual net profit (profit after payment of all F&B expenses including base fee and implied rent), payable annually. Based upon this agreement, the net rent received in 2017 was \$3.81 million, \$3.99 million in 2018 and \$4.28 million in 2019. Pre-COVID-19, the owner budgeted \$4.23 million for 2020. We assume a low income that is in line with the minimum rent, which is about \$1,500,000. By Year 2, we assume Mr. Purple's revenues climb to previous levels and thus the base rent and profit-sharing income increases to \$4,000,000, which is just below 2019 levels. By Year 3, we reinstate our original projections and project Mr. Purple income of \$4,500,000 with 3% growth per annum thereafter.

#### **Operating Expenses**

In Year 1, we projected a drastically lower occupancy and thus for variable expenses, we have maintained operating expenses as a percentage of revenue basis and just below on a POR basis. We have considered that the hotel would need to rethink its cleaning practices. However, as the hotel already has housekeeping and maintenance staff in place, we do not expect these expenses to show a significant difference. In order to account for any increased expense related to this, in Year 1 we have projected Repairs & Maintenance expense as a higher percentage of revenue. In Year 2 and thereafter, we have maintained operating expenses as a percentage of revenues and on a POR basis in line with our previous projections.

#### **Fixed Expenses**

Based on the 2019 final insurance expense of \$168,471, we have projected insurance expense of \$175,000 in Year 1 (compared to our previous projection of \$185,000), growing 3% per annum thereafter. We have not made any changes in real estate taxes or management fees.

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<b>Reserves</b>	We lowered the FF&E reserve in Years 1 and 2 to 3.0% and reinstated our previous assumption of a 3.5% reserve in Year 3 and throughout the remainder of the projection period.
<b>Terminal Capitalization Rate</b>	No change: 6.75%. Our rates were well supported in our referenced appraisal with an effective date of December 31, 2019. There is no evidence to support a change in rate as of March 31, 2020.
<b>Discount Rate</b>	No change: 7.50%. Our rates were well supported in our referenced appraisal with an effective date of December 31, 2019. There is no evidence to support a change in rate as of March 31, 2020.

Our DCF model as of March 31, 2020 is presented on the following pages:

Valuation Year	1			2			3			4		
Year Beginning	04/01/20			04/01/21			04/01/22			04/01/23		
<u>Rooms</u>												
Hotel Units	294			294			294			294		
Available Nights	365			365			365			366		
Available Room Nights	107,310			107,310			107,310			107,604		
Occupancy	53,029	49.4%		80,483	75.0%		96,579	90.0%		96,844	90.0%	
ADR	\$213.47			\$250.00			\$271.50			\$279.65		
ADR Growth				17.1%			8.6%			3.0%		
RevPAR	\$105.49			\$187.50			\$244.35			\$251.68		
RevPAR Growth Yr/Yr (%)				77.7%			30.3%			3.0%		
Revenue		%	POR		%	POR		%	POR		%	POR
Room Revenue	\$11,319,882	78.2%	\$213.47	\$20,120,625	73.4%	\$250.00	\$26,221,199	76.8%	\$271.50	\$27,081,829	76.9%	\$279.65
F&B Revenue	\$775,000	5.4%	\$14.61	\$1,550,000	5.7%	\$34.00	\$1,596,500	4.7%	\$34.00	\$1,644,395	4.7%	\$34.00
Other Income	\$875,000	6.0%	\$16.50	\$1,750,000	6.4%	\$21.74	\$1,802,500	5.3%	\$18.66	\$1,856,575	5.3%	\$19.17
Rental Income (Mr. Purple)	\$1,500,000	10.4%	\$28.29	\$4,000,000	14.6%	\$49.70	\$4,500,000	13.2%	\$46.59	\$4,635,000	13.2%	\$47.86
Total Revenue	\$14,469,882	100.0%	\$272.87	\$27,420,625	100.0%	\$340.70	\$34,120,199	100.0%	\$353.29	\$35,217,799	100.0%	\$363.66
Departmental Expenses												
Rooms Expense	\$4,188,356	37.0%	\$78.98	\$7,444,631	37.0%	\$92.50	\$9,701,843	37.0%	\$100.46	\$10,020,277	37.0%	\$103.47
F&B Expense	\$751,750	97.0%	\$14.18	\$1,503,500	97.0%	\$18.68	\$1,548,605	97.0%	\$16.03	\$1,595,063	97.0%	\$16.47
Total Dept Expenses	\$4,940,106	34.1%	\$93.16	\$8,948,131	134.0%	\$111.18	\$11,250,448	134.0%	\$116.49	\$11,615,340	134.0%	\$119.94
Total Dept Profit	\$9,529,776	65.9%	\$179.71	\$18,472,494	67.4%	\$229.52	\$22,869,750	67.0%	\$236.80	\$23,602,459	67.0%	\$243.72
Operating Expenses												
Administrative & General	\$1,012,892	7.0%	\$19.10	\$1,809,761	6.6%	\$22.49	\$2,251,933	6.6%	\$23.32	\$2,324,375	6.6%	\$24.00
Marketing	\$940,542	6.5%	\$17.74	\$1,919,444	7.0%	\$23.85	\$2,388,414	7.0%	\$24.73	\$2,465,246	7.0%	\$25.46
Energy/Utilities	\$361,747	2.5%	\$6.82	\$630,674	2.3%	\$7.84	\$784,765	2.3%	\$8.13	\$810,009	2.3%	\$8.36
Repairs & Maintenance	\$723,494	5.0%	\$13.64	\$1,233,928	4.5%	\$15.33	\$1,535,409	4.5%	\$15.90	\$1,584,801	4.5%	\$16.36
Total Operating Expenses	\$3,038,675	21.0%	\$57.30	\$5,593,808	20.4%	\$69.50	\$6,960,520	20.4%	\$72.07	\$7,184,431	20.4%	\$74.19
Gross Operating Profit	\$6,491,100	44.9%	\$122.41	\$12,878,686	47.0%	\$160.02	\$15,909,230	46.6%	\$164.73	\$16,418,028	46.6%	\$169.53
Fixed Expenses												
Real Estate Taxes	\$2,945,314	20.4%	\$55.54	\$3,033,674	11.1%	\$37.69	\$3,124,684	9.2%	\$32.35	\$3,218,425	9.1%	\$33.23
Insurance	\$175,000	1.2%	\$3.30	\$180,250	0.7%	\$2.24	\$185,658	0.5%	\$1.92	\$191,227	0.5%	\$1.97
Management Fee	\$648,494	5.0%	\$12.23	\$1,171,031	5.0%	\$14.55	\$1,481,010	5.0%	\$15.33	\$1,529,140	5.0%	\$15.79
Replacement Reserve	\$434,096	3.0%	\$8.19	\$822,619	3.0%	\$10.22	\$1,194,207	3.5%	\$12.37	\$1,232,623	3.5%	\$12.73
Total Fixed Expenses	\$4,202,905	29.6%	\$79.26	\$5,207,574	19.7%	\$64.70	\$5,985,558	18.2%	\$61.98	\$6,171,415	18.2%	\$63.73
Total Expenses	\$12,181,687	84.2%	\$229.72	\$19,749,513	72.0%	\$245.39	\$24,196,527	70.9%	\$250.54	\$24,971,185	70.9%	\$257.85
NOI	\$2,288,195	15.8%	\$43.15	\$7,671,112	28.0%	\$95.31	\$9,923,671	29.1%	\$102.75	\$10,246,613	29.1%	\$105.81

Valuation Year	5			6			7			8		
Year Beginning	04/01/24			04/01/25			04/01/26			04/01/27		
<u>Rooms</u>												
Hotel Units	294			294			294			294		
Available Nights	365			365			365			366		
Available Room Nights	107,310			107,310			107,310			107,604		
Occupancy	96,579 90.0%			96,579 90.0%			96,579 90.0%			96,844 90.0%		
ADR	\$288.03			\$296.68			\$305.58			\$314.74		
ADR Growth	3.0%			3.0%			3.0%			3.0%		
RevPAR	\$259.23			\$267.01			\$275.02			\$283.27		
RevPAR Growth Yr/Yr (%)	3.0%			3.0%			3.0%			3.0%		
Revenue	% POR			% POR			% POR			% POR		
Room Revenue	\$27,818,069	76.8%	\$288.03	\$28,652,612	76.8%	\$296.68	\$29,512,190	76.8%	\$305.58	\$30,480,837	76.9%	\$314.74
F&B Revenue	\$1,693,727	4.7%	\$34.00	\$1,744,539	4.7%	\$34.00	\$1,796,875	4.7%	\$34.00	\$1,850,781	4.7%	\$34.00
Other Income	\$1,912,272	5.3%	\$19.80	\$1,969,640	5.3%	\$20.39	\$2,028,730	5.3%	\$21.01	\$2,089,592	5.3%	\$21.58
Rental Income (Mr. Purple)	\$4,774,050	13.2%	\$49.43	\$4,917,272	13.2%	\$50.91	\$5,064,790	13.2%	\$52.44	\$5,216,733	13.2%	\$53.87
Total Revenue	\$36,198,119	100.0%	\$374.80	\$37,284,062	100.0%	\$386.05	\$38,402,584	100.0%	\$397.63	\$39,637,943	100.0%	\$409.30
Departmental Expenses												
Rooms Expense	\$10,292,686	37.0%	\$106.57	\$10,601,466	37.0%	\$109.77	\$10,919,510	37.0%	\$113.06	\$11,277,910	37.0%	\$116.45
F&B Expense	\$1,642,915	97.0%	\$17.01	\$1,692,202	97.0%	\$17.52	\$1,742,969	97.0%	\$18.05	\$1,795,258	97.0%	\$18.54
Total Dept Expenses	\$11,935,601	134.0%	\$123.58	\$12,293,669	134.0%	\$127.29	\$12,662,479	134.0%	\$131.11	\$13,073,167	134.0%	\$134.99
Total Dept Profit	\$24,262,518	67.0%	\$251.22	\$24,990,393	67.0%	\$258.76	\$25,740,105	67.0%	\$266.52	\$26,564,775	67.0%	\$274.31
Operating Expenses												
Administrative & General	\$2,389,076	6.6%	\$24.74	\$2,460,748	6.6%	\$25.48	\$2,534,571	6.6%	\$26.24	\$2,616,104	6.6%	\$27.01
Marketing	\$2,533,868	7.0%	\$26.24	\$2,609,884	7.0%	\$27.02	\$2,688,181	7.0%	\$27.83	\$2,774,656	7.0%	\$28.65
Energy/Utilities	\$832,557	2.3%	\$8.62	\$857,533	2.3%	\$8.88	\$883,259	2.3%	\$9.15	\$911,673	2.3%	\$9.41
Repairs & Maintenance	\$1,628,915	4.5%	\$16.87	\$1,677,783	4.5%	\$17.37	\$1,728,116	4.5%	\$17.89	\$1,783,707	4.5%	\$18.42
Total Operating Expenses	\$7,384,416	20.4%	\$76.46	\$7,605,949	20.4%	\$78.75	\$7,834,127	20.4%	\$81.12	\$8,086,140	20.4%	\$83.50
Gross Operating Profit	\$16,878,102	46.6%	\$174.76	\$17,384,445	46.6%	\$180.00	\$17,905,978	46.6%	\$185.40	\$18,478,635	46.6%	\$190.81
Fixed Expenses												
Real Estate Taxes	\$3,314,977	9.2%	\$34.32	\$3,414,427	9.2%	\$35.35	\$3,516,859	9.2%	\$36.41	\$3,622,365	9.1%	\$37.40
Insurance	\$196,964	0.5%	\$2.04	\$202,873	0.5%	\$2.10	\$208,959	0.5%	\$2.16	\$215,228	0.5%	\$2.22
Management Fee	\$1,571,203	5.0%	\$16.27	\$1,618,340	5.0%	\$16.76	\$1,666,890	5.0%	\$17.26	\$1,721,060	5.0%	\$17.77
Replacement Reserve	\$1,266,934	3.5%	\$13.12	\$1,304,942	3.5%	\$13.51	\$1,344,090	3.5%	\$13.92	\$1,387,328	3.5%	\$14.33
Total Fixed Expenses	\$6,350,079	18.2%	\$65.75	\$6,540,581	18.2%	\$67.72	\$6,736,799	18.2%	\$69.75	\$6,945,982	18.2%	\$71.72
Total Expenses	\$25,670,096	70.9%	\$265.79	\$26,440,199	70.9%	\$273.77	\$27,233,405	70.9%	\$281.98	\$28,105,289	70.9%	\$290.21
NOI	\$10,528,023	29.1%	\$109.01	\$10,843,863	29.1%	\$112.28	\$11,169,179	29.1%	\$115.65	\$11,532,653	29.1%	\$119.09

Valuation Year	9			10			11		
Year Beginning	04/01/28			04/01/29			04/01/30		
<u>Rooms</u>									
Hotel Units	294			294			294		
Available Nights	365			365			365		
Available Room Nights	107,310			107,310			107,310		
Occupancy	96,579 90.0%			96,579 90.0%			96,579 90.0%		
ADR	\$324.19			\$333.91			\$343.93		
ADR Growth	3.0%			3.0%			3.0%		
RevPAR	\$291.77			\$300.52			\$309.54		
RevPAR Growth Yr/Yr (%)	3.0%			3.0%			3.0%		
Revenue	% POR			% POR			% POR		
Room Revenue	\$31,309,482	76.8%	\$324.19	\$32,248,767	76.8%	\$333.91	\$33,216,230	76.8%	\$343.93
F&B Revenue	\$1,906,304	4.7%	\$34.00	\$1,963,494	4.8%	\$34.00	\$2,022,398	5.0%	\$34.00
Other Income	\$2,152,279	5.3%	\$22.29	\$2,216,848	5.4%	\$22.95	\$2,283,353	5.6%	\$23.64
Rental Income (Mr. Purple)	\$5,373,235	13.2%	\$55.64	\$5,534,432	13.6%	\$57.30	\$5,700,465	14.0%	\$59.02
Total Revenue	\$40,741,301	100.0%	\$421.84	\$41,963,540	100.0%	\$434.50	\$43,222,447	100.0%	\$447.53
Departmental Expenses									
Rooms Expense	\$11,584,508	37.0%	\$119.95	\$11,932,044	37.0%	\$123.55	\$12,290,005	37.0%	\$127.25
F&B Expense	\$1,849,115	97.0%	\$19.15	\$1,904,589	97.0%	\$19.72	\$1,961,726	97.0%	\$20.31
Total Dept Expenses	\$13,433,624	134.0%	\$139.09	\$13,836,633	134.0%	\$143.27	\$14,251,731	134.0%	\$147.57
Total Dept Profit	\$27,307,678	67.0%	\$282.75	\$28,126,908	67.0%	\$291.23	\$28,970,715	67.0%	\$299.97
Operating Expenses									
Administrative & General	\$2,688,926	6.6%	\$27.84	\$2,769,594	6.6%	\$28.68	\$2,852,681	6.6%	\$29.54
Marketing	\$2,851,891	7.0%	\$29.53	\$2,937,448	7.0%	\$30.41	\$3,025,571	7.0%	\$31.33
Energy/Utilities	\$937,050	2.3%	\$9.70	\$965,161	2.3%	\$9.99	\$994,116	2.3%	\$10.29
Repairs & Maintenance	\$1,833,359	4.5%	\$18.98	\$1,888,359	4.5%	\$19.55	\$1,945,010	4.5%	\$20.14
Total Operating Expenses	\$8,311,225	20.4%	\$86.06	\$8,560,562	20.4%	\$88.64	\$8,817,379	20.4%	\$91.30
Gross Operating Profit	\$18,996,452	46.6%	\$196.69	\$19,566,346	46.6%	\$202.59	\$20,153,336	46.6%	\$208.67
Fixed Expenses									
Real Estate Taxes	\$3,731,036	9.2%	\$38.63	\$3,842,967	9.2%	\$39.79	\$3,958,256	9.2%	\$40.98
Insurance	\$221,685	0.5%	\$2.30	\$228,335	0.5%	\$2.36	\$235,185	0.5%	\$2.44
Management Fee	\$1,768,403	5.0%	\$18.31	\$1,821,455	5.0%	\$18.86	\$1,876,099	5.0%	\$19.43
Replacement Reserve	\$1,425,946	3.5%	\$14.76	\$1,468,724	3.5%	\$15.21	\$1,512,786	3.5%	\$15.66
Total Fixed Expenses	\$7,147,070	18.2%	\$74.00	\$7,361,482	18.2%	\$76.22	\$7,582,326	18.2%	\$78.51
Total Expenses	\$28,891,919	70.9%	\$299.15	\$29,758,677	70.9%	\$308.13	\$30,651,437	70.9%	\$317.37
NOI	\$11,849,382	29.1%	\$122.69	\$12,204,864	29.1%	\$126.37	\$12,571,010	29.1%	\$130.16

**Prospective Present Value**  
**Cash Flow Before Debt Service plus Property Resale**  
**Discounted Annually (Endpoint on Cash Flow & Resale) over a 10-Year Period**

Analysis Period	For Year	Annual Cash Flow	P.V. of Cash Flow 7.50%
1	4/1/20	\$2,288,195	\$2,128,554
2	4/1/21	\$7,671,112	\$6,638,064
3	4/1/22	\$9,923,671	\$7,988,164
4	4/1/23	\$10,246,613	\$7,672,669
5	4/1/24	\$10,528,023	\$7,333,385
6	4/1/25	\$10,843,863	\$7,026,406
7	4/1/26	\$11,169,179	\$6,732,278
8	4/1/27	\$11,532,653	\$6,466,385
9	4/1/28	\$11,849,382	\$6,180,442
10	4/1/29	\$12,204,864	\$5,921,726
Total Cash Flow		\$98,257,557	\$64,088,072
Property Resale after 3% Cost of Sale		\$180,650,065	\$90,361,149
Total Property Present Value			\$154,449,221
As Is Value (Rounded)			\$154,400,000

Our Year 1 proforma cash flow and resultant value opinion result in a going-in capitalization rate of 1.48% (\$2,288,195/\$154,400,000). By Year 3, our stabilized year, the implied cap rate equates to 6.1%. Our value is \$154,400,000 as of March 31, 2020.

**Final Value Opinion**

Value	Interest Appraised	Date of Value	Conclusion
Fair Value As Is	Fee Simple	March 31, 2020	\$154,400,000

The above final value conclusion considers an exposure time of six months to twelve months. This conclusion is predicated on interviews with local brokers and other real estate industry sources, on information obtained in the verification process of recent sale transactions for similar properties, and our analysis of supply and demand forces in the local market.

The value conclusions are subject to the following **Extraordinary Assumptions**<sup>3</sup> that may affect the assignment results. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions:

- In following government orders to self-isolate as part of an effort to contain the spread of the COVID-19 virus, we were unable to conduct an inspection of the subject property. We have therefore relied on an inspection performed on December 13, 2019 when we previously appraised the subject property. It is an Extraordinary Assumption of this report, that the condition of the subject property, as well as all mechanical systems, are unchanged since our inspection conducted on December 13, 2019.

<sup>3</sup> The definition of Extraordinary Assumptions can be found in the Glossary of Terms, which is located in the Addenda.

May 15, 2020

- As of the date of this report, NYC is on pause until May 28, 2020. A phased reopening will begin once NYC meets certain benchmarks. It is an Extraordinary Assumption of this report that NYC restaurants and bars will be reopened in June 2020 with restrictions on occupancy.

The value conclusions are based on the following **Hypothetical Conditions**<sup>4</sup> that may affect the assignment results:

- None.

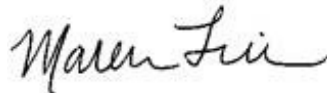
The opinions of value expressed herein are subject to the certification, assumptions and limiting conditions, and all other information contained in the following written appraisal report.

Thank you for the opportunity to serve you.

Sincerely,



Michelle Zell, MAI  
Senior Vice President  
NY Cert. No. 46000049921  
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(917) 533-3141



Maren Lewis  
Senior Appraiser  
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(917) 748-5387

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<sup>4</sup> The definition of Hypothetical Conditions can be found in the Glossary of Terms, which is located in the Addenda.

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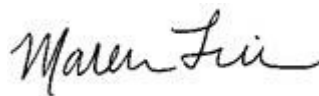
## Certification

We certify to the best of our knowledge:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- We have performed services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment. We have appraised the property on March 4, 2020 with an effective date of December 31, 2019.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- 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.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- Michelle Zell, MAI, has made an inspection of the property that is the subject of this report on December 13, 2019. Maren Lewis has not made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.
- As of the date of this report, Michelle Zell, MAI, has completed the continuing education program for Designated Members of the Appraisal Institute.
- We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.



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# Addenda

## Glossary of Terms

Unless otherwise noted, *The Dictionary of Real Estate Appraisal*, 6<sup>th</sup> edition (Chicago: Appraisal Institute, 2015) is the source of the following definitions.

Absorption	Short term capture; the process whereby any specific commodity is occupied, leased, and/or sold to an end user.
Absorption Period	The actual or expected period from the time a property is initially offered for lease, purchase or use by its eventual users until all portions have been sold or stabilized occupancy has been achieved. Although marketing may begin before the completion of construction, most forecasters consider the absorption period to begin after completion of construction. Also referred to as sell-out period.
Absorption Rate	The rate at which properties for sale or lease have been or are expected to be successfully marketed in a given area: usually used in forecasting sales or listing activity. (see also Capture Rate)
As Is Fair Value	<p>The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). That definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific measurement. When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value. The IFRS explains that a fair value measurement requires an entity to determine the following:</p> <ul style="list-style-type: none"><li>(a) the particular asset or liability being measured;</li><li>(b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis;</li><li>(c) the market in which an orderly transaction would take place for the asset or liability; and</li><li>(d) the appropriate valuation technique(s) to use when measuring fair value. The valuation technique(s) used should maximize the use of relevant observable inputs and minimize unobservable inputs. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability (according to IFRS-13).</li></ul>
As Is Market Value	The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date, according to the Interagency Appraisal and Evaluation Guidelines (Federal Deposit Insurance Corporation: 2010). Note: The use of the "as is" phrase is specific to appraisal regulations pursuant to FIRREA applying to appraisals prepared for regulated lenders in the United States.

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Bulk Value	Historically this term has been used incorrectly to express a specific "type" of value. Actually, bulk sale value is the "market value" for a group of lots under a specific valuation scenario and not a separate definition of value. For convenience in this seminar the term "bulk value" has been used to describe the "bulk value scenario". (See Bulk Value Scenario). Historically, bulk value has sometimes been referred to as the present value of the sellout, bulk sale value, lump-sum bulk value or wholesale value. In subdivision analysis, this is the market value of a group of lots to one purchaser.
Bulk Value Scenario	This valuation scenario has as its premise the valuation of a group of lots or units to one purchaser. The scenario is based on the presumption of a transaction where a group of lots are to be sold to one purchaser as one sales transaction. The value estimate must reflect this bulk sale scenario and recognize that the only way the purchaser can earn a profit on the investment is to eventually sell the lots or units over time to eventual end users. The bulk sale scenario considers the absorption period needed to market the lot inventory over time with appropriate deductions and discounts for holding and sales costs and profit.
Capture Rate	The estimated percentage of the total potential market for a specific type of property (e.g., office space, retail space, single family homes) that is currently absorbed by existing facilities or is forecast to be absorbed by proposed facilities: short term capture is referred to as absorption; long term capture is referred to as share of the market.
Condominium	A multiunit structure, or a unit within such a structure, with a condominium form of ownership.
Deferred Maintenance	Items of wear and tear on a property that should be fixed now to protect the value or income-producing ability of the property, such as a broken window, a dead tree, a leak in the roof, or a faulty roof that must be completely replaced. These items are almost always curable.
Depreciation	A loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvements on the same date.
Developer's Profit	The profit anticipated by the developer of a subdivision. See Developer's Fee.
Developer's Fee	A term subject to various interpretations. Many appraisers associate a developer's fee with payment for overseeing the development of a project from inception to completion and include it among the direct and indirect costs of development. Other use the term interchangeably with entrepreneurial profit, equating it with compensation for the time, energy and experience a developer invests in a project, as well as, a reward for the risk the developer takes.
Development	The transformation of formerly raw land into improved property through the application of labor, capital and entrepreneurship. Development may also include the marketing of the real estate product.
Development Cost	In subdivision analysis, development costs are usually the direct and indirect costs associated with the construction phase of the subdivision development. Direct costs are costs associated with the physical improvements to the land and indirect costs are representative of engineering, surveying, attorney's fees and other indirect costs associated directly with subdivision construction and/or development.

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Direct Capitalization	A method used to convert an estimate of a single year's net operating income expectancy into an indication of value in one direct step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor. This technique employs capitalization rates and multipliers extracted from sales. Only the first year's income is considered. Yield and value change are implied, but not identified overall. This method is most useful when the property is already operating on a stabilized basis, according to The Appraisal of Real Estate, 14th Edition (Appraisal Institute: 2013).
Discounted Cash Flow	The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analysis specifies the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate.
Effective Date	(1) The date on which the appraisal or review applies. (2) In a lease document, the date upon which the lease goes into effect.
Effective Gross Income	The anticipated income from all operations of real property adjusted for vacancy and collection losses.
Entitlement	In the context of ownership, use and/or development of real property, the rights to receive governmental approval for annexation, zoning, utility extensions, construction permits and occupancy/use permits. The approval period is usually finite and may require the owner and/or developer to pay impact and/or user fees in addition to other costs to secure the entitlement. Entitlements may be transferable, subject to covenants or government protocols, may constitute vested rights and may represent an enhancement to a property's value.
Entrepreneur	One who assumes the risk and management of a business or enterprise in exchange for possible gains a promoter who initiates development.
Entrepreneurial Incentive	A market-derived figure that represents the amount an entrepreneur expects to receive for his or her contribution to a project and risk.
Entrepreneurial Profit	(1) A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses. (2) In economics, the actual return on successful management practices, often identified with coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.
Equity Dividend	The portion of net income that remains after debt service is paid; this is returned to the equity position.
Exposure Time	(1) The time a property remains on the market. (2) The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. Note: Exposure time is a retrospective.
Extraordinary Assumption	An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions.

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Fee Simple Interest	Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.
Financial Feasibility	An analysis to determine which of those uses deemed possible and legal can provide a net return to the owner of the site.
Gross Building Area	Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.
Gross Proceeds	In subdivision discounted cash flow analysis, this is the gross receipts generated from lot or unit sales over the absorption period. It can consider income from ancillary sources and is representative of total income generated from unit or lot sales over time. Typically, this is the same as gross sellout plus any ancillary income, if any.
Gross Sellout	This is the aggregate of the individual retail prices of a group of lots or units typically sold over a holding or absorption period and may also be referred to as the sum of the retail values, gross retail value, aggregate of retail values, gross sellout value or gross retail value.
Highest and Best Use	(1) The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. (2) The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid, according to David Parker's International Valuation Standards (John Wiley & Sons, Ltd: 2016). (3) The highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future, according to the Uniform Appraisal Standards for Federal Land Acquisitions (The Appraisal Foundation: 2016).
Holding and Sales Costs	Costs associated with a holding period needed to achieve permitting, project approvals or the absorption of unit inventory over time. Holding and sales costs include items such as real estate taxes, insurance, brokers' commissions, administrative costs, marketing and promotional expenses, together with other expenses depending upon the individual development and/or property.
Hypothetical Condition	A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results but is used for the purpose of analysis.
Insurable Value	A type of value for insurance purposes.
Leased Fee Interest	The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.
Leasehold Interest	The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.
Legally Permissible Use	An investigation into existing zoning regulations, lease terms, and deed restrictions on the site to determine which uses are legally permitted.
Line Item Profit	In subdivision valuation analysis, this is a deduction for profit as an expense in the discounted cash flow analysis over the absorption period. Line Item Profit is estimated in conjunction with the selection of the discount rate used to calculate the present value of the net proceeds.

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Marketing Time	An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.
Market Rent	The most probable rent that property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).
Net Operating Income	The anticipated net income remaining after all operating expenses are deducted from effective gross income.
Net Proceeds	In subdivision discounted cash flow analysis, net proceeds are gross revenues less holding and sales costs and any line item profit associated with a subdivision project.
Net Rentable Area	For office or retail buildings, the tenant's pro rata portion of the entire office floor, excluding elements of the building that penetrate through the floor to the areas below. The rentable area of a floor is computed by measuring to the inside finished surface of the dominant portion of the permanent building walls, excluding any major vertical penetrations of the floor. Alternatively, the amount of space on which the rent is based; calculated according to local practice.
Physically Possible Use	An analysis to determine those uses of the subject which can be deemed physically possible.
Potential Gross Income	The total potential income attributable to the real property at full occupancy before operating expenses are deducted. It may refer to the level of rental income prevailing in the market or that contractually determine by existing leases.
Profit	1) The amount by which the proceeds of a transaction exceeds its cost; 2) In theoretical economics, the residual share of the product of an enterprise that accrues to the entrepreneur after paying interest for capital, rent for land and wages for labor and management; 3) Accounting, an increase in wealth that results from the operation of an enterprise. Gross profit usually is the selling price minus costs: items such as selling and operating expenses are deducted from gross profit to indicate net profit.
Profit Motive	The desire to earn a favorable financial return on a business venture.
Property Rights Appraised	The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.
Prospective Opinion of Value	A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.
Replacement Costs	The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout.
Replacement Cost for Insurance Purposes	The estimated cost, at current prices as of the effective date of valuation, of a substitute for the building being valued, using modern materials and current standards, design, and layout for insurance coverage purposes guaranteeing that damaged property is replaced with new property (i.e., depreciation is not deducted).

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Reproduction Costs	The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, super-adequacies, and obsolescence of the subject building.
Retrospective Value Opinion	A value opinion effective as of a specified historical date. The term retrospective does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion".
Reversion	A lump-sum benefit an investor expects to receive upon the termination of the investment.
Sell-Out Period	The sell out period is the same as the absorption period. See Absorption Period.
Stabilized Income	(1) An estimate of income, either current or forecasted, that presumes the property is at stabilized occupancy. (2) The forecast of the subject property's yearly average income (or average- equivalent income) expected for the economic life of the subject property. (3) Projected income that is subject to change but has been adjusted to reflect an equivalent, stable annual income.
Stabilized Occupancy	(1) The occupancy of a property that would be expected at a particular point in time, considering its relative competitive strength and supply and demand conditions at the time, and presuming it is priced at market rent and has had reasonable market exposure. A property is at stabilized occupancy when it is capturing its appropriate share of market demand. (2) An expression of the average or typical occupancy that would be expected for a property over a specified projection period or over its economic life.
Subdivision	A tract of land that has been divided into lots or blocks with streets, roadways, open areas, and other facilities appropriate to its development as residential, commercial, or industrial sites.
Subdivision Development Method	<p>A method of estimating land value when subdivision and development are the highest and best use of the parcel of land being appraised. When all direct and indirect costs and entrepreneurial incentive are deducted from an estimate of the anticipated gross sales price of the finished lots resultant net sales proceeds are then discounted to present value at a</p> <p>market-derived rate over the development and absorption period to indicate the value of the raw land. Also, may be called Development Procedure.</p>
Sum of Retail Values:	This is the aggregate of the individual retail prices of a group of lots or units typically sold over a holding or absorption period. Historically this has also been called: gross retail value, aggregate of retail values, gross sellout, gross sellout value or gross retail value. The recommended terminology is the sum of the retail values.

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#### Yield Capitalization

The capitalization method used to convert future benefits into present value by discounting each future benefit at an appropriate yield rate. This method explicitly considers a series of cash flows (net income over a holding period) over time together with any reversion value or resale proceeds. Since this technique explicitly reflects the investment's income pattern, it is especially suited to multi-tenant properties with varying leasing schedules as well as properties that are not operating at stabilized occupancy, according to *The Appraisal of Real Estate, 14th Edition* (Appraisal Institute: 2013).

## Allocation of Value

There are potentially four components that constitute the total value of an asset: real property including land and improvements, personal property including furniture, fixtures & equipment (FF&E) and intangibles (goodwill, branding, and business value). In this case, we have been asked to allocate the value of each component which makes up the subject hotel condominium unit, including 1) the underlying land; 2) the improvements; 3) furniture, fixtures and equipment and 4) intangible value attributable to the business operation and goodwill. Each component will be analyzed.

<b>Allocation of Hotel Component Value</b>	
Replacement Cost New of FF&E	\$5,000,000
Average Total Useful Life (Years)	12
Useful Life Remaining (Years)	9
Depreciation of FF&E	25%
<b>Depreciated Value of FF&amp;E, rounded</b>	<b>\$3,800,000</b>
<b>Value Attributable To Business/Intangibles</b>	<b>\$0</b>
<b>Real Property Value Allocation, Rounded</b>	
Final Value of the Total Assets of the Business	\$154,400,000
Value Attributable to FF&E	\$3,800,000
Value Attributable to Business/Intangibles	<u>\$0</u>
Value Attributable to Real Property	\$150,600,000
<b>Land Value Allocation</b>	
Buildable SF	154,153
Land Value @ \$475 per buildable square foot	\$73,222,675
<b>84.45% Attributable to Hotel Condo, rounded</b>	<b>\$61,800,000</b>
<b>Improvement Value Allocation</b>	
Value Attributable to Real Property	\$150,600,000
Less Value Attributable to Land	<u>\$61,800,000</u>
<b>Value Attributable to Improvements after Depreciation</b>	<b>\$88,800,000</b>
Average Total Useful Life (Years)	60
Useful Life Remaining (Years)	56
Depreciation	7%
<b>Value Attributable to Improvements before Depreciation</b>	<b>\$95,142,857</b>
<b>Final Value Allocation</b>	
Value Attributable to Land	\$61,800,000
Value Attributable to Improvements	<u>\$88,800,000</u>
Value Attributable to Real Property	\$150,600,000
Value Attributable to FF&E	\$3,800,000
Value Attributable to Business/Intangibles	<u>\$0</u>
<b>Total Assets of the Business</b>	<b>\$154,400,000</b>



## Furniture, Fixtures and Equipment

According to Marshall & Swift Cost Valuation Service, furniture, fixtures and equipment typically range from 18.5% to 31% of total hard construction costs. In past discussions with the current ownership, ownership has indicated that the actual cost of the furniture, fixtures and equipment for the subject hotel is approximately \$5,000,000.

According to Marshall & Swift, hotels from the same scale have a useful life of 60 years. The table below summarizes the useful life of the building improvements and FF&E for 4 major hotel groups:

<u>Hotel group</u>	<u>FF&amp;E useful life (yrs)</u>
Starwood	3-10
Hyatt	3-20
Melia	3-18
Rezidor	5-20

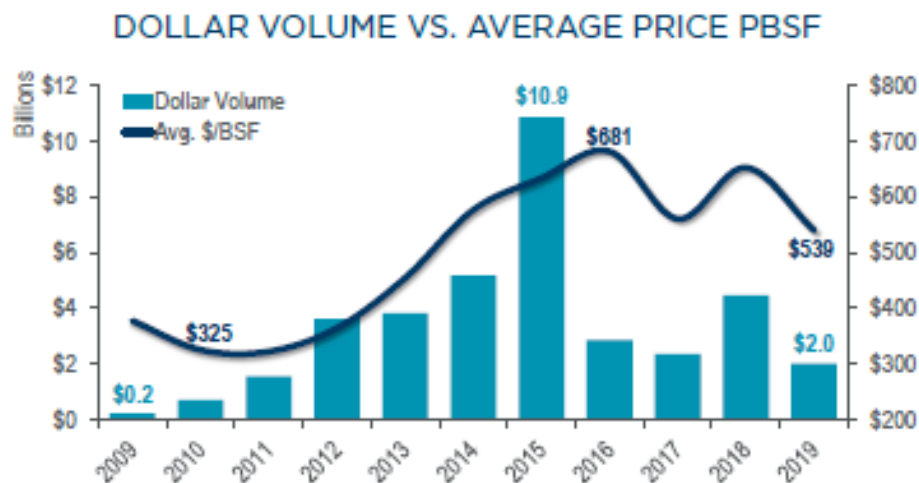
Buildings in New York City tend to last significantly longer than their useful life. We project a useful life of 12 years for the FF&E. We apply straight line depreciation. The building is approximately 4 years old. After depreciation, the value of FF&E is \$3,800,000, rounded.

## Intangible Business Value

Intangible business value for a hotel is comprised of various components, including goodwill, branding, and other items such as cash flows from future bookings and pre-sold events. We do not ascribe a separate business value as we have already deducted a market-oriented management fee. Thus, the value attributable to business/intangibles value is \$0.

## Underlying Land Value

According to the Cushman & Wakefield market report for Q42019, land values increased in 2018 but have declined in 2019. The average price is \$539 per buildable square foot as of year-end 2019. As we expect land value to decline due to the current pandemic, we will apply a discount and assume \$475 per buildable square foot.



Based on the above, we apply \$475 per buildable square foot of FAR, which equates to a land value of \$73,222,675.

The underlying land value is representative of the value of the entire development site. Thus, a portion of the land value is also applicable to the other two commercial condominium units, including the retail space (portions of first and second floor) and the parking garage (portions of the cellar and sub-cellar). Although below grade area is excluded from FAR zoning calculations, there is land value attributable toward the underground parking garage. Based upon square footages, the allocation of the areas of each of the condominium units to the total building area are presented as follows:

<b>Component</b>	<b>GBA</b>	<b>% Allocation</b>
Hotel (including mech. bulkheads)	164,825	84.45%
Retail	10,633	5.45%
Garage	19,723	10.10%
Total	195,181	100.00%

We note that we have added an additional 10,240 square feet of mechanical bulkhead areas to the subject hotel square footage of 154,585 square feet. Land value to the hotel component can further be allocated as 84.45% of \$73,222,675 or \$61,800,000, rounded.

### Improvement Value Allocation

After allocating a portion of the value to the land, FF&E and business value, the remaining portion is attributable to the improvements, after depreciation. Thus the value attributable to the improvements is \$88,800,000, rounded, which equates to \$539 per square foot of the hotel component (based on 164,825 square feet) after depreciation or \$577 per square foot before depreciation.

The subject improvements were completed in 2015. We were not provided with the original construction budget; it is unknown if the construction costs were allocated among the three separate condominium components. As the Marshall & Swift Cost Valuation Service does not expressly list construction costs for high quality luxury hotels within the Manhattan market, we have researched constructed costs of other proposed and recently completed hotels from within Manhattan. Construction costs for the comparable hotel properties are presented below.

<b>No</b>	<b>Address</b>	<b>Keys</b>	<b>GBA</b>	<b>Costs</b>	<b>Cost/Key</b>	<b>Cost/SF</b>
1	139 Orchard Street	105	47,132	\$36,900,109	\$351,430	\$783
2	11 East 31st Street	250	75,682	\$70,800,000	\$283,200	\$935
3	11 West 37th Street	68	25,639	\$14,735,256	\$216,695	\$575
4	17 West 24th Street	68	29,272	\$24,399,462	\$358,816	\$834
5	560 Seventh Avenue	211	118,512	\$135,902,656	\$644,088	\$1,147
6	333 West 38th Street	79	33,011	\$15,812,242	\$200,155	\$479
	Minimum				\$200,155	\$479
	Maximum				\$644,088	\$1,147
	Average				\$342,397	\$792

The hotel construction comparables range from \$479 to \$1,147 per square foot and average approximately \$792 per square foot. Thus, the subject's \$577 per square foot, before depreciation, falls within the range and appears reasonable.

## Bowery Year 1 ADR and Occupancy Projection

	2020 April	2020 May	2020 June	2020 July	2020 August	2020 September	2020 October	2020 November	2020 December	2021 January	2021 February	2021 March	Year 1
Hotel Units	294	294	294	294	294	294	294	294	294	294	294	294	294
Available Nights	30	31	30	31	31	30	31	30	31	31	28	31	365
Available Room Nights	8,820	9,114	8,820	9,114	9,114	8,820	9,114	8,820	9,114	9,114	8,232	9,114	107,310
Occupancy	4.4%	10.0%	15.0%	25.0%	35.0%	55.0%	65.0%	75.0%	80.0%	70.0%	80.0%	80.0%	49.4%
Occupied Room Nights	388	911	1,323	2,279	3,190	4,851	5,924	6,615	7,291	6,380	6,586	7,291	53,029
ADR	\$100	\$160	\$200	\$200	\$200	\$250	\$250	\$250	\$260	\$155	\$165	\$200	\$213
ADR Growth													
RevPAR	\$4	\$16	\$30	\$50	\$70	\$138	\$163	\$188	\$208	\$109	\$132	\$160	\$105.49
RevPAR Growth Yr/Yr (%)													
Room Revenue	\$38,808	\$145,824	\$264,600	\$455,700	\$637,980	\$1,212,750	\$1,481,025	\$1,653,750	\$1,895,712	\$988,869	\$1,086,624	\$1,458,240	\$11,319,882

We also present the monthly ADR and occupancy in 2019/2020 as a means of comparison to our projected monthly ADR in Year 1:

	April	May	June	July	August	September	October	November	December	January	February	March	2019
2019 ADR	\$253.41	\$289.97	\$279.16	\$227.51	\$230.44	\$299.23	\$291.63	\$242.32	\$271.34	\$158.35	\$166.29	\$198.36	\$245.53
2020 ADR										\$143.40	\$160.80	\$176.23	
Year 1 Projection	\$100.00	\$160.00	\$200.00	\$200.00	\$200.00	\$250.00	\$250.00	\$250.00	\$260.00	\$155.00	\$165.00	\$200.00	\$213.47
Year 1 Projection vs 2019	-	-44.8%	-28.4%	-12.1%	-13.2%	-16.5%	-14.3%	3.2%	-4.2%	-2.1%	-0.8%	0.8%	-13.1%
	April	May	June	July	August	September	October	November	December	January	February	March	2019
2019 Occupancy	92.7%	94.7%	93.6%	90.5%	93.5%	94.0%	95.3%	93.0%	93.0%	64.8%	81.6%	90.7%	89.8%
2020 Occupancy										74.6%	81.9%	26.4%	
Year 1 Projection	4.4%	10.0%	15.0%	25.0%	35.0%	55.0%	65.0%	75.0%	80.0%	70.0%	80.0%	80.0%	49.4%

Source: STR March 2020 report

## Historical Performance and 2020 Budget (pre-COVID-19) with Bowery Year 1 Proforma

	Historical		Historical		Historical		Historical		Owner Budget Pre-COVID-19		Bowery Proforma	
Year	2016		2017		2018		2019		2020		Year 1	
Hotel Units	294		294		294		294		294		294	
Available Nights	366		365		365		365		366		365	
Available Room Nights	107,604		107,310		107,310		107,310		107,604		107,310	
Occupancy	68.8%		80.3%		83.7%		89.8%		90.0%		49.4%	
Occupied Room Nights	74,032		86,170		89,823		96,380		96,919		53,029	
ADR	\$268.40		\$263.83		\$265.02		\$245.53		\$258.33		\$213.47	
RevPAR	\$184.70		\$211.90		\$221.84		\$220.52		\$232.39		\$105.49	
<u>Revenue</u>		%		%		%		%		%		%
Total Room Revenue	\$19,806,853	82.9%	\$22,727,143	81.5%	\$23,805,144	80.4%	\$23,664,107	76.7%	\$25,006,234	76.7%	\$11,319,882	78.2%
F&B Revenue	\$1,037,347	4.3%	\$1,276,232	4.6%	\$1,239,316	4.2%	\$1,321,445	4.3%	\$1,591,764	4.9%	\$775,000	5.4%
Misc Revenue	\$33,836	0.1%	\$73,697	0.3%	\$573,873	1.9%	\$1,563,993	5.1%	\$1,761,306	5.4%	\$875,000	6.0%
Rental Income (Mr. Purple)	\$3,003,183	12.6%	\$3,810,972	13.7%	\$3,985,962	13.5%	\$4,284,466	13.9%	\$4,227,169	13.0%	\$1,500,000	10.4%
Total Revenue	\$23,881,219	100.0%	\$27,888,044	100.0%	\$29,604,295	100.0%	\$30,834,011	100.0%	\$32,586,473	100.0%	\$14,469,882	100.0%
<u>Departmental Expenses</u>												
Rooms	\$6,179,059	31.2%	\$7,394,440	32.5%	\$8,224,973	34.6%	\$8,606,651	36.4%	\$9,189,204	36.7%	\$4,188,356	37.0%
F&B	\$1,038,354	100.1%	\$1,244,517	97.5%	\$1,252,777	101.1%	\$1,327,525	100.5%	\$1,525,173	95.8%	\$751,750	97.0%
Total	\$7,217,413	30.2%	\$8,638,957	31.0%	\$9,477,750	32.0%	\$9,934,176	32.2%	\$10,714,377	32.9%	\$4,940,106	34.1%
Gross Operating Income	\$16,663,806	69.8%	\$19,249,087	69.0%	\$20,126,545	68.0%	\$20,899,835	67.8%	\$21,872,096	67.1%	\$9,529,776	65.9%
<u>Undistributed Expenses</u>												
A&G	\$1,898,851	8.0%	\$2,130,589	7.6%	\$2,134,565	7.2%	\$2,027,899	6.6%	\$2,163,696	6.6%	\$1,012,892	7.0%
Marketing	\$1,555,605	6.5%	\$1,993,584	7.1%	\$2,259,119	7.6%	\$2,067,494	6.7%	\$2,259,146	6.9%	\$940,542	6.5%
Energy/Utilities	\$628,858	2.6%	\$622,424	2.2%	\$630,899	2.1%	\$762,730	2.5%	\$729,463	2.2%	\$361,747	2.5%
Property Maintenance	\$960,997	4.0%	\$1,118,006	4.0%	\$1,370,911	4.6%	\$1,412,734	4.6%	\$1,420,358	4.4%	\$723,494	5.0%
Total	\$5,044,311	21.1%	\$5,864,603	21.0%	\$6,395,494	21.6%	\$6,270,857	20.3%	\$6,572,663	20.2%	\$3,038,675	21.0%
GOP	\$11,619,495	48.7%	\$13,384,484	48.0%	\$13,731,051	46.4%	\$14,628,978	47.4%	\$15,299,433	47.0%	\$6,491,100	44.9%
<u>Fixed Expenses</u>												
Real Estate Taxes	\$2,567,036	10.7%	\$2,598,777	9.3%	\$2,761,688	9.3%	\$2,973,211	9.6%	\$3,052,379	9.4%	\$2,945,314	20.4%
Insurance	\$197,217	0.8%	\$192,958	0.7%	\$179,634	0.6%	\$168,471	0.5%	\$172,211	0.5%	\$175,000	1.2%
Management Fee	\$616,589	2.6%	\$856,128	3.1%	\$1,036,880	3.5%	\$1,411,500	4.6%	\$1,629,324	5.0%	\$648,494	4.5%
Replacement Reserve	\$238,474	1.0%	\$602,508	2.2%	\$889,885	3.0%	\$616,680	2.0%	\$651,729	2.0%	\$434,096	3.0%
Total	\$3,619,316	15.2%	\$4,250,371	15.2%	\$4,868,087	16.4%	\$5,169,862	16.8%	\$5,505,643	16.9%	\$4,202,905	29.0%
<b>NOI</b>	<b>\$8,000,179</b>	<b>33.5%</b>	<b>\$9,134,113</b>	<b>32.8%</b>	<b>\$8,862,964</b>	<b>29.9%</b>	<b>\$9,459,116</b>	<b>30.7%</b>	<b>\$9,793,790</b>	<b>30.1%</b>	<b>\$2,288,195</b>	<b>15.8%</b>
Operating Expense Ratio		66.5%		67.2%		70.1%		69.3%		69.9%		84.2%

	Historical		Historical		Historical		Historical		Owner Budget Pre-COVID-19		Bowery Proforma	
Year	2016		2017		2018		2019		2020		Year 1	
	PAR	POR	PAR	POR	PAR	POR	PAR	POR	PAR	POR	PAR	POR
Total Room Revenue	\$184.07	\$267.55	\$211.79	\$263.75	\$221.84	\$265.02	\$220.52	\$245.53	\$232.39	\$258.01	\$105.49	\$213.47
F&B Revenue	\$9.64	\$14.01	\$11.89	\$14.81	\$11.55	\$13.80	\$12.31	\$13.71	\$14.79	\$16.42	\$7.22	\$14.61
Misc Revenue	\$0.31	\$0.46	\$0.69	\$0.86	\$5.35	\$6.39	\$14.57	\$16.23	\$16.37	\$18.17	\$8.15	\$16.50
Rental Income (Mr. Purple)	\$27.91	\$40.57	\$35.51	\$44.23	\$37.14	\$44.38	\$39.93	\$44.45	\$39.28	\$43.62	\$13.98	\$28.29
Total Revenue	\$221.94	\$322.58	\$259.88	\$323.64	\$275.88	\$329.58	\$287.34	\$319.92	\$302.84	\$336.22	\$134.84	\$272.87
<u>Departmental Expenses</u>												
Rooms	\$57.42	\$83.47	\$68.91	\$85.81	\$76.65	\$91.57	\$80.20	\$89.30	\$85.40	\$94.81	\$39.03	\$78.98
F&B	\$9.65	\$14.03	\$11.60	\$14.44	\$11.67	\$13.95	\$12.37	\$13.77	\$14.17	\$15.74	\$7.01	\$14.18
Total	\$67.07	\$97.49	\$80.50	\$100.25	\$88.32	\$105.52	\$92.57	\$103.07	\$99.57	\$110.55	\$46.04	\$93.16
Gross Operating Income	\$154.86	\$225.09	\$179.38	\$223.39	\$187.56	\$224.07	\$194.76	\$216.85	\$203.26	\$225.67	\$88.81	\$179.71
<u>Undistributed Expenses</u>												
A&G	\$17.65	\$25.65	\$19.85	\$24.73	\$19.89	\$23.76	\$18.90	\$21.04	\$20.11	\$22.32	\$9.44	\$19.10
Marketing	\$14.46	\$21.01	\$18.58	\$23.14	\$21.05	\$25.15	\$19.27	\$21.45	\$21.00	\$23.31	\$8.76	\$17.74
Energy/Utilities	\$5.84	\$8.49	\$5.80	\$7.22	\$5.88	\$7.02	\$7.11	\$7.91	\$6.78	\$7.53	\$3.37	\$6.82
Property Maintenance	\$8.93	\$12.98	\$10.42	\$12.97	\$12.78	\$15.26	\$13.16	\$14.66	\$13.20	\$14.66	\$6.74	\$13.64
Total	\$46.88	\$68.14	\$54.65	\$68.06	\$59.60	\$71.20	\$58.44	\$65.06	\$61.08	\$67.82	\$28.32	\$57.30
GOP	\$107.98	\$156.95	\$124.73	\$155.33	\$127.96	\$152.87	\$136.32	\$151.78	\$142.18	\$157.86	\$60.49	\$122.41
<u>Fixed Expenses</u>												
Real Estate Taxes	\$23.86	\$34.67	\$24.22	\$30.16	\$25.74	\$30.75	\$27.71	\$30.85	\$28.37	\$31.49	\$27.45	\$55.54
Insurance	\$1.83	\$2.66	\$1.80	\$2.24	\$1.67	\$2.00	\$1.57	\$1.75	\$1.60	\$1.78	\$1.63	\$3.30
Management Fee	\$5.73	\$8.33	\$7.98	\$9.94	\$9.66	\$11.54	\$13.15	\$14.65	\$15.14	\$16.81	\$6.04	\$12.23
Replacement Reserve	\$2.22	\$3.22	\$5.61	\$6.99	\$8.29	\$9.91	\$5.75	\$6.40	\$6.06	\$6.72	\$4.05	\$8.19
Total	\$33.64	\$48.89	\$39.61	\$49.33	\$45.36	\$54.20	\$48.18	\$53.64	\$51.17	\$56.81	\$39.17	\$79.26
<b>NOI</b>	\$74.35	\$108.06	\$85.12	\$106.00	\$82.59	\$98.67	\$88.15	\$98.14	\$91.02	\$101.05	\$21.32	\$43.15

## Sensitivity Analysis

Bowery Conclusion					
Cap Rate	7.25%	7.00%	6.75%	6.50%	6.25%
Value	\$148,200,000	\$151,200,000	\$154,400,000	\$157,900,000	\$161,700,000
NOI*	-15.00%	-10.00%	0.00%	10.00%	15.00%
Value	\$131,300,000	\$139,000,000	\$154,400,000	\$169,900,000	\$177,600,000

\*We have adjusted each year's NOI by this percentage

# Provided Documents

## 2020 Budget (pre-COVID-19)

							Variance			
	Budget 2020	%	OctFoct 2019	%	History 2018	%	2020 vs 2019 % B/(W)	2020 vs 2018 % B/(W)	2020 vs 2019 abs B/(W)	2020 vs 2018 abs B/(W)
Rms Available	107,804		107,310		107,310		0.3	0.3	294	294
Tot Rms Occupied	96,919		96,359		90,395		0.8	7.2	560	6,524
Tot Rms Sold	96,799		96,065		89,823		0.8	7.8	734	6,976
Total OoO Rooms	--		59		627		100.0	100.0	59	627
Occupancy %	90.0		89.5		83.7		0.5	7.5	0.4	6.3
ADR	258.33		247.04		265.02		4.6	(2.5)	11.29	(6.69)
RevPAR	232.39		221.15		221.84		5.1	4.8	11.24	10.56
Total No. of Guests	141,268		143,348		135,176		(1.5)	4.5	(2,080)	6,092
<b>Hotel Revenues</b>										
Rooms	25,006,234	76.7	23,731,663	76.9	23,805,144	80.4	5.4	5.0	1,274,572	1,201,090
Food & Beverage	1,591,764	4.9	1,348,874	4.4	1,239,316	4.2	18.0	28.4	242,891	352,448
Misc Income	4,227,169	13.0	4,250,501	13.8	3,985,962	13.5	(0.5)	6.1	(23,332)	241,207
Other	1,761,306	5.4	1,524,482	4.9	573,873	1.9	15.5	206.9	236,825	1,187,433
<b>Total Revenue</b>	<b>32,586,474</b>	<b>100.0</b>	<b>30,855,519</b>	<b>100.0</b>	<b>29,604,295</b>	<b>100.0</b>	<b>5.6</b>	<b>10.1</b>	<b>1,730,955</b>	<b>2,982,178</b>
<b>Rooms Department</b>										
Total Revenue	25,006,234	76.7	23,731,663	76.9	23,805,144	80.4	5.4	5.0	1,274,572	1,201,090
Payroll	6,933,778	27.7	6,281,724	26.5	5,985,065	25.1	(10.4)	(15.9)	(652,054)	(948,713)
Expenses	2,255,426	9.0	2,291,135	9.7	2,239,908	9.4	1.6	(0.7)	35,708	(15,518)
Total Expenses	9,189,204	36.7	8,572,858	36.1	8,224,973	34.6	(7.2)	(11.7)	(616,346)	(964,231)
<b>Depart. Profit/(Loss)</b>	<b>15,817,030</b>	<b>63.3</b>	<b>15,158,804</b>	<b>63.9</b>	<b>15,580,171</b>	<b>65.4</b>	<b>4.3</b>	<b>1.5</b>	<b>658,226</b>	<b>236,859</b>
<b>F &amp; B Department</b>										
Total Revenue	1,591,764	4.9	1,348,874	4.4	1,239,316	4.2	18.0	28.4	242,891	352,448
Cost of Sales	580,336	36.5	513,042	38.0	510,670	41.2	(13.1)	(13.0)	(67,294)	(69,666)
Payroll	795,773	50.0	652,126	48.3	624,286	50.4	(22.0)	(27.5)	(143,647)	(171,488)
Expenses	149,064	9.4	149,761	11.1	140,630	11.3	0.5	(8.0)	698	(8,434)
Total Expenses	944,837	59.4	801,888	59.4	764,915	61.7	(17.8)	(23.5)	(142,949)	(179,922)
<b>Depart. Profit/(Loss)</b>	<b>66,591</b>	<b>4.2</b>	<b>33,944</b>	<b>2.5</b>	<b>(36,269)</b>	<b>(2.9)</b>	<b>96.2</b>	<b>283.6</b>	<b>32,648</b>	<b>102,860</b>
<b>Other Oper. Departments</b>										
Total Revenue	1,761,306	5.4	1,524,482	4.9	573,873	1.9	15.5	206.9	236,825	1,187,433
Payroll	--	--	--	--	(22,808)	(4.0)	--	(100.0)	--	(22,808)
Total Expenses	--	--	--	--	(22,808)	(4.0)	--	(100.0)	--	(22,808)
<b>Depart. Profit/(Loss)</b>	<b>1,761,306</b>	<b>100.0</b>	<b>1,524,482</b>	<b>100.0</b>	<b>596,681</b>	<b>104.0</b>	<b>15.5</b>	<b>195.2</b>	<b>236,825</b>	<b>1,164,625</b>
<b>Misc Income Department</b>										
Total Revenue	4,227,169	13.0	4,250,501	13.8	3,985,962	13.5	(0.5)	6.1	(23,332)	241,207
<b>Depart. Profit/(Loss)</b>	<b>4,227,169</b>	<b>100.0</b>	<b>4,250,501</b>	<b>100.0</b>	<b>3,985,962</b>	<b>100.0</b>	<b>(0.5)</b>	<b>6.1</b>	<b>(23,332)</b>	<b>241,207</b>
<b>Gross Operating Income</b>	<b>21,872,097</b>	<b>67.1</b>	<b>20,967,731</b>	<b>68.0</b>	<b>20,126,545</b>	<b>68.0</b>	<b>4.3</b>	<b>8.7</b>	<b>904,366</b>	<b>1,745,551</b>
Admin & General	(1,919,696)	(5.9)	(1,821,804)	(5.9)	(1,869,961)	(6.3)	(5.4)	(2.7)	(98,092)	(49,738)
Sales & Marketing	(2,259,146)	(6.9)	(2,116,865)	(6.9)	(2,259,119)	(7.6)	(6.7)	0.0	(142,281)	(27)
Info & Telecom										
Systems	(232,000)	(0.7)	(172,289)	(0.6)	(160,222)	(0.5)	(34.7)	(44.8)	(59,710)	(71,778)
POM	(1,420,358)	(4.4)	(1,389,783)	(4.5)	(1,370,911)	(4.6)	(2.2)	(3.6)	(30,576)	(49,447)
Utilities	(729,463)	(2.2)	(751,649)	(2.4)	(630,899)	(2.1)	3.0	(15.6)	22,186	(98,564)
<b>GOP</b>	<b>15,311,433</b>	<b>47.0</b>	<b>14,715,541</b>	<b>47.7</b>	<b>13,835,703</b>	<b>46.7</b>	<b>4.0</b>	<b>10.7</b>	<b>595,892</b>	<b>1,475,730</b>
Other Fixed Charges	3,888,319	12.2	3,767,858	12.2	3,935,589	13.3	(3.2)	1.2	(120,461)	47,270
Base Mgt Fee Exp	1,629,324	5.0	1,400,702	4.5	1,036,880	3.5	(16.3)	(57.1)	(228,622)	(592,444)
Total Expenses	5,517,643	16.8	5,168,559	16.8	4,972,469	16.8	(6.8)	(11.0)	(349,083)	(545,173)
<b>Hotel Operating Profit</b>	<b>9,793,790</b>	<b>30.1</b>	<b>9,546,982</b>	<b>30.9</b>	<b>8,863,234</b>	<b>29.9</b>	<b>2.6</b>	<b>10.5</b>	<b>246,809</b>	<b>930,557</b>

## YTD March 2020

	Cumulative									
	Actual	Budget	LY	Actual	%	Budget	%	Bud Var B/(W)	Actual LY	LY Var B/(W)
Rms Available				26,754		26,754		--	26,460	294
Total Rooms Occupied				16,240		21,780		(5,540)	20,957	(4,717)
Tot Rms Sold				16,190		21,750		5,560	20,890	(4,700)
Total OoO Rooms				9		--		(9)	27	(18)
Occupancy %				60.5		81.3		(20.8)	78.9	(18.4)
ADR				155.78		179.13		(23.35)	176.73	(20.65)
RevPAR				94.27		145.63		(51.36)	139.53	(45.26)
Total No. of Guests				24,482		30,761		(6,279)	29,974	(5,492)
Tot F&B Customers				236		--		236	--	236
P										
P										
TOTAL REVENUE	211.85	233.85	228.62	3,440,500		5,093,175		(1,652,675.1)	4,791,177	(1,350,677.3)
P										
P										
Total Revenue	155.30	178.88	178.17	2,522,147	73.3	3,896,101	76.5	(1,373,953.6)	3,691,953	(1,169,806.3)
Total Salaries & Wages	48.46	42.79	41.24	787,046	31.2	932,014	23.9	144,967.8	864,234	77,188.5
Total Payroll	89.30	72.73	68.88	1,450,260	57.5	1,584,146	40.7	133,886.2	1,443,440	(6,820.4)
Agency Commissions	8.63	8.05	8.59	140,108	5.6	175,325	4.5	35,216.6	180,039	39,931.3
Other Expenses	13.32	12.92	11.78	216,352	8.6	281,337	7.2	64,985.2	246,891	30,539.3
Total Other Expenses	21.95	20.97	20.37	356,460	14.1	456,662	11.7	100,201.7	426,931	70,470.6
Dept. Profit/(Loss)	44.05	85.18	88.92	715,427	28.4	1,855,293	47.6	(1,139,865.7)	1,821,583	(1,106,156.1)
FOOD & BEVERAGE										
P										
Tot Food Rev	813.92	--	--	192,085	74.7	258,792	77.8	(66,706.8)	242,772	79.9
Tot Bev Rev	123.03	--	--	29,035	11.3	31,553	9.5	(2,517.8)	28,139	9.3
Tot Other Rev	153.29	--	--	36,177	14.1	42,462	12.8	(6,285.2)	32,752	10.8
Total Revenue	1,090.24	--	--	257,297	7.5	332,807	6.5	(75,509.9)	303,663	6.3
COS Food	363.02	--	--	85,672	44.6	116,350	45.0	30,677.8	112,024	46.1
COS Beverage	53.98	--	--	12,739	43.9	11,585	36.7	(1,153.8)	8,826	31.4
Tot Other COS	13.76	--	--	3,248	9.0	729	1.7	(2,519.0)	682	2.1
Total Salaries & Wages	337.84	--	--	79,730	31.0	105,181	31.6	25,451.7	80,434	26.5
Total Payroll	736.83	--	--	173,893	67.6	191,671	57.6	17,778.1	158,037	52.0
Total Other Expenses	105.88	--	--	24,987	9.7	38,785	11.7	13,797.8	37,859	12.5
Dept. Profit/(Loss)	(183.23)	--	--	(43,242)	(16.8)	(26,313)	(7.9)	(16,929.0)	(13,776)	(4.5)
OTHER DEPARTMENTS										
P										
Total Revenue	21.51	19.03	15.30	349,369	10.2	414,506	8.1	(65,136.8)	320,584	6.7
Dept. Profit/(Loss)	21.51	19.03	15.30	349,369	100.0	414,506	100.0	(65,136.8)	320,584	100.0
MISC INCOME										
P										
Dept. Profit/(Loss)	19.19	20.65	22.66	311,687	100.0	449,762	100.0	(138,074.9)	474,977	100.0
P										
GOI	82.10	123.66	124.22	1,333,242	38.8	2,693,248	52.9	(1,360,006.4)	2,603,368	54.3



## YTD March 2020 (continued)

	Cumulative									
	Actual	Budget	LY	Actual	%	Budget	%	Bud Var B/(W)	Actual LY	LY Var B/(W)
<b>ADMIN &amp; GENERAL</b>	<b>PAR</b>									
Total Salaries & Wages	3.71	4.14	4.13	99,182	2.9	110,871	2.2	11,688.9	109,356	2.3
Total Payroll	5.46	6.73	4.95	146,012	4.2	180,160	3.5	34,147.1	131,035	2.7
Credit Card Commission	3.86	4.57	4.40	103,236	3.0	122,236	2.4	19,000.5	116,549	2.4
Other Expenses	2.97	3.87	3.22	79,332	2.3	103,575	2.0	24,243.2	85,115	1.8
Total Other Expenses	6.82	8.44	7.62	182,568	5.3	225,812	4.4	43,243.7	201,664	4.2
Dept. Profit/(Loss)	(12.28)	(15.17)	(12.57)	(328,580)	(9.6)	(405,971)	(8.0)	77,390.8	(332,699)	(6.9)
<b>INFO &amp; TELECOM Systems</b>	<b>PAR</b>									
Tot Cost of Sales	0.51	0.43	0.47	13,570	0.4	11,625	0.2	(1,945.1)	12,512	0.3
Systems Expenses	1.20	1.11	0.75	32,014	0.9	29,725	0.6	(2,289.2)	19,976	0.4
Other Expenses	0.82	0.72	0.16	21,973	0.6	19,300	0.4	(2,672.9)	4,164	0.1
Total Other Expenses	2.02	1.83	0.91	53,987	1.6	49,025	1.0	(4,962.0)	24,140	0.5
Dept. Profit/(Loss)	(2.53)	(2.27)	(1.39)	(67,557)	(2.0)	(60,650)	(1.2)	(6,907.2)	(36,852)	(0.8)
<b>SALES &amp; MARKETING</b>	<b>PAR</b>									
Total Salaries & Wages	4.26	4.78	4.64	113,978	3.3	128,013	2.5	14,035.4	122,668	2.6
Total Payroll	5.44	7.66	5.10	145,586	4.2	204,803	4.0	59,216.9	134,978	2.8
Total Other Expenses	6.93	10.01	10.14	185,467	5.4	267,925	5.3	82,458.0	268,422	5.6
Dept. Profit/(Loss)	(12.37)	(17.67)	(15.25)	(331,053)	(9.6)	(472,728)	(9.3)	141,674.9	(403,400)	(8.4)
<b>POM</b>	<b>PAR</b>									
Total Salaries & Wages	3.04	4.30	3.92	81,229	2.4	115,089	2.3	33,860.2	103,776	2.2
Total Payroll	5.31	7.26	6.23	142,119	4.1	194,214	3.8	52,094.7	164,869	3.4
Total Other Expenses	4.80	4.80	4.34	128,420	3.7	128,505	2.5	85.0	114,928	2.4
Dept. Profit/(Loss)	(10.11)	(12.06)	(10.57)	(270,539)	(7.9)	(322,719)	(6.3)	52,179.7	(279,797)	(5.8)
<b>UTILITIES</b>	<b>PAR</b>									
Dept. Profit/(Loss)	(5.97)	(5.28)	(5.21)	(159,602)	(4.6)	(141,186)	(2.8)	(18,416.3)	(137,782)	(2.9)
<b>Total UOE</b>	<b>PAR</b>									
	(43.28)	(52.45)	(44.99)	(1,157,332)	(33.6)	(1,403,253)	(27.6)	245,922.0	(1,190,331)	(24.8)
<b>GOP</b>	<b>POR</b>									
	10.74	59.23	67.43	174,465	5.1	1,289,994	25.3	(1,115,529.4)	1,413,038	29.5
<b>Tot Mgd Hotel Fee Exp</b>	<b>PAR</b>									
	10.55	11.69	10.27	171,269	5.0	254,659	5.0	83,390.2	215,142	4.5
<b>Income Before Non Op. I&amp;E</b>	<b>PAR</b>									
	0.20	47.54	57.16	3,196	0.1	1,035,336	20.3	(1,032,139.3)	1,197,865	25.0
<b>Taxes</b>	<b>PAR</b>									
	27.95	27.83	26.78	747,775	29.6	744,483	14.6	(3,292.2)	708,697	14.8
Insurance	1.74	1.52	1.94	46,551	1.4	40,675	0.8	(5,876.5)	51,225	1.1
Other	0.29	0.11	0.80	7,644	0.2	3,000	0.1	(4,643.6)	21,056	0.4
Total Non Op I&E	29.98	29.46	29.52	801,970	23.3	788,158	15.5	(13,812.3)	780,978	16.3
<b>EBITDA USALI</b>	<b>PAR</b>									
	(29.85)	9.24	15.76	(798,773)	(23.2)	247,178	4.9	(1,045,951.6)	416,917	8.7
FF&E Exp & Reserve	2.13	3.81	3.62	57,077	2.3	101,864	2.0	44,786.9	95,824	2.0
EBITDA Less Repl Reserve	(31.99)	5.43	12.14	(855,850)	(24.9)	145,315	2.9	(1,001,164.7)	321,064	6.7

## 2019 Historical Performance

	Cumulative									
	Actual	Budget	LY	Actual	%	Budget	%	Bud Var B/(W)	Actual LY	LY Var B/(W)
Rms Available				107,310		107,310		--	107,310	--
Total Rooms Occupied				96,752		91,202		5,550	90,395	6,357
Tot Rms Sold				96,380		91,202		(5,178)	89,823	6,557
Total OoO Rooms				60		--		(60)	627	(567)
Occupancy %				89.8		85.0		4.8	83.7	6.1
ADR				245.53		282.35		(36.82)	265.02	(19.49)
RevPAR				220.52		239.96		(19.44)	221.84	(1.31)
Total No. of Guests				146,074		132,866		13,208	135,176	10,898
Tot F&B Customers				--		66,966		(66,966)	--	--
	POR									
<b>TOTAL REVENUE</b>	318.69	354.04	327.50	30,834,011		32,289,062		(1,455,051.7)	29,604,295	1,229,715.1
<b>ROOMS</b>	POR									
Total Revenue	244.59	282.35	263.35	23,664,107	76.7	25,750,523	79.7	(2,086,415.3)	23,805,144	(141,036.9)
Total Salaries & Wages	40.25	41.76	39.84	3,894,702	16.5	3,808,895	14.8	(85,806.4)	3,601,551	(293,151.0)
Total Payroll	65.59	67.63	66.21	6,345,838	26.8	6,168,383	24.0	(177,454.9)	5,985,085	(360,773.5)
Agency Commissions	9.78	12.22	10.23	946,643	4.0	1,114,833	4.3	168,190.1	925,008	(21,634.9)
Other Expenses	13.58	15.15	14.55	1,314,171	5.6	1,381,418	5.4	67,247.5	1,314,900	730.0
Total Other Expenses	23.37	27.37	24.78	2,260,813	9.6	2,496,251	9.7	235,437.6	2,239,908	(20,904.9)
Dept. Profit/(Loss)	155.63	187.34	172.36	15,057,456	63.6	17,085,888	66.4	(2,028,432.6)	15,580,171	(522,715.3)
<b>FOOD &amp; BEVERAGE</b>	PCustomer									
Tot Food Rev	--	16.59	--	1,051,366	79.6	1,111,186	77.1	(59,820.8)	989,638	(61,727.7)
Tot Bev Rev	--	2.07	--	110,709	8.4	138,502	9.6	(27,793.2)	104,514	(6,194.4)
Tot Other Rev	--	2.87	--	159,370	12.1	192,108	13.3	(32,737.7)	145,164	(14,206.3)
Total Revenue	--	21.53	--	1,321,445	4.3	1,441,796	4.5	(120,351.7)	1,239,316	(82,128.4)
COS Food	--	7.48	--	468,790	44.6	500,731	45.1	31,940.2	467,026	(1,764.3)
COS Beverage	--	0.81	--	28,930	26.1	54,203	39.1	25,273.2	38,979	(10,049.5)
Tot Other COS	--	0.07	--	7,009	4.4	4,781	2.5	(2,227.9)	4,665	(2,344.5)
Total Salaries & Wages	--	5.51	--	347,187	26.3	368,821	25.6	21,634.7	344,168	(3,018.9)
Total Payroll	--	9.80	--	662,465	50.1	656,082	45.5	(6,382.5)	624,286	(38,179.1)
Total Other Expenses	--	2.27	--	160,331	12.1	152,235	10.6	(8,096.2)	140,630	(19,701.7)
Dept. Profit/(Loss)	--	1.10	--	(6,080)	(0.5)	73,765	5.1	(79,845.0)	(36,269)	(2.9)
<b>OTHER DEPARTMENTS</b>	POR									
Total Revenue	16.16	12.17	6.35	1,563,993	5.1	1,109,826	3.4	454,166.6	573,873	990,119.9
Total Payroll	--	--	(0.25)	--	--	--	--	--	(22,808)	(22,807.8)
Dept. Profit/(Loss)	16.16	12.17	6.60	1,563,993	100.0	1,109,826	100.0	454,166.6	596,681	967,312.1
<b>MISC INCOME</b>	POR									
Dept. Profit/(Loss)	44.28	43.72	44.09	4,284,466	100.0	3,986,917	100.0	297,548.7	3,985,962	298,503.7
	POR									
<b>ROI</b>	216.01	244.03	222.65	20,899,834	67.8	22,256,396	68.9	(1,356,562.4)	20,126,545	773,288.8

## 2019 Historical Performance (continued)

	Cumulative									
	Actual	Budget	LY	Actual	%	Budget	%	Bud Var B/(W)	Actual LY	LY Var B/(W)
<b>ADMIN &amp; GENERAL</b>	PAR									
Total Salaries & Wages	4.24	4.64	3.90	455,444	1.5	497,904	1.5	42,460.1	418,282	1.4
Total Payroll	5.48	7.45	6.24	588,426	1.9	799,092	2.5	210,665.7	660,181	2.3
Credit Card Commission	7.42	7.82	7.29	796,216	2.6	839,516	2.6	43,299.6	782,440	2.6
Other Expenses	3.85	3.92	3.90	412,818	1.3	420,289	1.3	7,471.5	418,339	1.4
Total Other Expenses	11.27	11.74	11.19	1,209,034	3.9	1,259,805	3.9	50,771.1	1,200,779	4.1
Dept. Profit/(Loss)	(18.75)	(19.19)	(17.43)	(1,797,459)	(5.8)	(2,058,896)	(6.4)	261,436.8	(1,869,961)	(6.3)
<b>INFO &amp; TELECOM Systems</b>	PAR									
Tot Cost of Sales	0.60	0.44	0.46	64,902	0.2	47,640	0.1	(17,262.0)	49,807	0.2
Total S & W	--	--	0.00	--	--	--	--	--	450	0.0
Total Payroll	--	--	0.00	--	--	--	--	--	475	0.0
Systems Expenses	0.81	1.08	0.87	86,523	0.3	116,280	0.4	29,757.3	93,573	0.3
Other Expenses	0.23	0.35	0.15	24,352	0.1	37,800	0.1	13,447.7	16,568	0.1
Total Other Expenses	1.03	1.44	1.03	110,875	0.4	154,080	0.5	43,205.0	110,141	0.4
Dept. Profit/(Loss)	(1.64)	(1.88)	(1.49)	(175,777)	(0.6)	(201,720)	(0.6)	25,943.0	(160,222)	(0.5)
<b>SALES &amp; MARKETING</b>	PAR									
Total Salaries & Wages	4.56	4.88	4.37	489,558	1.6	523,798	1.6	34,239.7	469,413	1.6
Total Payroll	5.95	7.56	6.78	638,821	2.1	810,939	2.5	172,117.4	727,703	2.5
Total Other Expenses	13.31	14.85	14.27	1,428,673	4.6	1,593,922	4.9	165,249.1	1,531,416	5.2
Dept. Profit/(Loss)	(19.27)	(22.41)	(21.05)	(2,067,494)	(6.7)	(2,404,861)	(7.4)	337,366.6	(2,259,119)	(7.6)
<b>POM</b>	PAR									
Total Salaries & Wages	4.20	4.06	3.87	450,870	1.5	435,489	1.3	(15,381.0)	415,117	1.4
Total Payroll	6.62	6.64	6.31	710,503	2.3	712,710	2.2	2,207.3	677,621	2.3
Total Other Expenses	6.54	5.73	6.46	702,231	2.3	615,020	1.9	(87,211.3)	693,290	2.3
Dept. Profit/(Loss)	(13.16)	(12.37)	(12.78)	(1,412,734)	(4.6)	(1,327,730)	(4.1)	(85,004.1)	(1,370,911)	(4.6)
<b>UTILITIES</b>	PAR									
Dept. Profit/(Loss)	(7.11)	(6.16)	(5.88)	(762,730)	(2.5)	(861,474)	(2.0)	(101,256.4)	(630,899)	(2.1)
<b>Total UOE</b>	PAR									
	(57.93)	(62.01)	(58.63)	(6,216,195)	(20.2)	(6,654,681)	(20.6)	438,485.9	(6,291,112)	(21.3)
<b>GOP</b>	POR									
	151.77	171.07	153.08	14,683,639	47.6	15,601,716	48.3	(918,076.5)	13,835,703	46.7
<b>Tot Mgd Hotel Fee Exp</b>	PAR									
	14.59	16.24	11.47	1,411,500	4.6	1,480,779	4.6	69,279.1	1,036,880	3.5
<b>Income Before Non Op. I&amp;E</b>	PAR									
	137.18	154.83	141.59	13,272,139	43.0	14,120,936	43.7	(848,797.5)	12,798,823	43.2
<b>Taxes</b>	PAR									
	27.71	28.19	25.74	2,973,211	12.6	3,024,588	9.4	51,377.1	2,761,688	9.3
Insurance	1.57	1.94	1.67	168,471	0.5	208,215	0.6	39,743.6	179,634	0.6
Other	0.51	0.32	0.97	54,663	0.2	34,320	0.1	(20,342.7)	104,382	0.4
Total Non Op I&E	29.79	30.45	28.38	3,196,345	10.4	3,267,123	10.1	70,778.0	3,045,704	10.3
<b>EBITDA USALI</b>	PAR									
	93.89	101.14	90.89	10,075,794	32.7	10,853,813	33.6	(778,019.5)	9,753,119	32.9
FF&E Exp & Reserve	5.75	12.04	8.29	616,680	2.6	1,291,562	4.0	674,882.3	889,885	3.0
EBITDA Less Repl Reserve	88.15	89.11	82.59	9,459,113	30.7	9,562,251	29.6	(103,137.2)	8,863,234	29.9

## 2017 / 2018 Historical Performance

Period ended: December, 2018

	Cumulative									
	Actual	Budget	LY	Actual	%	Budget	%	Bud Var B/(W)	Actual LY	%
<b>ADMIN &amp; GENERAL</b>	PAR									
Total Salaries & Wages	3.90	4.51	4.34	418,282	1.4	483,658	1.7	65,376.3	464,966	1.7
Total Payroll	6.24	7.26	6.91	669,181	2.3	779,580	2.7	110,398.3	740,869	2.7
Credit Card Commission	7.29	6.74	6.32	782,440	2.6	723,778	2.5	(58,662.2)	678,004	2.4
Other Expenses	3.90	3.78	3.94	418,339	1.4	405,670	1.4	(12,669.3)	422,796	1.5
Total Other Expenses	11.19	10.53	10.26	1,200,779	4.1	1,129,448	3.9	(71,331.5)	1,100,800	4.0
Dept. Profit/(Loss)	(17.43)	(17.79)	(17.17)	(1,869,961)	(6.3)	(1,909,028)	(6.5)	39,066.8	(1,841,669)	(6.6)
<b>INFO &amp; TELECOM Systems</b>	PAR									
Tot Cost of Sales	0.46	0.43	0.43	49,607	0.2	46,500	0.2	(3,106.8)	45,945	0.2
Total S & W	0.00	--	--	450	0.0	--	--	(450.0)	--	--
Total Payroll	0.00	--	--	475	0.0	--	--	(474.9)	--	--
Systems Expenses	0.87	1.15	1.02	93,573	0.3	123,500	0.4	29,927.1	109,845	0.4
Other Expenses	0.15	0.30	0.14	16,568	0.1	32,400	0.1	15,832.2	14,535	0.1
Total Other Expenses	1.03	1.45	1.16	110,141	0.4	155,900	0.5	45,759.3	124,380	0.4
Dept. Profit/(Loss)	(1.49)	(1.89)	(1.59)	(160,222)	(0.5)	(202,400)	(0.7)	42,177.7	(170,325)	(0.6)
<b>SALES &amp; MARKETING</b>	PAR									
Total Salaries & Wages	4.37	4.57	4.08	469,413	1.6	489,877	1.7	20,464.4	437,228	1.6
Total Payroll	6.78	7.17	5.80	727,703	2.5	769,839	2.6	42,136.1	622,526	2.2
Total Other Expenses	14.27	13.60	12.78	1,531,416	5.2	1,459,918	5.0	(71,498.6)	1,371,059	4.9
Dept. Profit/(Loss)	(21.05)	(20.78)	(18.59)	(2,259,119)	(7.6)	(2,229,757)	(7.6)	(29,362.5)	(1,993,584)	(7.2)
<b>POM</b>	PAR									
Total Salaries & Wages	3.87	3.81	3.51	415,117	1.4	409,370	1.4	(5,747.1)	376,396	1.4
Total Payroll	6.31	6.24	5.53	677,621	2.3	669,944	2.3	(7,676.3)	593,101	2.1
Total Other Expenses	6.46	5.08	4.89	693,290	2.3	544,800	1.9	(148,490.3)	524,905	1.9
Dept. Profit/(Loss)	(12.78)	(11.32)	(10.42)	(1,370,911)	(4.6)	(1,214,744)	(4.2)	(156,166.6)	(1,118,006)	(4.0)
<b>UTILITIES</b>	PAR									
Dept. Profit/(Loss)	(5.88)	(6.14)	(5.80)	(630,899)	(2.1)	(659,296)	(2.3)	28,397.0	(622,424)	(2.2)
<b>Total UOE</b>	PAR									
	(58.63)	(57.92)	(53.57)	(6,291,112)	(21.3)	(6,215,225)	(21.2)	(75,887.5)	(5,746,008)	(20.7)
<b>GOP</b>	POR									
	153.06	153.09	155.95	13,835,703	46.7	13,475,350	46.1	360,352.7	13,503,079	48.5
<b>Tot Mgd Hotel Fee Exp</b>	PAR									
	11.47	12.21	9.89	1,036,880	3.5	1,074,499	3.7	37,618.6	856,128	3.1
<b>Income Before Non Op. I&amp;E</b>	PAR									
	141.59	140.89	146.06	12,798,823	43.2	12,400,852	42.4	397,971.2	12,646,951	45.5
<b>Taxes</b>	PAR									
	25.74	25.94	24.23	2,761,688	11.6	2,783,605	9.5	21,916.5	2,598,777	9.3
<b>Insurance</b>	PAR									
	1.67	2.02	1.80	179,634	0.6	216,272	0.7	36,637.9	192,957	0.7
<b>Other</b>	PAR									
	0.97	0.81	1.11	104,382	0.4	87,400	0.3	(16,981.8)	118,595	0.4
<b>Total Non Op I&amp;E</b>	PAR									
	28.38	28.77	27.13	3,045,704	10.3	3,087,277	10.6	41,572.6	2,910,329	10.5
<b>EBITDA USALI</b>	PAR									
	90.89	86.79	90.78	9,753,119	32.9	9,313,575	31.8	439,543.9	9,736,622	35.0
<b>FF&amp;E Exp &amp; Reserve</b>	PAR									
	8.29	8.65	5.62	889,885	3.7	928,187	3.2	38,302.1	602,508	2.2
<b>EBITDA Less Repl Reserve</b>	PAR									
	82.59	78.14	85.16	8,863,234	29.9	8,385,388	28.7	477,846.0	9,134,114	32.8

## Contingent & Limiting Conditions

1. Any legal description or plats reported herein are assumed to be accurate. Any sketches, surveys, plats, photographs, drawings or other exhibits are included only to assist the intended user to better understand and visualize the subject property, the environs, and the competitive data. We have made no survey of the property and assume no responsibility in connection with such matters.
  2. The appraiser has not conducted any engineering or architectural surveys in connection with this appraisal assignment. Information reported pertaining to dimensions, sizes, and areas is either based on measurements taken by the appraiser or the appraiser's staff or was obtained or taken from referenced sources and is considered reliable. No responsibility is assumed for the costs of preparation or for arranging geotechnical engineering, architectural, or other types of studies, surveys, or inspections that require the expertise of a qualified professional.
  3. No responsibility is assumed for matters legal in nature. Title is assumed to be good and marketable and in fee simple unless otherwise stated in the report. The property is considered to be free and clear of existing liens, easements, restrictions, and encumbrances, except as stated.
  4. Unless otherwise stated herein, it is assumed there are no encroachments or violations of any zoning or other regulations affecting the subject property and the utilization of the land and improvements is within the boundaries or property lines of the property described and that there are no trespasses or encroachments.
  5. Bowery Real Estate Systems, Inc. assumes there are no private deed restrictions affecting the property which would limit the use of the subject property in any way.
  6. It is assumed the subject property is not adversely affected by the potential of floods; unless otherwise stated herein.
  7. It is assumed all water and sewer facilities (existing and proposed) are or will be in good working order and are or will be of sufficient size to adequately serve any proposed buildings.
  8. Unless otherwise stated within the report, the depiction of the physical condition of the improvements described herein is based on visual inspection. No liability is assumed for the soundness of structural members since no engineering tests were conducted. No liability is assumed for the condition of mechanical equipment, plumbing, or electrical components, as complete tests were not made. No responsibility is assumed for hidden, unapparent or masked property conditions or characteristics that were not clearly apparent during our inspection.
  9. If building improvements are present on the site, no significant evidence of termite damage or infestation was observed during our physical inspection, unless so stated in the report. No termite inspection report was available, unless so stated in the report. No responsibility is assumed for hidden damages or infestation.
  10. Any proposed or incomplete improvements included in this report are assumed to be satisfactorily completed in a workmanlike manner or will be thus completed within a reasonable length of time according to plans and specifications submitted.
  11. No responsibility is assumed for hidden defects or for conformity to specific governmental requirements, such as fire, building, safety, earthquake, or occupancy codes, except where specific professional or governmental inspections have been completed and reported in the appraisal report.
  12. Responsible ownership and competent property management are assumed.
  13. The appraisers assume no responsibility for any changes in economic or physical conditions which occur following the effective date of value within this report that would influence or potentially affect the analyses, opinions, or conclusions in the report. Any subsequent changes are beyond the scope of the report.
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14. The value estimates reported herein apply to the entire property. Any proration or division of the total into fractional interests will invalidate the value estimates, unless such proration or division of interests is set forth in the report.
  15. Any division of the land and improvement values estimated herein is applicable only under the program of utilization shown. These separate valuations are invalidated by any other application.
  16. Unless otherwise stated in the report, only the real property is considered, so no consideration is given to the value of personal property or equipment located on the premises or the costs of moving or relocating such personal property or equipment.
  17. Unless otherwise stated, it is assumed that there are no subsurface oil, gas or other mineral deposits or subsurface rights of value involved in this appraisal, whether they are gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered; unless otherwise stated. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.
  18. Any projections of income and expenses, including the reversion at time of resale, are not predictions of the future. Rather, they are our best estimate of current market thinking of what future trends will be. No warranty or representation is made that these projections will materialize. The real estate market is constantly fluctuating and changing. It is not the task of an appraiser to estimate the conditions of a future real estate market, but rather to reflect what the investment community envisions for the future in terms of expectations of growth in rental rates, expenses, and supply and demand. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.
  19. Unless subsoil opinions based upon engineering core borings were furnished, it is assumed there are no subsoil defects present, which would impair development of the land to its maximum permitted use or would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
  20. Bowery Real Estate Systems, Inc. representatives are not experts in determining the presence or absence of hazardous substances, defined as all hazardous or toxic materials, wastes, pollutants or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction or otherwise present on the property. We assume no responsibility for the studies or analyses which would be required to determine the presence or absence of such substances or for loss as a result of the presence of such substances. Appraisers are not qualified to detect such substances. The client is urged to retain an expert in this field.
  21. We are not experts in determining the habitat for protected or endangered species, including, but not limited to, animal or plant life (such as bald eagles, gophers, tortoises, etc.) that may be present on the property. We assume no responsibility for the studies or analyses which would be required to determine the presence or absence of such species or for loss as a result of the presence of such species. The appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent endangered species impact studies, research, and investigation that may be provided.
  22. No environmental impact studies were either requested or made in conjunction with this analysis. The appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, and investigation that may be provided.
  23. The appraisal is based on the premise that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in the report; further, that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the report; further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value estimate.
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24. Neither all nor any part of the contents of this report or copy thereof, shall be conveyed to the public through advertising, public relations, news, sales, or any other media, without the prior written consent and approval of the appraisers. This limitation pertains to any valuation conclusions, the identity of the analyst or the firm and any reference to the professional organization of which the appraiser is affiliated or to the designations thereof.
  25. Although the appraiser has made, insofar as is practical, every effort to verify as factual and true all information and data set forth in this report, no responsibility is assumed for the accuracy of any information furnished the appraiser either by the client or others. If for any reason, future investigations should prove any data to be in substantial variance with that presented in this report, the appraiser reserves the right to alter or change any or all analyses, opinions, or conclusions and/or estimates of value.
  26. If this report has been prepared in a so-called "public non-disclosure" state, real estate sales prices and other data, such as rents, prices, and financing, are not a matter of public record. If this is such a "non-disclosure" state, although extensive effort has been expended to verify pertinent data with buyers, sellers, brokers, lenders, lessors, lessees, and other sources considered reliable, it has not always been possible to independently verify all significant facts. In these instances, the appraiser may have relied on verification obtained and reported by appraisers outside of our office. Also, as necessary, assumptions and adjustments have been made based on comparisons and analyses using data in the report and on interviews with market participants. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
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## Qualifications

### Michelle Zell, MAI

Senior Vice President

#### Experience

Michelle Zell is a Senior Vice President at Bowery Valuation, who joined the firm in October 2019. She has worked in the real estate appraisal industry for 16 years.

Ms. Zell has appraised multi-family, condominium and cooperative apartment buildings, retail properties, office buildings, restaurants, industrial properties, hotels, and vacant land properties in New York, New Jersey, Connecticut, Pennsylvania, Texas, and Florida. Ms. Zell specializes in managing large portfolios, appraising large scale existing and proposed developments, appraisals for EB-5 financing, market studies, and appraisals for litigation and condemnation proceedings.

Ms. Zell performs and manages appraisals for Israeli bond issuances in excess of \$1B, and has extensive experience with the Israeli bond market since 2012. She specializes in serving a liaison between the appraisers, the audit firms and the Israeli Security Authority.

Significant appraisal assignments include Peter Cooper Village/Stuyvesant Town, a rental apartment complex in New York City with 12,000 units, the condominium conversion of The Aphthorp and the Belnord, two large scale prewar landmarked developments in Manhattan, 70 Pine Street, the 1M square foot former AIG headquarters converted to rental apartments, hotel, private club, restaurant and retail space, 701 7<sup>th</sup> Avenue, a proposed hotel and retail development located in Times Square and valued at \$2B, market rent determination for Bell Works- the former Ball Labs in Holmdel, NJ, and multiple large developments for EB-5 financing including The Armature Works in Washington DC (a proposed mixed use retail, apartment and hotel development), 1 Journal Square (a proposed mixed use development in Jersey City), The Retail at Nassau Coliseum (proposed retail and entertainment complex adjacent to Nassau Coliseum), and Pacific Park (a proposed development of 15 land parcels to be developed with high rise residential, condominium, office and school buildings).

Before joining Bowery, Ms. Zell served as a Senior Appraiser at BBG (formerly Leitner Group) in New York City from 2003 through October 2019.

#### Education

Cornell University	Bachelor of Science
Emory University	Master of Public Health

#### Certifications & Professional Designations

Appraisal Institute	MAI, Designated Member
	Currently certified by the Appraisal Institute's voluntary program of continuing education for its designated members.
Certified General Real Estate Appraiser	New York (#46-49921) Florida (#RZ4135) Texas (#TX 1380938G)

#### Publications

Ms. Zell published an article about the mainstreaming of alternative lending in GlobeSt.com, dated August 5, 2019. <https://www.globest.com/2019/08/05/the-mainstreaming-of-alternative-lending/>



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## Maren Lewis

Vice President

### Experience

Maren Lewis is a Vice President at Bowery Valuation who joined the firm in October 2019. She has worked in the real estate appraisal industry for 3 years.

Ms. Lewis has appraised multifamily rental buildings, condo and cooperative buildings, developable land, ground up construction sites, retail properties, hotels and special-use properties, such as schools and other community facility properties primarily in the New York metro area.

Prior to joining Bowery, Ms. Lewis served as a Valuation Associate at BBG, Inc. based in New York City.

Prior to her time at BBG Inc., Ms. Lewis worked for the Hotel Finance Group at Credit Agricole Corporate and Investment Bank, formerly known as Credit Lyonnais, for 8 years as a Credit Analyst and Junior Relationship Manager. In this role, she prepared detailed credit recommendations to senior management, including designing and creating detailed financial projection models and assisting in the process to structure and execute corporate and asset-backed financing opportunities for single assets and hotel companies. Additionally, this role included arranging for all due diligence requirements and monitoring the financial performance on a monthly basis.

Prior to Credit Lyonnais, Ms. Lewis worked in the Kenneth Leventhal Real Estate Group at Ernst & Young, LLP. In this consulting group, she valued real estate portfolios and performed market studies, including research of economic and demographic trends, assessment of market supply and demand, interviews of market participants, and analysis of historical market and segment performance.

### Education

Cornell University, School of Hotel Administration	Bachelor of Science with a focus on the hospitality industry and a concentration in finance, 1997
Appraisal Institute	Basic Appraisal Principles Basic Appraisal Procedures Real Estate Finance, Statistics and Valuation Modeling General Appraiser Market Analysis and Highest and Best Use General Appraiser Sales Comparison Approach General Appraiser Income Approach Part 1 General Appraiser Income Approach Part 2 General Appraiser Report Writing and Case Studies Using HP 12C Calculator Fair Housing, Fair Lending and Environmental Issues

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## Licenses

UNIQUE ID NUMBER 46000049921	<i>State of New York</i> <i>Department of State</i> <b>DIVISION OF LICENSING SERVICES</b>	FOR OFFICE USE ONLY Control No. <b>115542</b>
PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS.		EFFECTIVE DATE MO   DAY   YR 05   09   19
ZELL MICHELLE R C/O BBG INC 112 MADISON AVE 11TH FL NEW YORK, NY 10016		EXPIRATION DATE MO   DAY   YR 05   08   21
HAS BEEN DULY CERTIFIED TO TRANSACT BUSINESS AS A R. E. GENERAL APPRAISER		
In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed ROSSANA ROSADO SECRETARY OF STATE		
DOS-1099 (Rev. 3/01)		

## Letter of Engagement



Bowery Valuation  
81-83 Crosby St, 3rd Fl  
New York, NY 10012

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### ENGAGEMENT LETTER FOR PROFESSIONAL VALUATION SERVICE

#### **Date of Agreement:**

April 14, 2020

#### **PARTIES TO AGREEMENT:**

##### **Client:**

MRR Thirteen Limited

Attn: Dany Avidan, CFO

##### **Appraisers:**

Bowery Valuation

81-83 Crosby Street, 3rd

Floor New York, NY 10012

Phone: 917-533-3141

Michelle.Zell@boweryvaluation.com

Client hereby engages Bowery Valuation to complete an appraisal assignment as follows:

#### **PROPERTY IDENTIFICATION**

Hotel Indigo Lower East Side- 171 Ludlow Street (also known by the address of 180 Orchard Street), New York, NY 10002

#### **PROPERTY TYPE**

Hotel

#### **SCOPE OF WORK**

Provide a fair value as of 1Q2020. Letter will include the impact of the Coronavirus on the NYC hotel market and an updated DCF.

**INTEREST VALUED**

Fee Simple

**INTENDED USERS**

MRR Thirteen Limited and its related entities, successors, and/or assigns.

**INTENDED USE**

Asset valuation with the intention of filing an Israeli Bond on TASE and/or in connection with ongoing financial statement(s) and reporting(s) with the TASE.

**TYPE OF VALUE**

As is Fair Value.

**DATE OF VALUE**

March 31, 2020

**PAYMENT TO BOWERY VALUATION**

\$1,000

**PAYMENT DUE DATE**

Payment due upon delivery of the final report or within 30 days of your receipt of our draft report, whichever is sooner. If a draft report is requested, the fee is considered earned upon delivery of our draft report.

**DELIVERY DATE**

May 4, 2020.

**DELIVERY METHOD**

Final report delivered as PDF via email. Up to 3 printed reports delivered if requested

**HYPOTHETICAL CONDITIONS, EXTRAORDINARY ASSUMPTIONS**

Used if necessary, will be discussed with the client.

**APPLICABLE REQUIREMENTS OTHER THAN THE UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE (USPAP)**

The Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute. Reports will also be prepared in accordance with International Financial Reporting Standards ("IFRS") for an appraisal report for the purpose of financial reporting.

**ANTICIPATED SCOPE OF WORK****Scope of Work/Report Type:**

The report will include any and all approaches to value that are applicable and required for issuance of corporate debt on the TASE and/or for the purposes of ongoing financial reporting with the TASE, including at least a "current fair value" (as of the date requested). The appraisals will contain all relevant information required by the company's accountants and/or auditors and we consent to the inclusion of the reports in any financial statements and reports, prospectus, offering memorandum, and/or investment memos. We will deliver both draft and final reports in PDF format certified and/or relied upon as may be required by any underwriters in connection with bond offering on the TASE and/or preparation of financial statements with the TASE and/or as may be required in compliance with all laws, including Israeli law.

**Site visit:**

None.

**VALUATION APPROACHES**

Appraisers shall use all approaches necessary to develop a credible opinion of value; all three approaches considered: Sales comparison approach/ Cost approach/ Income approach

## **APPRAISAL REPORT**

### **Report option:**

Written Appraisal Report (fka Self-Contained Appraisal Report)

## **FORM OR FORMAT**

Narrative

## **CONTACT FOR PROPERTY ACCESS, IF APPLICABLE**

NA

## **CONTRACT FOR SALE**

If the property appraised is currently under contract for sale, Client shall provide to Appraisers a copy of said contract including all addenda.

## **PROPOSED IMPROVEMENTS**

If the property appraised consists of proposed improvements, Client shall provide to Appraisers plans, specifications or other documentation sufficient to identify the extent and character of the proposed improvements.

## **ADDITIONAL DOCUMENTATION**

Client agrees to provide Appraisers with the documentation as reasonably needed.

## **WHEN BOWERY VALUATION'S OBLIGATIONS ARE COMPLETE**

Bowery Valuation's obligations pursuant to this Agreement are complete when the final Appraisal Report in the form specified in this Agreement is delivered to Client pursuant to this Agreement. Appraisers agree to be responsive to Client's legitimate inquiries regarding the contents of the report after delivery, however they are to be considered beyond the scope of the engagement.

**CONFIDENTIALITY**

Bowery Valuation shall (and direct its employees or independent contractors) not provide a copy of the written Appraisal Report to, or disclose the content and/or the results of the appraisal prepared in accordance with this Agreement to, any party other than Client, unless Client authorizes so in writing, except as stipulated in the Confidentiality Section of the Ethics Rule of the Uniform Standards of Professional Appraisal Practice (USPAP).

**USE OF EMPLOYEES OR INDEPENDENT CONTRACTORS**

Bowery Valuation may use employees or independent contractors at Bowery Valuation's discretion to complete the assignment, unless otherwise agreed by the parties. Notwithstanding, Bowery Valuation shall sign the written Appraisal Report and take full responsibility for the services provided as a result of this Agreement.

**SERVICES NOT PROVIDED**

The fees set forth in this Agreement apply to the appraisal services rendered by Bowery Valuation as set forth in this Agreement. Unless otherwise specified herein, Bowery Valuation's services for which the fees in this Agreement apply shall not include meetings with persons other than Client or Client's agents or professional advisors; Appraisers' deposition(s) or testimony before judicial, arbitration or administrative tribunals; or any preparation associated with such depositions or testimony. Any additional services performed by Bowery Valuation not set forth in this Agreement will be performed on terms and conditions set forth in an amendment to this Agreement, or in a separate agreement.

**TESTIMONY AT COURT OR OTHER PROCEEDINGS**

Unless otherwise stated in this Agreement, Client agrees that Appraisers' assignment pursuant to this Agreement shall not include Appraisers' participation in or preparation for, whether voluntarily or pursuant to subpoena, any oral or written discovery; sworn testimony in a judicial, arbitration or administrative proceeding; or attendance at any judicial, arbitration or administrative proceeding relating to this assignment. If the appraisers are required to testify or make witness statements related to any part of the appraisal report by any party, the fee to the client shall be \$500 per hour.

**CHANGES TO AGREEMENT**

Any changes to the assignment as outlined in this Agreement shall necessitate a new Agreement or written amendment. The identity of the Client, intended users, or intended use; the date of value; type of value; or property appraised cannot be changed without a new Agreement.

**CANCELLATION**

Client may cancel this Agreement at any time prior to Bowery Valuation's delivery of the Appraisal Report upon written notification to Bowery Valuation. Client shall pay Bowery Valuation for work completed on assignment, billed at \$500 per hour, prior to Bowery Valuation's receipt of written cancellation notice, unless otherwise agreed upon by Bowery Valuation and Client in writing.

**GOVERNING LAW AND JURISDICTION**

This Agreement shall be governed by the law of the state of New York, exclusive of that state's choice of law rules. The parties agree that any legal proceeding brought by either party to interpret or enforce this Agreement, or to enforce an arbitration award entered pursuant to this Agreement, shall be brought in a state or federal court having jurisdiction over the location of Bowery Valuation's office as specified in this Agreement, and the parties hereby waive any objections to the personal jurisdiction of said court.

**APPRAISER INDEPENDENCE**

Appraisers cannot agree to provide a value opinion that is contingent on a predetermined amount. Appraisers cannot guarantee the outcome of the assignment in advance. Appraisers cannot ensure that the opinion of value developed as a result of this Assignment will serve to facilitate any specific objective of Client or others or advance any particular cause. Appraisers' opinion of value will be developed competently and with independence, impartiality and objectivity.

**NOTICES**

Any notice or request required or permitted to be given to any party shall be given in writing and shall be delivered to the receiving party by: a) registered or certified mail, postage prepaid; (b) overnight courier, such as Federal Express, United Parcel Service or equivalent; or (c) hand delivery. The address for delivery of any notice shall be the address for the party as specified in this Agreement, or at such other address as party may designate by written notice to the



other party in conformance with this paragraph. Unless otherwise specified herein, notice shall be effective the date it is postmarked or given to a third party for delivery to the receiving party, whether or not the receiving party signs for or accepts delivery of such notice.

### **NO THIRD-PARTY BENEFICIARIES**

Nothing in this Agreement shall create a contractual relationship between Bowery Valuation or Client and any third party, or any cause of action in favor of any third party. This Agreement shall not be construed to render any person or entity a third party beneficiary of this Agreement, including, but not limited to, any third parties identified herein.

### **MEDIATION & ARBITRATION**

In the event of a dispute concerning the subject matter of this Agreement, the parties shall in good faith attempt to resolve such dispute by negotiation between the parties' principals, or, if such negotiation is unsuccessful, by mediation conducted by a third-party mediator. If such mediation results in an impasse, the parties shall submit their dispute to binding arbitration. Such mediation or, if necessary, binding arbitration shall be conducted pursuant to the mediation procedures or the commercial arbitration rules of the American Arbitration Association. Any arbitration shall be conducted in New York City. The parties shall share equally the costs of any mediation. In the event of binding arbitration, the arbitrators shall, in addition to any relief appropriate to be awarded to the prevailing party, enter an award in favor of the prevailing party for that party's costs of the arbitration, including the party's reasonable attorneys' fees and arbitration expenses incurred in prosecuting or defending the arbitration proceeding. Subject to the right of the prevailing party to recover its share of the costs of the arbitration services pursuant to the arbitrator's award, the costs of the arbitration services shall be borne equally by the parties. If the prevailing party seeks judicial confirmation of any arbitration award entered pursuant to this Agreement, the court shall, in addition to any other appropriate relief, enter an award to the prevailing party in such confirmation proceeding for its reasonable attorneys' fees and litigation expenses incurred in confirming or successfully opposing the confirmation of such an award.

### **SPECIAL OR CONSEQUENTIAL DAMAGES**

Neither party shall under any circumstances be liable to the other party for special, exemplary, punitive or consequential damages, including, without limitation, loss of profits or damages proximately caused by loss of use of any property, whether arising from either party's negligence, breach of the Agreement or otherwise, whether or not a party was advised, or knew, of the possibility of such damages, or such possibility was foreseeable by that party. In no event shall Appraisers be liable to Client for any amounts that exceed the fees and costs paid by Client to Appraisers pursuant to this Agreement.

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### ASSIGNMENT

Neither party may assign this Agreement to a third party without the express written consent of the other party, which the non-assigning party may withhold in its sole discretion, provided Client may assign this agreement to its affiliates. In the event this Agreement is assigned by mutual consent of the parties, it shall become binding on the assigning party's permitted assigns.

### SEVERABILITY

In the event any provision of this Agreement shall be determined to be void or unenforceable by any court of competent jurisdiction, then such determination shall not affect any other provision of this Agreement and all such other provisions shall remain in full force and effect.

### CLIENT'S REPRESENTATIONS AND WARRANTIES

Client represents and warrants to Bowery Valuation that (1) Client has all right, power and authority to enter into this Agreement; (2) Client's duties and obligations under this Agreement do not conflict with any other duties or obligations assumed by Client under any agreement between Client and any other party; and (3) Client has not engaged Bowery Valuation, nor will Client use Bowery Valuation's Appraisal Report, for any purposes that violate any federal, state or local law, regulation or ordinance or common law.

### EXTENT OF AGREEMENT

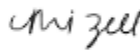
This Agreement represents the entire and integrated agreement between the Client and Bowery Valuation and supersedes all prior negotiations, representations or agreements, either written or oral. This Agreement may be amended only by a written instrument signed by both Client and Bowery Valuation. This Agreement includes the Appendices (if any), which are incorporated into, and made a part of this Agreement.

### EXPIRATION OF AGREEMENT

This Agreement is valid only if signed by both an agent for Bowery Valuation and Client within 5 days of the Date of Agreement specified.

As Agent for Bowery:

By Client:




(Signature) Michelle Zoll, MAI

(Signature) Client

4/14/2020

4/17/20

Date

Date

