Strategic Assessment for the Potential Development of the Kings Beach Center Property

Kings Beach, California

Market Study & Financial Analysis
Prepared for *County of Placer*

July 18, 2017

1 Executive Summary

1.1 Scope of Work

Jones Lang LaSalle ("JLL") has been engaged by County of Placer ("Client") to evaluate the feasibility of hotel, retail, and residential development for an aggregation of 16 land parcels, broadly bound by North Lake Boulevard, Coon Street, Fox Street, and Salmon Avenue, in Kings Beach, CA. the subject property consists of approximately 3.5 acres. Our services included the preparation of a full narrative analysis, a third-party independent market study, and the development of a forecast of income and expenses for various potential development options at the subject property.

1.2 Conclusions

In summary, we have projected an unleveraged rate of return, excluding the impact of land acquisition costs, in the amount of 14% for the subject property's proposed retail development, 15% for its proposed hotel, and 19% for its proposed residential development, assuming that the proposed retail development consists of approximately 15,000 square feet of space, the proposed hotel includes 100 keys and features upscale, select-service positioning (such as Courtyard by Marriott, Hilton Garden Inn, Element, Aloft, and Hyatt Place), and the proposed residential development consists of approximately 20 condominium residences. The aforementioned rates of return, which exclude the impact of acquisition costs for land and commodities (or development rights), are generally considered attractive to retail, hotel, and residential real estate investors and, therefore, generally deemed sufficient to support development. However, given the uncertainty surrounding the entitlement process in North Lake Tahoe and the difficulty of securing financing in resort markets, investors are likely to require a relatively high rate of return, which may inhibit an investor's ability to pay substantial land acquisition costs as well as the feasibility of the development.

While residential development commands the highest projected level of return and retail development commands the lowest level of projected return, our results should not necessarily be interpreted to mean that more residential development should be pursued at the expense of retail or hotel development, or that any component of the mixed-use project be eliminated for several reasons. First, although the retail development commands the lowest level of return, investors also typically require a lower level of return for retail development relative to hotel or for-sale residential development given the long-term nature of retail leases. Second, the retail development supports the positioning of the hotel and residential developments, and without this component, our hotel and residential pricing assumptions may be materially impacted. Third, the recommended room count for the proposed hotel reflects the seasonality of demand in Kings Beach and the recommended number of condominium residences reflects the pace of sales in the market. Increasing either the hotel room count or the number of condominium residences significantly may negatively impact our occupancy and absorption assumptions, respectively. Therefore, we have concluded that the highest and best use for the subject property is for its development as a mixed-use development, including approximately 15,000 square feet of retail space, 100 upscale, select-service hotel rooms, and 20 residential condominium residences.

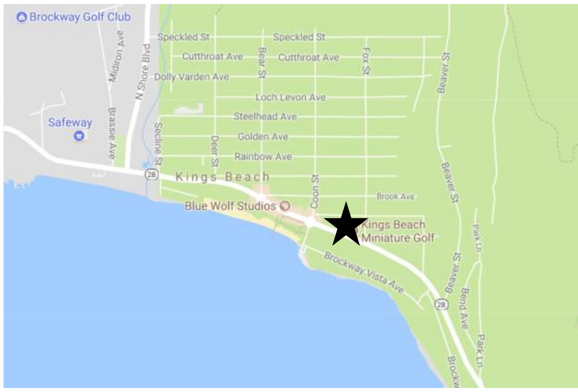
We have estimated the residual land value for the subject property assuming its highest and best use is for its development as a mixed-use development, including approximately 15,000 square feet of retail space, 100 upscale, select-service hotel rooms, and 20 residential condominium residences. Specifically, given the previously detailed cash flow projections for the mixed-use projects retail, hotel, and residential components, we have calculated the maximum land acquisition costs that a developer could expend while still yielding an acceptable anticipated return on investment in order to estimate the residual land value for the subject property. If an investor could be reasonably assured that the entitlement process for the aforementioned development program could be completed within a year, then we believe that a return on investment of 12.0%, resulting in a residual land value of $3.5 million, would be sufficient to attract investors' interest. However, given the uncertainty surrounding the entitlement and financing process in Lake Tahoe, we believe that a typical investor may require a return on investment of at least 13.0% in order to garner interest in the project, resulting in an estimated residual land value of $2.3 million.

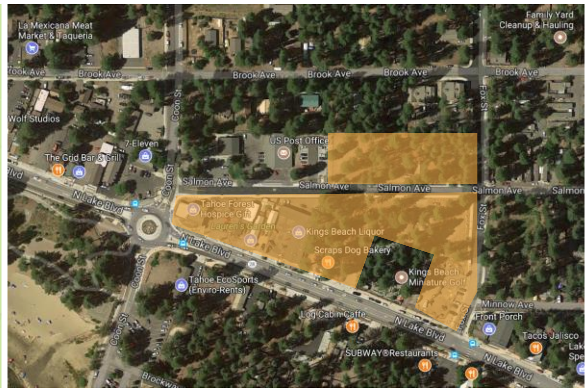
Notably, according to the County of Placer, the Kings Beach Center property has already been identified for future environmental redevelopment opportunities and analyzed at a programmatic level in an Environmental Impact Report (EIR), which is expected to streamline the entitlement process. To the extent that the initiation of this process can be expected to expedite the procurement of all necessary entitlements and alleviate uncertainty with respect to their eventual procurement, investors may require a rate of return toward the lower end of the aforementioned range.

2 Subject Site Overview

2.1 Introduction

The subject property is currently improved with a thrift store, gift shop, tattoo parlor, liquor store, other commercial space, and residences. The subject property is located on both the north and south side of Salmon Avenue, between Coon and Fox Streets in Kings Beach, California. Below are a map and aerial photograph of the subject site.





2.2 Site Description and Analysis

Location:	The subject site is located along North Lake Boulevard, between Coon and Fox Streets in Kings Beach, California. The subject's location is considered very good in relation to leisure demand generators. The subject site is located 8.5 miles southeast of Truckee Tahoe Airport, 25 miles southwest of Reno-Tahoe International Airport, and 92 miles northeast of Sacramento International Airport.
Site Size:	16 parcels of land comprising approximately 3.5 acres.
Shape and Topography:	The site is irregular in shape and has level topography with no areas of wetlands.
Access and Visibility:	Visibility of the subject site is excellent given its frontage; accessibility to the subject site is good given its location along North Lake Boulevard, providing indirect access to State Route 267. State Route 267 provides access to Interstate 80 in Truckee, California.
Soil Type:	JhC(5), Jabu Course Sandy Loam, 0 to 9 percent slope, Soil Capability Level Class 5 (25% coverage)
Utilities:	The subject site is assumed to be served by all necessary utilities by the County of Placer and other agencies serving the community.

3 Market Analysis

3.1 Introduction

Located within a four-hour drive to more than 13 million residents, the North Lake Tahoe Area includes eleven communities: Kings Beach, Tahoma, Homewood, Sunnyside, Tahoe City, Carnelian Bay, Tahoe Vista, Olympic Valley, Northstar, Martis Valley, and Donner Summit. The North Tahoe region boasts beautiful mountain ranges and the nearly 200-square-mile Lake Tahoe. Kings Beach, CA, is located along the northern shore of Lake Tahoe and adjacent to the California-Nevada border. Tourism to Lake Tahoe is the primary driver to the area economy and draws approximately three million tourists per year.

According to macroeconomic data compiled by Moody's Analytics, Placer County is a part of the Sacramento-Arden Arcade-Roseville, California MSA economy. Recent data indicates that the MSA's unemployment rate is projected to decline from 5.3% in 2016 to 5.2% by year-end 2017, as real GMP growth of 3.3% in 2017 contributes to further declines in the unemployment rate going forward. The area's unemployment rate is expected to decline to a low of 4.4% in 2019. The table below presents the historical performance as well as future projections for several of the MSA's economic indicators, as compiled by Moody's Economics.

Economic Indicators										
2012	2013	2014	2015	2016	Sacramento-Roseville-Arden-Arcade, CA MSA	2017	2018	2019	2020	2021
106.5	107.8	109.9	114.3	118.7	Gross metro product (C$B)	122.7	127.0	130.4	133.0	135.9
1.2	*1.2*	*1.9*	*4.0*	*3.9*	*% change*	*3.3*	*3.5*	*2.7*	*2.0*	*2.2*
846.7	869.2	889.5	916.1	939.3	Total employment (ths)	958.0	974.2	988.5	995.8	998.8
2.1	*2.7*	*2.3*	*3.0*	*2.5*	*% change*	*2.0*	*1.7*	*1.5*	*0.7*	*0.3*
10.2	8.5	7.1	5.9	5.3	Unemployment rate (%)	5.2	4.7	4.4	4.7	5.2
5.1	2.3	5.5	6.2	4.7	Personal income growth (%)	5.3	5.6	5.6	5.3	4.5
2,195	2,218	2,245	2,274	2,301	Population (ths)	2,327	2,352	2,377	2,400	2,424
0.9	*1.0*	*1.2*	*1.3*	*1.2*	*% change*	*1.1*	*1.1*	*1.0*	*1.0*	*1.0*
8.7	10.6	16.2	17.2	15.8	Net Migration (ths)	14.6	13.8	12.9	12.0	11.6
Source: Moody's Analytics, Oxford Economics										

3.2 North Lake Tahoe Visitor Spending

According to the most recent available data compiled by Dean Runyan Associates, visitor spending in the North Lake Tahoe Area steadily increased from 2003 to 2012, averaging 4.4% annual growth. New data covering 2013 through 2016 will be released in the late summer or fall of 2017.

Spending by those visitors who stay overnight in hotel, motel or bed & breakfast accommodations and spending on those accommodations specifically registered the highest average annual growth rates at 6.5% and 6.7%, respectively. The implication is that there has been positive growth in both overnight visitors to North Lake Tahoe as well as increased proclivity for hotel, motel, and bed & breakfast accommodations.

North Lake Tahoe Area Visitor Spending ($ Mil)								
	2003	2005	2007	2009	2010	2011	2012	2003-2012 CAGR
Visitor Spending at Destination ($ Mil)	**$330.4**	**$354.5**	**$386.0**	**$411.3**	**$464.1**	**$486.0**	**$487.3**	**4.4%**
Visitor Spending by Type of Traveler Accommodations								
Hotel/Motel/ B&B	$116.2	$126.0	$139.1	$151.1	$193.8	$203.9	$204.2	6.5%
Rented Condo/ Home	$111.2	$120.3	$132.4	$141.7	$150.1	$158.1	$158.0	4.0%
Private/ Vacation home	$55.5	$57.9	$60.8	$61.3	$61.9	$63.4	$64.1	1.6%
Day & Campgrounds	$47.5	$50.2	$53.8	$57.3	$58.3	$60.6	$60.9	2.8%
Visitor Spending by Commodity Purchase								
Accommodations	$75.5	$80.9	$88.1	$87.9	$107.6	$112.7	$113.4	4.6%
Food & Beverage	$67.7	$74.9	$84.0	$96.4	$110.0	$115.9	$117.6	6.3%
Recreation	$123.0	$129.8	$138.6	$149.3	$162.2	$167.8	$167.1	3.5%
Retail & Other	$64.1	$68.9	$75.4	$77.7	$84.2	$89.6	$89.2	3.7%
Source: Dean Runyan Associates. Jones Lang LaSalle.								

North Lake Tahoe Area Visitor Spending on Accommodations ($ Mil)								
	2003	2005	2007	2009	2010	2011	2012	2003 - 2012 CAGR
Visitor Spending on Accommodations	$75.5	$80.9	$88.1	$87.9	$107.6	$112.7	$113.4	4.6%
Hotel/Motel/ B&B	$33.6	$36.0	$39.2	$39.1	$57.0	$59.7	$60.1	6.7%
Rented Condo/ Home	$41.9	$44.9	$48.9	$48.8	$50.6	$53.0	$53.3	2.7%
Source: Dean Runyan Associates. Jones Lang LaSalle.								

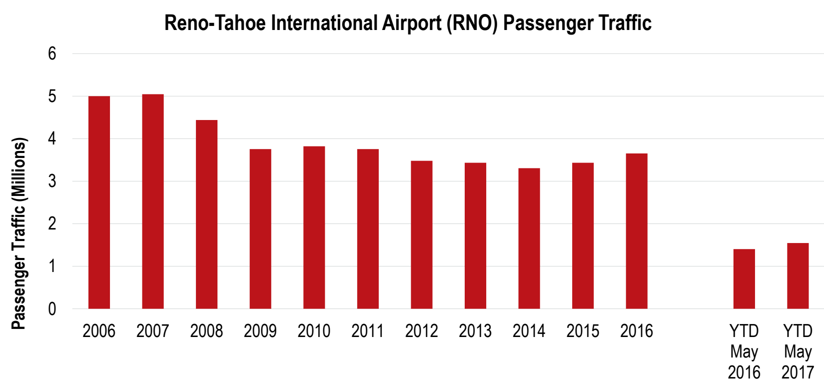
Historically, North Lake Tahoe has seen an approximate annual visitor count of one million. Overall, about 42% of visitors take part in day trips and 58% of visitors stay overnight. In the summer and early fall, the proportion of overnight visitors increases to 78%, according to recent data. Of the total overnight trips throughout the year, more than 80% of overnight visitors arrive by car, while approximately 20% arrive by air.

3.3 Air Traffic Statistics

The Reno-Tahoe International Airport is located approximately 25 miles northeast of the subject property and Kings Beach, California. The Sacramento International Airport is located 92 miles southwest of the site. Despite its proximity to Lake Tahoe, the Reno-Tahoe International Airport services significantly fewer passengers than the Sacramento International Airport and is considered a regional port of access to the Tahoe region.

The following table illustrates historical passenger volume for the Sacramento International Airport from 2006 through June 2017. The subsequent table reflects passenger data for the Reno-Tahoe International Airport from 2006 through May 2017. Both sets of passenger data indicate continued growth in visitor numbers since 2014.

Source: Sacramento County Airport System



Source: RNO Administrative Records

3.4 Conclusion

Positive market trends in the region have continued through the last decade, providing indication that the North Lake Tahoe market remains strong. Public transport interconnectivity in the greater region remains a challenge as compared to similar destinations, which could serve as an inhibitive factor of growth for the destination. Nonetheless, given abundant, year-round leisure demand generators, natural attractions, and a healthy regional economy, we anticipate that the North Lake Tahoe market will continue to develop and grow in visitation over the course of the next several years.

4 Lodging Market Analysis

4.1 Lodging Market

The overall Lake Tahoe lodging market comprises a diverse mix of hotels and motels that range from large, nationally-branded hotels to smaller sized, independent properties. The market has benefited from the Lake Tahoe area's significant leisure demand generators. According to data compiled by Smith Travel Research (STR), an independent research firm that compiles data on the lodging industry, the Lake Tahoe area offers more than 6,150 hotel rooms, with a majority of hotel rooms in the economy class (28%), followed by the luxury class (26%). A total of 4,081 hotel rooms are independent of affiliation and the average room count per property is 66 rooms.

4.2 Lake Tahoe Lodging Submarket

The Kings Beach Center site is located within the Kings Beach submarket, along the northern perimeter of Lake Tahoe. Due to the limited number of STR reporting hotels in the immediate vicinity, we have evaluated accommodations throughout the Greater Lake Tahoe area. The data is useful in guiding positioning and branding for the proposed property. The following table lists the number of hotels and rooms by chain scale:

Lake Tahoe Inventory by Chain Scale					
Hotel Class	# Hotels	Hotel %	# of Rooms	Rooms %	Avg. Keys
Economy	39	42%	1,734	28%	44
Midscale	7	8%	366	6%	52
Upper Midscale	19	20%	720	12%	38
Upscale	13	14%	792	13%	61
Upper Upscale	4	4%	950	15%	238
Luxury	11	12%	1,596	26%	145
Lake Tahoe Total	93		6,158		66

Source: STR Analytics

4.3 Selected Competitive Hotel Set

Within the North Lake Tahoe lodging market, we have selected a representative competitive set based on various factors. These factors include location, price point, product quality, length of stay, hotel age, or brand, among other factors. We have reviewed these pertinent attributes and established a competitive set based upon this review.

Based on visitor demographics and the lodging market, we would position the Proposed Hotel as a branded, upper upscale property well-geared toward accommodating middle to upper middle class families visiting the Lake Tahoe region for seasonal activities. For the purpose of this analysis, we have selected both branded and independent hotels among the upper midscale through luxury classes. The following table lists the selected hotels in the representative competitive set.

Selected Competitive Set					
	Hotel Name	City, State	Rooms	Open Date	Class
A	Hyatt Regency Lake Tahoe Resort	Incline Village, NV	422	Jul-75	Upper Upscale
B	Village @ Squaw Valley	Olympic Valley, CA	178	Jun-02	Luxury
C	Destination Hotels Resort @ Squaw Creek	Olympic Valley, CA	345	Apr-04	Luxury
D	Hampton Inn Suites Tahoe Truckee	Truckee, CA	109	Jun-05	Upper Midscale

4.4 Competitive Set Historical Performance

Occupancy, ADR, and RevPAR trends for the competitive set are depicted in the table below.

In terms of demand for the competitive set, occupancy has increased at a compound annual growth rate (CAGR) of 5.5% between 2012 and 2016. ADR has increased at a CAGR of 1.5% during this time period. In 2016, the primary competitive set recorded occupancy of 61.3% and ADR of $235.99. As a result, RevPAR has increased at a CAGR of 7.1% between 2012 and 2016.

Competitive Set Performance							
Historical Operating Performance							
Occupancy	**2012**	**2013**	**2014**	**2015**	**2016**	**YTD May 2016**	**YTD May 2017**
Competitive Set	49.4%	52.4%	55.4%	58.8%	61.3%	58.5%	61.4%
% Change		*6.1%*	*5.7%*	*6.1%*	*4.3%*	*17.9%*	*5.0%*
Average Daily Rate (USD)							
Competitive Set	222.22	221.12	220.03	221.71	235.99	217.68	226.77
% Change		*-0.5%*	*-0.5%*	*0.8%*	*6.4%*	*8.0%*	*4.2%*
RevPAR (USD)							
Competitive Set	109.88	115.94	121.94	130.41	144.70	127.34	139.19
% Change		*5.5%*	*5.2%*	*6.9%*	*11.0%*	*27.5%*	*9.3%*

Competitive set includes: Hyatt Regency Lake Tahoe Resort (422 rooms), Village @ Squaw Valley (178 rooms), Destination Hotels Resort @ Squaw Creek (345 rooms), Hampton Inn Suites Tahoe Truckee (109 rooms).
New Supply includes: Homewood Mountain Resort (100 rooms; Jan 2020), Tahoe City Lodge (118 rooms; Jan 2020).
Source: STR, JLL

As of May 2017, year-to-date occupancy increased by 2.9 percentage points to 61.4%, while year-to-date ADR was $226.77, reflecting an increase of 4.2% as compared to the same period last year. Year-to-date RevPAR growth has come in at 9.3%. Given the competitive set's strong ADR trend, rate growth is expected to serve as the primary driver for RevPAR improvement moving forward.

4.5 New Supply

Based on our market research and discussions with hotel operators, developers and planning officials, we have identified a number of new hotels that are anticipated to enter the North Lake Tahoe / Placer market. The following table summarizes the new supply of hotel rooms to the area.

North Lake Tahoe / Placer Development Pipeline				
Property	**City, State**	**Chain Scale**	**Rooms**	**Opening Date**
In Construction				
Thunder Valley Casino	Lincoln, CA	Independent	111	Nov-17
Subtotal			111	
Final Planning				
Springhill Suites Auburn	Auburn, CA	Upscale	127	Jan-20
Residence Inn Sacramento Roseville	Roseville, CA	Upscale	104	Jan-19
Home2 Suites Roseville Sacramento	Roseville, CA	Upper Midscale	105	May-19
Subtotal			336	
Planning				
Homewood Mountain Resort	Tahoe City	Independent	100	Jan-20
Tahoe City Lodge	Tahoe City	Independent	118	Jan-20
Subtotal			218	
Total Proposed Supply			**665**	

New supply growth has been stagnant in recent years – a trend that is expected to continue through 2019. No new supply is expected to enter the North Lake Tahoe market until early 2020, when the Homewood Mountain Resort (100 rooms) and the Tahoe City Lodge (118 rooms) are expected to enter. Of 665 guestrooms expected to enter the County of Placer, 218 are anticipated in the North Lake Tahoe submarket. These properties are not expected to directly compete with the Kings Beach lodging market.

5 Proposed Hotel Development

5.1 Introduction

The Proposed Hotel is envisioned as a branded, select service hotel with positioning in the upscale class. Our recommendation with respect to the Proposed Hotel's positioning is primarily predicated on prevailing hotel rates in the market in relation to current development costs, as detailed in Section 6 and Section 7. The following is a description of suggested facilities for the subject property as of the time of this report writing.

5.2 Existing Site

The Subject Site is comprised of 16 parcels of land totaling 3.5 acres. The parcels are located on both the north and south sides of Salmon Avenue, and are bounded by Coon Street to the west and Fox Street to the east. The Subject Site enjoys ample frontage along both north and south sides of Salmon Avenue, as well as along North Lake Boulevard to the south.

The Subject Site is located within steps of shopping, dining, recreational facilities, and leisure destinations such as Kings Beach State Recreation Area.

5.3 Proposed Improvements

5.3.1 Guestrooms

The Kings Beach Center's Proposed Hotel component is recommended to feature approximately 100 guestrooms. The guestrooms are envisioned to be furnished with contemporary finishes and modern furniture. We have recommended 100 guestrooms for the subject property's Proposed Hotel given seasonal demand patterns in the market, the level of positioning envisioned for the Proposed Hotel, anticipated development costs, and the size of the subject site.

Our recommendation for the Proposed Hotel's total room count should, therefore, not be interpreted as an indication of the total number of new hotel rooms that the Kings Beach market may support in aggregate.

5.3.2 Food and Beverage

In line with the Proposed Hotel's anticipated upscale, select-service positioning, the subject property is planned to include a grab-and-go food and beverage outlet and marketplace; a three-meal restaurant is not anticipated within the proposed hotel component of the project.

5.3.3 Recreational Facilities

Other recreational facilities at the Proposed Hotel include a fitness facility and a business center. The fitness center is expected to feature state-of-the-art cardiovascular equipment and strength training machines.

5.3.4 Retail Development

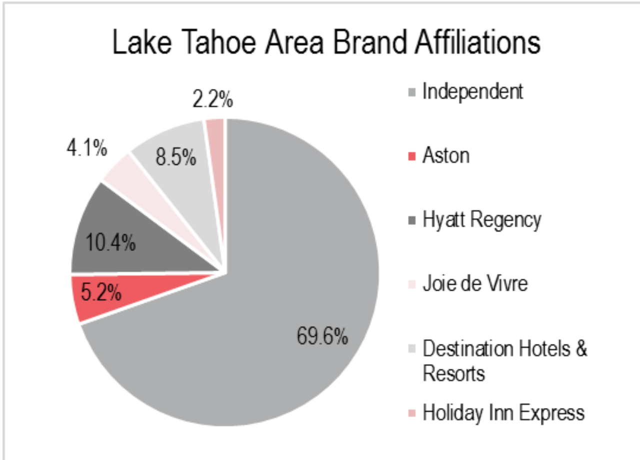
As detailed in Section 8, we have recommended approximately 15,000 square feet of retail development at the subject property; the retail development may include various dining, shopping, and entertainment venues to service hotel guests as well as the larger Kings Beach community.

5.3.5 Branding

Analyzing room share by affiliation may indicate a branding opportunity with a market area. We assume that the Proposed Hotel will operate as a 100-room upscale, select-service lodging facility. As such, we have analyzed current supply by brand affiliation with this general positioning.

Independent affiliations lead room share in the area across this market segment with 69.6% of the room count. Hyatt and Destination Hotels & Resorts follow with 10.4% and 8.5% of the share, respectively. The market boasts predominantly unaffiliated product as area hotels are primarily driven by leisure demand from within California and to nearby tourist and leisure attractions. An affiliation and its established distribution system, however, would strengthen the positioning and ramp-up of a new hotel development.

Potential upscale, select-service brands for the proposed hotel may include Courtyard by Marriott, Element, EVEN, Hyatt Place, Hilton Garden Inn, or similarly positioned brands.


Lake Tahoe Area Brand Affiliations
2.2%
4.1%
8.5%
10.4%
5.2%
69.6%
Independent
Aston
Hyatt Regency
Joie de Vivre
Destination Hotels & Resorts
Holiday Inn Express

6 Proposed Hotel Financial Projections

6.1 Introduction

Prospective operating results for the subject property were prepared for six calendar years beginning on January 1, 2020, and ending December 31, 2025. Cash flows have been prepared utilizing benchmarking of comparable hotels with similar positioning as well as our knowledge of the hotels in the market.

6.2 Comparable Operating Statements

In order to create reasonable assumptions and financial projections, JLL researched and analyzed comparable data from five hotels with similar market positioning, target market, and room quality from our internal database. Appendix A contains aggregated operating results of the comparable hotels, which help serve as the basis for our assumptions and projections for the subject property.

6.3 Rooms Revenue and Expenses

We have based penetration projections on available STR data for the competitive set. Based on the historical performance of the set, we have forecast the subject property's occupancy and rate based upon its anticipated competitive positioning, as quantified by its penetration rate. A penetration level above 100% means that the subject property has more than its fair share in the selected market.

Future Market Assumptions

As presented earlier, the competitive set achieved 61.3% and $235.99 ADR, resulting in a RevPAR of $144.70 for the 2016 calendar year. YTD data reflect further improvement for all metrics. The set's performance from 2012 through YTD May 2017 is presented below.

Competitive Set Performance

	Historical Operating Performance						
Occupancy	**2012**	**2013**	**2014**	**2015**	**2016**	**YTD May 2016**	**YTD May 2017**
Competitive Set	49.4%	52.4%	55.4%	58.8%	61.3%	58.5%	61.4%
% Change		*6.1%*	*5.7%*	*6.1%*	*4.3%*	*17.9%*	*5.0%*
Average Daily Rate (USD)							
Competitive Set	222.22	221.12	220.03	221.71	235.99	217.68	226.77
% Change		*-0.5%*	*-0.5%*	*0.8%*	*6.4%*	*8.0%*	*4.2%*
RevPAR (USD)							
Competitive Set	109.88	115.94	121.94	130.41	144.70	127.34	139.19
% Change		*5.5%*	*5.2%*	*6.9%*	*11.0%*	*27.5%*	*9.3%*

Competitive set includes: Hyatt Regency Lake Tahoe Resort (422 rooms), Village @ Squaw Valley (178 rooms), Destination Hotels Resort @ Squaw Creek (345 rooms), Hampton Inn Suites Tahoe Truckee (109 rooms).
New Supply includes: Homewood Mountain Resort (100 rooms; Jan 2020), Tahoe City Lodge (118 rooms; Jan 2020).
Source: STR, JLL

Our projection of the competitive set's future performance is that occupancy will remain in the low to mid- 60% range throughout our forecast. As for ADR, we anticipate rate growth to reflect 4.0% in 2017, following a particularly strong 2016 and a subsequent slowing of pace in YTD 2017. We project 4.0% annual ADR growth through 2020 before stabilizing at a 3.0% growth rate thereafter. The competitive set achieved an ADR CAGR of 1.5% for the period 2012 – 2016. JLL projections expect the competitive set to achieve an ADR CAGR of 3.4% for the period 2016 – 2025. We expect that limited new supply growth in the market will allow for continued ADR growth in excess of the inflationary rate in the short to medium term.

A summary of our future market assumptions and analysis is presented on the following pages.

Penetration Benchmark Analysis

We anticipate that the Proposed Hotel will achieve an occupancy penetration of 98% relative to its competitive set during the first year of operations in 2020 (Year 1) and that its occupancy penetration will rise to 108% by 2022 (Year 3), at which time stabilization is assumed. The Proposed Hotel is expected to outperform its competitive set in terms of its occupancy rate primarily due to its lower room count and lower-rated, select-service positioning. Additionally, we have assumed that the Proposed Hotel will be positioned to achieve an especially high occupancy premium relative to the competitive set, which includes two ski area properties, during the summer months by virtue of its lakeside location. Notably, we expect that developing a materially larger hotel on the subject site in the absence of significant meeting space development would result in a noticeably lower occupancy rate and hinder the feasibility of the Proposed Hotel.

With respect to the Proposed Hotel's anticipated ADR performance, we expect that the Proposed Hotel will achieve an ADR penetration of 75% relative to the competitive set in Year 1 and that its ADR penetration will rise to 85% by Year 3, at which time stabilization is assumed. The Proposed Hotel's stabilized ADR amounts to a 15% discount relative to the competitive set given its lower level of positioning; while the competitive set is largely comprised of upper upscale, full-service product, the Proposed Hotel is anticipated to feature upscale, select-service positioning. Specifically, we have assumed a stabilized rate discount relative to the competitive set of 10% during the summer months when the Proposed Hotel's lakeside location will mitigate its rate discount and a stabilized rate discount relative to the competitive set of 25% during the ski season, when the ski-in/ski-out locations of properties in the competitive set are expected to result in an especially high rate premium relative to the Proposed Hotel.

Projected Subject Property Performance

Based on the above assumptions and analysis, we forecast that the subject property's occupancy will be 63.4% in Year 1 before stabilizing at 70.6% in Year 3. For ADR, we forecast $207.06 in Year 1 before stabilizing at $248.96 in Year 3. RevPAR will be $131.37 in Year 1 of our cash flow forecast. Moving forward, we have forecast that the subject property will achieve $175.78 RevPAR in the stabilized year of 2020.

Competitive Set Performance														
	Historical Operating Performance					Forecasted Operating Performance								
Occupancy	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Proposed Kings Beach Hotel									63.4%	68.0%	70.6%	70.6%	70.6%	70.6%
Competitive Set	49.4%	52.4%	55.4%	58.8%	61.3%	63.8%	64.4%	65.0%	64.7%	65.4%	65.4%	65.4%	65.4%	65.4%
Index (MPI)									0.98	1.04	1.08	1.08	1.08	1.08
Average Daily Rate (USD)														
Proposed Kings Beach Hotel									207.06	227.49	248.96	256.43	264.12	272.04
Competitive Set	222.22	221.12	220.03	221.71	235.99	245.43	255.25	265.46	276.08	284.36	292.89	301.68	310.73	320.05
Index (ARI)									0.75	0.80	0.85	0.85	0.85	0.85
RevPAR (USD)														
Proposed Kings Beach Hotel									131.37	154.68	175.79	181.06	186.48	192.09
Competitive Set	109.88	115.94	121.94	130.41	144.70	156.50	164.39	172.68	178.73	185.91	191.49	197.23	203.14	209.24
Index (RGI)									0.74	0.83	0.92	0.92	0.92	0.92

Competitive set includes: Hyatt Regency Lake Tahoe Resort (422 rooms), Village @ Squaw Valley (178 rooms), Destination Hotels Resort @ Squaw Creek (345 rooms), Hampton Inn Suites Tahoe Truckee (109 rooms).
New Supply includes: Homewood Mountain Resort (100 rooms; Jan 2020), Tahoe City Lodge (118 rooms; Jan 2020).
Source: STR, JLL

Rooms Expense

Room expense consists of items relating to the reservations, front desk services and upkeep of guestrooms. This expense, which is highly variable with occupancy, is best estimated using a cost per occupied room (POR) and percentage of revenue basis. Our benchmarks showed a range of $35.77 to $41.75 POR and 16.2% to 21.4% of revenues for rooms expense. As such, we have forecast rooms expense at $45.00 POR and 21.7% of revenue in Year 1, stabilizing at $47.74 POR and 19.2% of revenues in Year 3. We expect that rooms expenses for the Proposed Hotel will be slightly higher than the benchmarks reviewed given the relatively high cost of labor in resort markets such as Lake Tahoe.

6.4 Food and Beverage Revenue and Expenses

We have forecast food and beverage revenue in the amount of $15 per occupied room in Year 1 and projected inflationary growth of approximately 3% thereafter. This level of food and beverage is consistent with the anticipated level of food and beverage programming as well as the benchmarks reviewed. With respect to expenses, we have forecast a food and beverage expense margin of 90.0% in Year and projected improvement to an expense margin of 88.0% by Year 3, at which time stabilization is assumed. This level of expense is broadly in line with the benchmarks reviewed.

6.5 Undistributed Operating Expenses

6.5.1 Administrative and General (A&G)

A&G expenses include insurance, salaries and other costs not associated with any operating department. As a percentage of total revenue, our benchmarks indicate an A&G expense range from 7.0% to 8.9%, or $3,916 to $6,791 per available room. We note that the A&G expense line items for all of the selected benchmarks include Information and Telecommunication expense and Credit Card Commissions and have forecasted these line items accordingly. As such, we have forecasted an A&G expense of 10.1% of total revenue or $5,309 PAR in the first year, before stabilizing at 8.6% or $4,974 in Year 3.

6.5.2 Information and Telecommunication

Information and Telecommunication is included in the A&G line item for all selected benchmarks. As a percentage of total revenue, the industry standard for Information and Telecommunication expense ranges from approximately 1.5% to 2.0% of total revenue.

6.5.3 Sales & Marketing Expense

Sales and marketing expenses include expenditures on advertising and sales promotions and the department's related payroll costs. As a percentage of total revenue, benchmarks indicate a sales and marketing expense range from 5.8% to 11.1%, or $3,717 to $8,612 per available room. We anticipate Sales and Marketing expense to reflect 8.6% of total revenues or $4,500 PAR in the first year, before stabilizing at 6.9% or $4,774 PAR in Year 3.

6.5.4 Franchise Fee

We have assumed a franchise fee of 5.0% of rooms revenue throughout our projections; this estimate is in line with industry standards for franchised upscale, select-service hotels.

6.5.5 Property Operations & Maintenance

This expense is comprised primarily of payroll and related costs, with the balance spent on the building's mechanical, electrical and other physical systems. As a percentage of total revenue, the benchmarks indicate property operations & maintenance expense range from 2.8% to 3.8%, or $1,613 to $2,180 per available room. We have thus projected the subject property's POM expense at $2,000 PAR, which translates to 3.8% of total revenue in Year 1. By the stabilized year, we expect POM expense to reach $2,122, or 3.1% of total revenue.

6.5.6 Utilities

This expense includes all heat, light and power for the hotel. As a percentage of total revenue, the Comparables indicate utilities expense range from 1.8% to 3.0%, or $1,005 to $1,746 per available room. We have forecast the subject property's utilities expense to be broadly in line with the benchmarks reviewed at $1,800 PAR or 3.4% of total revenue, growing to $1,910 or 2.8% of total revenue by the stabilized year.

6.6 Fixed Charges

6.6.1 Real Estate Taxes

We have projected real estate property taxes to equal approximately 1.1% of the Proposed Hotel's "as completed" value and assumed that real estate property taxes will increase at a rate of 2.0% per year. As a result, real estate property taxes are projected at approximately $295,000 or 5.6% of total revenue in Year 1.

6.6.2 Insurance

This expense is comprised of general liability insurance, property insurance, EPL insurance, auto insurance, and crime insurance. Based on benchmarks, we have projected property insurance as a percentage of total revenues. We projected that insurance will be 1.5% in Year 1, declining slightly to 1.2% by the stabilized year.

6.7 Other Expenses

6.7.1 Management Fee

We have projected management fees at 3.0% of total revenue, which is consistent with industry standards as well as the upscale, select-service benchmarks reviewed.

6.7.2 Replacement Reserves (FF&E)

This expense represents a reserve account that is set aside to provide for the periodic replacement of furniture, fixtures, and equipment during the life of the property. This reserve was estimated in accordance with industry standards for newly built select-service hotel product. As such, we have forecast 3% of total revenue for Year 1, 3.5% for Year 2 and 4% for Year 3 and beyond.

6.8 Financial Projections

The subject property's five-year cash flow forecasts, based on the above stipulations, are presented in Appendix B.

7 Proposed Hotel Investment Analysis

7.1 Investment Summary

Based on the previously detailed market analysis, we have estimated Net Operating Income of approximately $1.6 million in Year 1, rising to approximately $2.6 million in Year 3, at which time stabilization is assumed. We have further estimated a reversionary value for the proposed hotel of approximately $33.2 million at the end of Year 5, which reflects the assumption that an anticipated terminal cap rate of 8.5% will be applied to projected Year 6 Net Operating Income of $2.9 million as well as the assumption that closing costs will amount to approximately 1.0% of the residual market value. Additionally, we have assumed total development costs, excluding acquisition costs for land and commodities (development rights), of $225,000 per key for the proposed hotel, which is in line with market benchmarks for upscale, select-service product in resort locations; we have assumed that construction may begin in July 2018 and reach completion by December 2019 with 30% of total development costs, excluding land acquisition costs, payable in 2018 and the remaining 70% of development costs payable in 2019. Notably, we have assumed that the entitlement process may begin in July 2017 and that full entitlements may be obtained by July 2018, during which time net operating income from the subject property's existing commercial properties in the amount of approximately $150,000 per year may be collected; to the extent that this timeline may be delayed, the projected return on investment associated with the proposed hotel may be significantly impacted. The aforementioned assumptions resulted in a projected unlevered return on investment of 15% for the proposed hotel. This rate of return, which excluded the impact of acquisition costs for land and commodities, is generally considered attractive to hotel investors and is generally considered sufficient to support hotel development. However, given the uncertainty surrounding the entitlement process in North Lake Tahoe and the difficulty of securing financing in resort markets, investors are likely to require a relatively high rate of return, which may inhibit the feasibility of the development as well as an investor's ability to pay substantial land acquisition costs.

The table below summarizes our investment analysis for the proposed hotel at Kings Beach Center:

Proposed Kings Beach Center Hotel
Investment Summary

Key Hotel Development Assumptions	No. of Keys	Cost Per Key	Total
Development Costs (Excluding Land)	100	$225,000	$22,500,000

Key Valuation Assumptions	Percent
Terminal Cap Rate	8.5%
Closing Costs	1.0%

Phase	Planning / Entitlements[1]	Construction / Entitlements	Construction	Operating Year 1	Operating Year 2	Operating Year 3	Operating Year 4	Operating Year 5
Year	2017	2018	2019	2020	2021	2022	2023	2024
Total Development Costs		($6,750,000)	($15,750,000)					
Cash Flow From Existing Properties	$75,000	$77,250						
Cash Flow From Hotel Operation				$1,594,463	$2,123,305	$2,600,855	$2,681,950	$2,777,822
Hotel Net Reversion Value								$33,213,918
Unlevered Cash Flow (Excl. Land)	**$75,000**	**($6,672,750)**	**($15,750,000)**	**$1,594,463**	**$2,123,305**	**$2,600,855**	**$2,681,950**	**$35,991,740**

Projected Unlevered IRR (Excl. Land)	15%

1. JLL projections assume that the planning/entitlement process takes one year, beginning during the summer of 2017, and that construction may commence during the summer of 2018.

Source: JLL

8 Retail Investment Analysis

8.1 Introduction

In the following section, we provide our analysis, key assumptions, and resulting financial projections for proposed retail development at Kings Beach Center. We have assumed that the Kings Beach Center will include a proposed retail development with a total of approximately 15,000 square feet of retail space. This level of retail development is expected to be sufficient to provide necessary amenities, such as dining, shopping, and entertainment venues, for the guests at the Proposed Hotel; and this level of development will also materially enhance the retail profile of Kings Beach's core commercial area along the north shore of Lake Tahoe. Given the relatively small local population and the seasonality of consumer demand in the North Lake Tahoe market, we expect that developing a materially larger amount of retail space may result in high vacancy rates that would inhibit the feasibility of a larger-scale development. Notably, however, determining the final size of optimal retail development may be constrained by the size of the subject site, and detailed architectural, engineering, and site planning studies may be required in order to arrive at a final sizing determination. That being said, we note that adjusting the size of the proposed retail development by approximately +/- 2,500 square feet or less is not expected to materially change our feasibility analysis for the proposed retail development.

8.2 Retail Market Overview

The proposed retail development at Kings Beach Center is located in Kings Beach, CA, which is located within the Placer County submarket of the Sacramento retail market. The Placer County submarket consists of approximately 1,400 retail buildings totaling nearly 20 million square feet of retail space as of Q1 2017 according to data compiled by CoStar. The submarket's average asking retail rent amounted to $17.03 per square foot, and its average vacancy rate amounted to 5.2% as of Q1 2017. The table below summarizes key market statistics for the Placer County retail submarket as well as the broader Sacramento area retail market.

Sacramento Area Retail Market Summary (Q1 2017)

	Existing Inventory		Vacancy						
Market	No. of Buildings	Total GLA (Sq. Ft.)	Direct Sq. Ft.	Total Sq. Ft.	Vac (%)	YTD Net Absorption	YTD Deliveries	Under Const Sq. Ft.	Quoted Rates
El Dorado County	359	4,109,099	197,620	226,205	5.5%	(8,491)	0	0	$19.71
Placer County	1,447	19,960,312	1,018,512	1,037,660	5.2%	168,771	12,000	49,000	$17.03
Sacramento County	5,559	67,153,651	5,240,566	5,434,498	8.1%	412,723	35,836	1,432,518	$15.58
Yolo County	653	8,149,632	450,194	450,194	5.5%	(11,598)	0	0	$13.68
Total	**8,018**	**99,372,694**	**6,906,892**	**7,148,557**	**7.2%**	**561,405**	**47,836**	**1,481,518**	**$15.84**

Source: CoStar

8.3 Proposed Retail Component Financial Projections

Within the Placer County retail market, the subject property will primarily compete with a select set of retail properties based on various factors. These factors include location, rental rates, product quality, length of lease, leasable space, building age, among other factors. We have reviewed these pertinent attributes and established a competitive set based upon this review. Specifically, we expect that the proposed retail development at Kings Beach Center will compete with other retail developments in Kings Beach and neighboring areas of North Lake Tahoe. Notably, as a new-build retail development, the proposed retail development at Kings Beach Center is expected to be materially superior to the existing retail developments in Kings Beach, which largely consist of older, lower-tier product. As a result, we have also surveyed retail rental rates in nearby Tahoe City, which contains a larger supply of retail product, in our search for comparables. The office and retail rent comparables selected to inform our operating projections for the proposed retail development at Kings Beach Center are summarized in the following table.

Retail Rent Comparables								
Address	City	State	Year Built	Leased Space (Sq. Ft.)	Type	Asking Rent	Executed	Terms
925 N Lake Blvd	Tahoe City	CA	1980	1,806	Retail	$21.00	Jan-17	NNN
840-850 N Lake Blvd	Tahoe City	CA	1975	6,064	Retail	$23.40	Sep-16	NNN
8331 N Lake Blvd	Kings Beach	CA	1995	900	Retail	$16.20	Jun-16	NNN
8331 N Lake Blvd	Kings Beach	CA	1995	1,100	Retail	$16.20	Jun-16	NNN
531 N Lake Blvd	Tahoe City	CA	1972	2,800	Office	$24.00	Jun-16	NNN
243 N Lake Blvd	Tahoe City	CA	1963	650	Office/Retail	$24.00	Mar-16	NNN
589 N Lake Blvd	Tahoe City	CA	1948	970	Office/Retail	$37.20	Nov-15	NNN
8331 N Lake Blvd	Kings Beach	CA	1995	400	Retail	$23.40	Sep-15	NNN
120 Grove Street	Tahoe City	CA	NA	6,400	Retail	$30.00	May-14	NNN
8710 N Lake Blvd	Kings Beach	CA	1948	950	Retail	$24.00	Jan-14	NNN
					Average	**$23.94**		

Source: CoStar

Rental Rates and Vacancy

We expect the proposed retail development at Kings Beach Center to attract rents near the upper range of the recent leasing activity at the competitive set properties outlined previously. The proposed retail space at Kings Beach Center will offer a brand new physical product in a market where most of the existing retail product was originally constructed several decades ago. Moreover, the proposed hotel at Kings Beach Center is expected to materially enhance the appeal of the proposed retail space for prospective retail tenants, as the former is anticipated to generate significant patronage for the latter. Therefore, while the average asking retail rent in Placer County amounted to $17.03 per square foot in Q1 2017 according to CoStar and the retail rent comparables in North Lake Tahoe averaged $23.94 per square foot, we anticipate that the proposed retail space will command materially higher retail rents. Specifically, our pro-forma financial projections assume an average retail rent per square foot of $30.00 in 2017 dollars for the subject property's retail space and assumes triple net leases. We have further assumed inflationary growth in retail rents of approximately 3% per year, resulting in a projected average rental rate of $33.77 per square foot for the proposed retail development upon its anticipated opening in 2020 (Year 1).

In terms of vacancy, the retail spaces are expected to reach their stabilized vacancy level by Year 3. In general, it is assumed that the proposed retail development at Kings Beach Center will have a vacancy rate that is moderately higher than the prevailing vacancy rate in the Placer County retail market, primarily given the relatively small local population in Kings Beach and seasonal demand patterns associated with the orientation of Kings Beach as a leisure destination. On balance, JLL projects a 20% vacancy rate in Year 1 but improvement towards a vacancy rate of 8% by Year 3, at which time stabilization is assumed. The anticipated stabilized vacancy rate for the subject property is moderately higher than Placer County's current retail vacancy rate of 5.2% as of Q1 2017, according to data compiled by CoStar. JLL's assumptions with regard to rental rates and vacancy are depicted below.

Kings Beach Center Retail Component: Projected Rental Rates and Vacancy							
	Key Assumptions (2017 Dollars)	**Year 1 2020**	**Year 2 2021**	**Year 3 2022**	**Year 4 2023**	**Year 5 2024**	**Year 6 2025**
Retail Net Rentable Area (SF)	*15,000*	15,000	15,000	15,000	15,000	15,000	15,000
Average Retail Rent ($/SF)	*$30.00*	$32.78	$33.77	$34.78	$35.82	$36.90	$38.00
Annual Escalation (%)	*3%*		*3%*	*3%*	*3%*	*3%*	*3%*
Retail Vacancy Rate (%)		20%	15%	8%	8%	8%	8%

Source: JLL

Basis for Financial Projections

Prospective operating results of the subject property were prepared for 6 fiscal years beginning on January 1, 2020. Year 6 of this analysis will be used to calculate the reversionary value of the property. Cash flows have been prepared utilizing the market's historical data as well as our knowledge of the retail space in the market.

Comparable Benchmarks

In addition to historic performance in the Placer County retail market we have also evaluated operating performance of comparable retail properties in the market with regard to certain expense categories. These benchmarks are described in the following detailed list of assumptions as applicable.

Departmental Revenues

Retail Rents

Retail rents and revenues have been determined directly from the above outlined vacancy and rental rate profile.

NNN Reimbursements Revenue

Based on our conversations with retail leasing brokers in the market along with input from retail investment advisors active in the market, we anticipate that the prevailing lease structure in the subject will be "Triple-Net" (NNN) leases, which means that Common Area Maintenance (CAM) charges, insurance and real estate taxes are billed back to the tenants based on their share of the retail space used. In effect, this means that the owner's expenses incurred in these line items are reimbursed back by the tenant and as such form an income stream for the owner. The appropriate per sq. ft. amounts for these categories were determined by benchmarking comparable properties in the market.

In line with market averages, JLL assumed that total CAM charges, including insurance and management fees, amount to $8.00 per square foot in 2017 dollars and that this expense increases by 3% annually, resulting in CAM charges of $8.74 in Year 1. JLL further assumed that real estate taxes amount to $3.75 per square foot in 2017 dollars and that this expense increases by 3% annually, resulting in real estate taxes of $4.10 per in Year 1. This level of real estate tax is approximately equal to 1.1% of the proposed retail development's estimated "as completed" value.

Departmental Expenses

NNN Expenses

The NNN expenses incurred by the retail space are expected to be recovered by the tenants and have been spelled out above in the revenue section.

Net Operating Income

Subtracting the Total Operating Expenses from the Effective Gross Income results in Net Operating Income, which is the net cash flow line used in the DCF valuation.

Capital Charges

Capital Charges such as Tenant Improvement (TI) allowance and commission expense are accounted for below the Net Operating Income line and thus do not impact the asset value. In addition, an allowance for reserves was not included in the pro-forma as this is expected to be viewed as a capital charge and thus fall *below* the Net Operating Income line.

The "As Completed" Retail Component pro-forma is shown below.

Kings Beach Retail Pro-Forma	Year 1 2020	Year 2 2021	Year 3 2022	Year 4 2023	Year 5 2024	Year 6 2025
Key Statistics						
Retail Net Rentable Area (SF)	15,000	15,000	15,000	15,000	15,000	15,000
Average Retail Rent ($/SF)	$32.78	$33.77	$34.78	$35.82	$36.90	$38.00
Annual Escalation (%)		*3%*	*3%*	*3%*	*3%*	*3%*
Retail Vacancy Rate (%)	20%	15%	8%	8%	8%	8%
Revenue Projections						
Base Rental Revenue	$393,382	$430,507	$479,939	$494,338	$509,168	$524,443
CAM Reimbursements	$104,902	$114,802	$127,984	$131,823	$135,778	$139,851
CAM Expenses Per Square Foot ($/SF)	$8.74	$9.00	$9.27	$9.55	$9.84	$10.13
CAM Expense Annual Escalation (%)		*3.0%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*
Real Estate Tax Reimbursements	$49,173	$53,813	$59,992	$61,792	$63,646	$65,555
Real Estate Taxes Per Square Foot ($/SF)	$4.10	$4.22	$4.35	$4.48	$4.61	$4.75
Real Estate Taxes Annual Escalation (%)		*3.0%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*
Effective Retail Gross Revenue	**$547,456**	**$599,122**	**$667,916**	**$687,953**	**$708,592**	**$729,850**
Expense Projections						
CAM Expenses	$131,127	$135,061	$139,113	$143,286	$147,585	$152,012
Real Estate Taxes	$61,466	$63,310	$65,209	$67,165	$69,180	$71,256
Total Operating Expenses	**$192,593**	**$198,371**	**$204,322**	**$210,452**	**$216,765**	**$223,268**
Projected Retail Net Operating Income	**$354,863**	**$400,751**	**$463,594**	**$477,502**	**$491,827**	**$506,581**

Source: JLL

8.4 Retail Investment Summary

Based on the previously detailed market analysis, we have estimated Net Operating Income of approximately $355,000 in Year 1, rising to approximately $464,000 in Year 3, at which time stabilization is assumed. We have further estimated a reversionary value for the proposed retail development of approximately $6.7 million at the end of Year 5, which reflects the assumption that an anticipated terminal cap rate of 7.5% will be applied to projected Year 6 Net Operating Income of $507,000 as well as the assumption that closing costs will amount to approximately 1.0% of the residual market value. Additionally, we have assumed total development costs, excluding land acquisition costs, of $300 per square foot for the proposed retail development, which is in line with market benchmarks; we have assumed that construction may begin in July 2018 and reach completion by December 2019 with 30% of total development costs, excluding land acquisition costs, payable in 2018 and the remaining 70% of development costs payable in 2019. Notably, we have assumed that the entitlement process may begin in July 2017 and that full entitlements may be obtained by July 2018; to the extent that this timeline may be delayed, the projected return on investment associated with the proposed retail development may be significantly impacted. The aforementioned assumptions resulted in a projected unlevered return on investment of 14% for the proposed retail development. This rate of return, which excluded the impact of land acquisition costs, is generally considered attractive to retail real estate investors and is generally considered sufficient to support retail development. However, given the uncertainty surrounding the entitlement process in North Lake Tahoe and the difficulty of securing financing in resort markets that lack an established investment-grade retail market, investors are likely to require a relatively high rate of return, which may inhibit the feasibility of the development as well as an investor's ability to pay substantial land acquisition costs.

The table below summarizes our investment analysis for the proposed retail development at Kings Beach Center:

Proposed Kings Beach Retail Center
Investment Summary

Key Retail Development Assumptions	Sq. FT.	Cost Per Sq. Ft.	Total
Development Costs (Excluding Land)	15,000	$300	$4,500,000

Key Valuation Assumptions	Percent
Terminal Cap Rate	7.5%
Closing Costs	1.0%

Phase	Planning / Entitlements[1]	Construction / Entitlements	Construction	Operating Year 1	Operating Year 2	Operating Year 3	Operating Year 4	Operating Year 5
Year	2017	2018	2019	2020	2021	2022	2023	2024
Total Development Costs		($1,350,000)	($3,150,000)					
Cash Flow From Existing Properties		$0						
Projected Retail Net Operating Income				$354,863	$400,751	$463,594	$477,502	$491,827
Retail Net Reversion Value								$6,686,874
Unlevered Cash Flow (Excl. Land)		**($1,350,000)**	**($3,150,000)**	**$354,863**	**$400,751**	**$463,594**	**$477,502**	**$7,178,700**

Projected Unlevered IRR (Excl. Land)	14%

1. JLL projections assume that the planning/entitlement process takes one year, beginning during the summer of 2017, and that construction may commence during the summer of 2018.

Source: JLL

9 Residential Investment Analysis

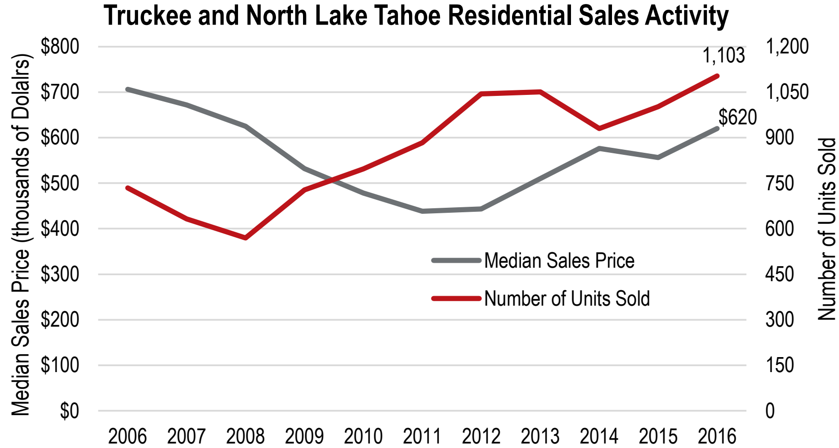
9.1 Introduction

In the following section, we provide our analysis, key assumptions, and resulting financial projections for proposed residential condominiums at Kings Beach Center. We have assumed the development of a relatively small number of residential condominiums given several factors. First, assuming hotel and retail development at the subject property and associated parking requirements, there is likely to be limited capacity for large-scale residential condominium development at the subject property. Given the substantial cost of building parking structures, we have assumed that parking requirements for all development will need to be substantially met with surface parking. Second, while recent sales activity in Kings Beach demonstrate market demand for new upscale attached housing development, sales pace has not been robust enough to suggest demand for a large-scale residential condominium project. Specifically, sales for the newly constructed 10-unit Tahoe Beachfront Residences commenced approximately a year ago, and as of June 2017, 4 units among a total of 7 units that have been made available for sale have been sold. (According to brokers active in the market, the developer has chosen to retain one unit for personal use and to list the remaining two units for sale at a later date.) Therefore, we have assumed that the subject property may support the development of 20 residential condominium units, averaging 1,000 square feet of sellable space per unit. We have further assumed that 85% of the proposed residential development's square footage will represent sellable space, meaning that the proposed residential development will total approximately 23,500 square feet of space.

9.2 Residential Market Overview

The North Lake Tahoe residential real estate market has realized strong growth in both sales volume and price appreciation in recent years. Since 2008, when sales volume troughed at 569 sold units, sales volume has nearly doubled to 1,103 sold units as of 2016. Pricing in the North Lake Tahoe residential market has also rebounded significantly with the median price for residential units in the market rising from $438,000 in 2011 to $620,000 in 2016, representing an increase of more than 40%. Given limited new development in the market and rapid economic growth in the San Francisco Bay Area as well as in the Reno, NV, metropolitan area, which represent Lake Tahoe's primary feeder markets, we expect price appreciation and sales volume to continue to increase in the North Lake Tahoe market during the next several years.

Truckee and North Lake Tahoe Residential Sales Activity



Source: Tahoe-Sierra MLS, Westall Real Estate

9.3 Key Underwriting Assumptions

9.3.1 Pricing Analysis

JLL identified three comparable developments to benchmark its pricing projections for the subject property's proposed residential condominium units. Given the lack of new attached residential product in Kings Beach, JLL's search for comparable developments also extended to other areas of North Lake Tahoe, namely the Squaw Valley and Northstar ski resorts, where residential condominium inventory is more plentiful. Specifically, the three comparable developments selected include the newly constructed Tahoe Beachfront Residences in Kings Beach, the Resort at Squaw Creek in Olympic Valley, and the Village at Northstar in Truckee, CA. The following tables summarize recent listings as well as transaction activity at the aforementioned comparable developments.

Tahoe Beachfront Residences								
Address	**Unit**	**Bedrooms**	**Bathrooms**	**Square Feet**	**Price**	**Price Per Sq. Ft.**	**Status**	**Contract Date**
8308 N Lake Blvd	Unit 2	3	3	1,651	$1,399,000	$847	Closed	6/28/2017
8308 N Lake Blvd	Unit 3	3	3	1,651	$1,299,000	$787	Active	NA
8308 N Lake Blvd	Unit 5	3	3	1,651	$1,150,000	$697	Closed	1/30/2017
8308 N Lake Blvd	Unit 6	3	3	1,651	$1,100,000	$666	Closed	3/1/2017
8308 N Lake Blvd	Unit 7	3	3	1,651	$1,119,000	$678	Active	NA
8308 N Lake Blvd	Unit 9	3	3	1,651	$950,000	$575	Closed	12/27/2016
8308 N Lake Blvd	Unit 10	3	3	1,651	$999,000	$605	Active	NA
					Average	**$694**		

Resort at Squaw Creek Condominiums								
Address	**Unit**	**Bedrooms**	**Bathrooms**	**Square Feet**	**Price**	**Price Per Sq. Ft.**	**Status**	**Contract Date**
400 Squaw Creek Road	Unit 825	0	1	374	$167,500	$448	Closed	4/28/2017
400 Squaw Creek Road	Unit 933	1	1	611	$250,000	$409	Closed	12/22/2016
400 Squaw Creek Road	Unit 654	1	1	611	$320,000	$524	Closed	9/6/2016
400 Squaw Creek Road	Unit 237	0	1	374	$146,000	$390	Closed	3/16/2017
400 Squaw Creek Road	Unit 249-51	2	2	985	$510,000	$518	Closed	10/18/2016
400 Squaw Creek Road	Unit 952L	2	3	1,596	$1,150,000	$721	Closed	4/27/2017
400 Squaw Creek Road	Unit 756	3	3	1,454	$925,000	$636	Closed	4/16/2017
					Average	**$521**		

Village at Northstar Condominiums								
Building Name	**Unit**	**Bedrooms**	**Bathrooms**	**Square Feet**	**Price**	**Price Per Sq. Ft.**	**Status**	**Contract Date**
Big Horn	403	2	2	1,305	$796,000	$610	Closed	5/31/2017
Big Horn	7505	0	1	468	$299,000	$639	Closed	5/4/2017
Big Horn	7507	2	2.5	1,356	$830,000	$612	Closed	3/10/2017
Catamount	308	2	2.5	1,444	$825,000	$571	Closed	4/28/2017
Catamount	8205	2	2.5	1,271	$722,500	$568	Closed	4/17/2017
Catamount	8406	2	2.5	1,701	$1,090,000	$641	Closed	2/24/2017
Great Bear Lodge	305	3	3.5	2,175	$1,649,000	$758	Closed	3/31/2017
Great Bear Lodge	506	4	4	2,594	$2,195,000	$846	Closed	2/17/2017
One Village Place	408	3	3	1,868	$1,390,000	$744	Closed	4/20/2017
One Village Place	401	3	3.5	1,910	$1,250,000	$654	Closed	3/30/2017
					Average	**$664**		

Source: RE/MAX Resort Properties, Zillow.com

JLL utilized all of the aforementioned residential developments to inform its pricing projections for the proposed 20 residential condominium units at Kings Beach Center. The Tahoe Beachfront Residences provide the best comparable in terms of location, as this development is located within walking distance from the subject property in Kings Beach and features similar views of Lake Tahoe. However, the Tahoe Beachfront Residences are located directly adjacent to Lake Tahoe, whereas the subject site is situated across the street from Lake Tahoe. Additionally, the Tahoe Beachfront Residences are townhouses rather than condominiums. And finally, the prices registered for the Tahoe Beachfront Residences represent a mixture of list prices and closed sales prices, as three of the units listed for sale at this development have not yet transacted as of the writing of this report. Given the aforementioned factors, we estimate that the proposed residential condominiums at Kings Beach Center will achieve pricing at a discount relative to the Tahoe Beachfront Residences. Having been constructed more than twenty-five years ago, condominium units at the Resort at Squaw Creek are generally inferior to the proposed residential condominiums at Kings Beach Center due to their age. Additionally, while these units feature desirable hotel amenities, they also feature high HOA dues, which inhibit their marketability. Therefore, we have assumed that the proposed residential condominiums at Kings Beach Center will achieve a pricing premium relative to the Resort at Squaw Creek. Condominiums at the Village at Northstar are assumed to be slightly superior to the proposed residential condominiums at Kings Beach Center due to their desirable location adjacent to the Northstar ski resort, which features an established, upscale ski-in/ski-out condominium community. The developments at the Village at Northstar were also relatively recently constructed in comparison to the Resort at Squaw Creek.

Given pricing at the aforementioned comparable developments in North Lake Tahoe, we estimate that the proposed residential condominiums at Kings Beach Center will achieve sales prices averaging $600 per square foot in 2017 dollars, reflecting an 14% discount relative to recent pricing at the Tahoe Beachfront Residences, a 15% premium relative to recent pricing at the Resort at Squaw Creek, and a 10% discount relative to recent pricing at the Village at Northstar.

Sales prices for the residential condominium units at Kings Beach Center are anticipated to increase 3% annually from the baseline estimates previously described. This level of appreciation is considered consistent with recent trends of improving residential housing market fundamentals in North Lake Tahoe, as described in the previous section.

9.3.2 Absorption Analysis

JLL projected gradual absorption of the residential condominium units over a three-year period between 2019 and 2021. Specifically, we assumed that pre-sales would begin in January 2019, approximately one year prior to the expected completion of the proposed residential condominium units at Kings Beach Center, and that sales would average one unit every other month, or six unit sales per year, until the proposed residential development reached completion in January 2020. Thereafter, we assumed an acceleration in the sales pace given that the opening of the residential condominiums would bring more potential buyers to the market and allow potential buyers to experience the product firsthand. Accordingly, we projected two unit sales per quarter, or 8 unit sales per year, in 2020. As the proposed residential development's inventory of condominium units available for sale is gradually diminished, the sales pace is expected to naturally slow to one unit every other month in 2021 until the last unit is expected to be sold by December 2021.

In summary, our projections reflect 6 condominiums under contract in 2019, 12 condominiums under contract in 2020, and 6 condominiums under contract in 2021. While 6 contracts are expected to be executed in 2019, closings for those units are not expected to occur until the first quarter of 2020 when the completed inventory can be delivered.

The aforementioned sales pace is considered appropriate given projected pricing for the residential condominium units and historical sales volume in Kings Beach. Furthermore, considering that the proposed residential development at Kings Beach Center is planned to offer a relatively small number of condominium units, absorption of all of the condominium units within 3 years is deemed achievable.

9.3.3 Sales and Marketing Expenses

JLL assumed marketing expenses equal to approximately 3.5% of gross sales, a ratio that is broadly consistent with marketing expenses for other residential condominium development projects with which we are familiar. Additionally, JLL assumed Incentives, Credits, & Sales Commissions totaling approximately 6.0% of estimated gross sales, and closing costs are estimated at 1.0% of estimates gross sales.

9.3.4 Holding Costs

Holding costs are assumed to consist of property taxes and HOA assessments on condominium units that have not yet been sold as well as other administrative costs. JLL assumed total holding costs of 1.5% of estimated gross sales; this ratio is broadly consistent with holding costs for other residential condominium development projects with which we are familiar.

9.4 Financial Projections

The subject property's net residential sales proceeds, based on the above assumptions and analysis, are presented on the following page.

Proposed Kings Beach Center Condominium Residences: Net Sales Projections							
	TOTAL	2017	2018	2019	2020	2021	2022
Proposed Residences Pricing							
Average Price Per Unit		$600,000	$618,000	$636,540	$655,636	$675,305	$695,564
Average Price Per Square Foot ($/SF)	**$600**	$600	$618	$637	$656	$675	$696
Appreciation (% Change)		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Residences Inventory							
Total Number of Units	**20**						
Average Unit Size (SF)	**1,000**						
Proposed Residences Sales Projections							
Units Under Contract/Year (Incl. Pre-Sales)	20.0	0.0	0.0	6.0	8.0	6.0	0.0
Unit Closings (Absorption/Year)	20.0	0.0	0.0	0.0	14.0	6.0	0.0
Sold Inventory (at Year End)		0.0	0.0	0.0	14.0	20.0	20.0
Remaining Inventory After Sales (At Year End)		20.0	20.0	20.0	6.0	0.0	0.0
Total Sales $	**$13,116,161**	$0	$0	$0	$9,064,330	$4,051,832	$0
Total Estimated Sales Expenses	**% Gross Sales**						
Marketing Budget	3.5%	$0	$0	$0	$317,252	$141,814	$0
Incentives, Credits, & Sales Commissions	6.0%	$0	$0	$0	$543,860	$243,110	$0
Administrative & Holding Costs	1.5%	$0	$0	$0	$135,965	$60,777	$0
Closing Costs	1.0%	$0	$0	$0	$90,643	$40,518	$0
Total Estimated Sales Expenses $	**$1,573,939**	**$0**	**$0**	**$0**	**$1,087,720**	**$486,220**	**$0**
Total Estimated Net Residential Sales	**$11,542,222**	**$0**	**$0**	**$0**	**$7,976,610**	**$3,565,612**	**$0**

Note: JLL projections assume that the planning/entitlement process takes one year, beginning during the summer of 2017, and that construction may commence during the summer of 2018. JLL also notes that ideally the residential condominiums are constructed in the same building as the planned hotel in order to maximize proximity to potential hotel amenities.

Source: JLL

9.5 Residential Investment Summary

Based on the previously detailed market analysis, we have estimated net residential sales of approximately $7.6 million in 2020 and net residential sales of approximately $3.4 million in 2021. We have further assumed total development costs, excluding land acquisition costs, of $375 per square foot for the proposed retail development, which is in line with market benchmarks; we have assumed that construction may begin in July 2018 and reach completion by December 2019 with 30% of total development costs, excluding land acquisition costs, payable in 2018 and the remaining 70% of development costs payable in 2019. Notably, we have assumed that the entitlement process may begin in July 2017 and that full entitlements may be obtained by July 2018; to the extent that this timeline may be delayed, the projected return on investment associated with the proposed retail development may be significantly impacted. The aforementioned assumptions resulted in a projected unlevered return on investment of 19% for the proposed residential condominium development. This rate of return, which excluded the impact of land acquisition costs, is generally considered attractive to residential real estate developers and is generally considered sufficient to support residential development. However, given the uncertainty surrounding the entitlement process in North Lake Tahoe and the difficulty of securing financing in resort markets, investors are likely to require a relatively high rate of return, which may inhibit the feasibility of the development as well as an investor's ability to pay substantial land acquisition costs.

The table below summarizes our investment analysis for the proposed residential condominium development at Kings Beach Center:

Proposed Kings Beach Center Condominium Residences
Investment Summary

Key Residential Development Assumptions	Sq. FT.	Cost Per Sq. Ft.	Total
Development Costs (Excluding Land)	23,529	$375	$8,823,529

Phase	Planning / Entitlements[1]	Construction / Entitlements	Construction	Operating Year 1	Operating Year 2	Operating Year 3
Year	2017	2018	2019	2020	2021	2022
Total Development Costs		($2,647,059)	($6,176,471)			
Cash Flow From Existing Properties		$0				
Projected Net Residential Sales		$0	$0	$7,976,610	$3,565,612	$0
Unlevered Cash Flow (Excl. Land)		**($2,647,059)**	**($6,176,471)**	**$7,976,610**	**$3,565,612**	**$0**

Projected Unlevered IRR (Excl. Land)	19%

1. JLL projections assume that the planning/entitlement process takes one year, beginning during the summer of 2017, and that construction may commence during the summer of 2018.

Source: JLL

10 Conclusions

10.1 Highest & Best Use

In summary, we have projected an unleveraged rate of return, excluding the impact of land acquisition costs, in the amount of 14% for the proposed retail development, 15% for the proposed hotel, and 19% for the proposed residential development, assuming that the proposed retail development consists of approximately 15,000 square feet of space, the proposed hotel includes 100 keys and features upscale, select-service positioning, and the proposed residential development consists of approximately 20 residences. The aforementioned rates of return, which exclude the impact of land acquisition costs, are generally considered attractive to retail, hotel, and residential real estate investors and, therefore, generally deemed sufficient to support development. However, given the uncertainty surrounding the entitlement process in North Lake Tahoe and the difficulty of securing financing in resort markets, investors are likely to require a relatively high rate of return, which may inhibit the feasibility of the development as well as an investor's ability to pay substantial land acquisition costs.

While residential development commands the highest projected level of return and retail development commands the lowest level of projected return, our results should not necessarily be interpreted to mean that more residential development should be pursued at the expense of retail or hotel development, or that any component of the mixed-use project be eliminated for several reasons. First, although the retail development commands the lowest level of return, investors also typically require a lower level of return for retail development relative to hotel or for-sale residential development given the long-term nature of retail leases. Second, the retail development supports the positioning of the hotel and residential developments, and without this component, our hotel and residential pricing assumptions may be materially impacted. Third, the recommended room count for the proposed hotel reflects the seasonality of demand in Kings Beach and the recommended number of condominium residences reflects the pace of sales in the market. Increasing either the hotel room count or the number of condominium residences significantly may negatively impact our occupancy and absorption assumptions, respectively. Therefore, we have concluded that the highest and best use for the subject property is for its development as a mixed-use development, including approximately 15,000 square feet of retail space, 100 upscale, select-service hotel rooms, and 20 residential condominium residences.

10.2 Residual Land Value

We have estimated the residual land value for the subject property assuming its highest and best use is for its development as a mixed-use development, including approximately 15,000 square feet of retail space, 100 upscale, select-service hotel rooms, and 20 residential condominium residences. Specifically, given the previously detailed cash flow projections for the mixed-use projects retail, hotel, and residential components, we have calculated the maximum land acquisition costs that a developer could expend while still yielding an acceptable anticipated return on investment in order to estimate the residual land value for the subject property. If an investor could be reasonably assured that the entitlement process for the aforementioned development program could be completed within a year, then we believe that a return on investment of 12.0%, resulting in a residual land value of $3.5 million, would be sufficient to attract investors' interest. However, given the uncertainty surrounding the entitlement and financing process in Lake Tahoe, we believe that a typical investor may require a return on investment of at least 13.0% in order to garner interest in the project, resulting in an estimated residual land value of $2.3 million.

Notably, according to the County of Placer, the Kings Beach Center property has already been identified for future environmental redevelopment opportunities and analyzed at a programmatic level in an Environmental Impact Report (EIR), which is expected to streamline the entitlement process. To the extent that the initiation of this process can be expected to expedite the procurement of all necessary entitlements and alleviate uncertainty with respect to their eventual procurement, investors may require a rate of return toward the lower end of the aforementioned range.

The tables below summarize the projected cash flow for the mixed-use project as well as the resulting residual land value for the subject property given varying rate of return requirements.

Proposed Kings Beach Center Mixed-Use Development Investment Summary								
Phase	Planning / Entitlements	Construction / Entitlements	Construction	Operating Year 1	Operating Year 2	Operating Year 3	Operating Year 4	Operating Year 5
Year	2017	2018	2019	2020	2021	2022	2023	2024
Total Development Costs	($2,300,000)	($10,747,059)	($25,076,471)	$0	$0	$0	$0	$0
Cash Flow From Existing Properties	$75,000	$77,250	$0	$0	$0	$0	$0	$0
Cash Flow From Hotel Operation	$0	$0	$0	$1,594,463	$2,123,305	$2,600,855	$2,681,950	$2,777,822
Hotel Net Reversion Value	$0	$0	$0	$0	$0	$0	$0	$33,213,918
Retail Net Operating Income	$0	$0	$0	$354,863	$400,751	$463,594	$477,502	$491,827
Retail Net Reversion Value	$0	$0	$0	$0	$0	$0	$0	$6,686,874
Net Residential Sales	$0	$0	$0	$7,976,610	$3,565,612	$0	$0	$0
Unlevered Cash Flow (Excl. Land)	**($2,225,000)**	**($10,669,809)**	**($25,076,471)**	**$9,925,936**	**$6,089,668**	**$3,064,449**	**$3,159,452**	**$43,170,440**

Projected Unlevered IRR (Incl. Land)	**13%**
Projected Unlevered IRR (Excl. Land)	**15%**

Source: JLL

Residual Land Value Analysis (as of July 1, 2017)	
Discount Rate	**Residual Land Value**
10.0%	$6,200,000
11.0%	$4,800,000
12.0%	$3,500,000
13.0%	$2,300,000
14.0%	$1,200,000
15.0%	$200,000
16.0%	($800,000)

Source: JLL

11 Assumptions and Limiting Conditions

This report has been completed with the following general assumptions and limiting conditions:

1. The cost associated with procuring commodities, such as entitlements for incremental Tourist Accommodation Units (TAUs), is not accounted for in JLL's analysis and may have a material impact on projected returns and the resulting residual land value for the subject property.
2. As in all studies of this type, the estimated results are based upon competent and efficient management and presume no significant changes in the economic environment from that as set forth in these reports. Since our forecasts are based on estimates and assumptions which are subject to uncertainty and variation, we do not represent them as results which will actually be achieved.
3. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
4. It is assumed that there are no hidden or unapparent conditions of the properties, subsoil or structures that render them more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
5. It is assumed that the properties are in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated.
6. It is assumed that the properties conform to all applicable zoning and use regulations and restrictions.
7. It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained.
8. The presence of substances such as asbestos, urea-formaldehyde foam insulation and other potentially hazardous materials may affect the success of the property. The projections are predicated on the assumption that there is no such material on or in the properties unless noted in an Environmental study prepared by a qualified 3rd party.
9. Possession of this report, or copies thereof, does not carry with it the right of publication.
10. The consultant, by reason of these reports, is not required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless arrangements have been previously made.

12 Appendix A: Comparable Hotel Benchmarks

Proposed Kings Beach Hotel Comparable Operating Performance

All Values In (USD)	Hotel A			Hotel B			Hotel C			Hotel D			Hotel E		
OPERATING REVENUE	Ratio	PAR	POR	Ratio	PAR	POR	Ratio	PAR	POR	Ratio	PAR	POR	Ratio	PAR	POR
Rooms Revenue	93.4%	59,426	211.40	85.1%	66,134	221.34	95.6%	53,812	193.64	89.6%	52,320	184.75	95.2%	55,230	185.01
Food & Beverage Revenue	3.5%	2,220	7.90	10.7%	8,321	27.85	2.5%	1,393	5.01	9.4%	5,464	19.29	3.7%	2,164	7.25
Other Operated Departments Revenue	3.1%	1,964	6.99	4.2%	3,276	10.96	2.0%	1,110	3.99	0.8%	440	1.55	0.7%	377	1.26
Miscellaneous Income										0.2%	112	0.40	0.2%	123	0.41
Total Operating Revenue	100.0%	63,610	226.29	100.0%	77,739	260.18	100.0%	56,314	202.64	100.0%	58,424	206.31	100.0%	57,992	194.27
DEPARTMENTAL EXPENSES															
Rooms Expenses	18.3%	10,870	38.67	16.2%	10,687	35.77	21.6%	11,602	41.75	20.0%	10,456	36.92	21.4%	11,803	39.54
Food & Beverage Expenses	72.7%	1,614	5.74	100.0%	8,321	27.85	172.9%	2,408	8.67	83.2%	4,544	16.05	19.3%	418	1.40
Other Operated Departments Expenses	16.2%	318	1.13	20.7%	679	2.27	42.9%	476	1.71	49.1%	216	0.76	50.0%	189	0.63
Total Departmental Expenses	20.1%	12,803	45.54	25.3%	19,694	65.91	25.7%	14,492	52.15	26.2%	15,320	54.10	21.6%	12,516	41.93
Total Departmental Income	79.9%	50,807	180.74	74.7%	58,045	194.27	74.3%	41,822	150.49	73.8%	43,104	152.21	78.4%	45,475	152.34
UNDISTRIBUTED EXPENSES															
Administrative & General	7.2%	4,596	16.35	8.7%	6,791	22.73	7.0%	3,916	14.09	8.9%	5,200	18.36	8.5%	4,910	16.45
Sales & Marketing	5.8%	3,717	13.22	11.1%	8,612	28.82	6.7%	3,759	13.53	7.6%	4,456	15.73	8.0%	4,664	15.62
Franchise Fee							5.1%	2,848	10.25	5.1%	2,968	10.48	4.2%	2,426	8.13
Property Operations and Maintenance (POM)	2.8%	1,798	6.40	2.8%	2,157	7.22	2.9%	1,613	5.80	2.9%	1,704	6.02	3.8%	2,180	7.30
Utilities	2.4%	1,534	5.46	2.2%	1,746	5.84	1.8%	1,005	3.62	2.9%	1,688	5.96	3.0%	1,746	5.85
Total Undistributed Expenses	18.3%	11,650	41.44	24.8%	19,313	64.64	23.3%	13,147	47.31	27.4%	16,016	56.56	27.5%	15,926	53.35
Gross Operating Profit	61.6%	39,157	139.30	49.8%	38,731	129.63	50.9%	28,675	103.19	46.4%	27,088	95.65	51.0%	29,549	98.99
Management Fee	5.7%	3,655	13.00	3.0%	2,336	7.82	3.0%	1,691	6.09	3.0%	1,752	6.19	3.0%	1,738	5.82
Income Before Non-Operating Income & Expenses	55.8%	35,507	126.31	46.8%	36,396	121.81	47.9%	26,990	97.12	43.4%	25,336	89.47	48.0%	27,811	93.17
NON-OPERATING INCOME & EXPENSES															
Property Taxes	2.8%	1,771	6.30	2.6%	2,000	6.69	9.2%	5,157	18.56	3.7%	2,136	7.54	4.9%	2,828	9.47
Insurance	0.5%	314	1.12	1.4%	1,097	3.67	0.6%	325	1.17	1.5%	880	3.11	1.3%	754	2.53
Rent				6.9%	5,373	17.98									
Leased Plant & Equipment	0.0%	18	0.06				0.0%	10	0.04						
Total Non-Operating Income & Expenses	3.3%	2,103	7.48	10.9%	8,470	28.35	9.8%	5,492	19.76	5.2%	3,016	10.65	6.2%	3,582	12.00
EBITDA	52.5%	33,399	118.81	35.9%	27,925	93.46	38.2%	21,492	77.34	38.2%	22,320	78.82	41.8%	24,230	81.17
Replacement Reserve (FF&E)	3.5%	2,215	7.88	4.0%	3,112	10.42	4.0%	2,251	8.10	4.0%	2,336	8.25	4.0%	2,320	7.77
Other Income	2.5%	1,578	5.62	3.4%	2,627	8.79	3.3%	1,843	6.63	4.8%	2,816	9.94	5.0%	2,885	9.67
EBITDA Less Replacement Reserve	49.0%	31,184	110.93	31.9%	24,821	83.07	34.2%	19,241	69.24	34.2%	19,984	70.57	37.8%	21,910	73.40

13 Appendix B: Hotel Financial Projections / JLL Pro Forma

Proposed Kings Beach Hotel Pro-Forma

All Values In (USD'000)	**2020**				**2021**				**2022**			
Period Ending	December 31				December 31				December 31			
Days Open in Period	366				365				365			
Available Hotel Rooms	100				100				100			
Available Room Nights	36,600				36,500				36,500			
Occupied Room Nights	23,220				24,817				25,772			
Occupancy	63.4%				68.0%				70.6%			
Average Daily Rate	207.06				227.49				248.96			
RevPAR	131.37				154.68				175.78			
OPERATING REVENUE	**Amount**	**Ratio**	**PAR**	**POR**	**Amount**	**Ratio**	**PAR**	**POR**	**Amount**	**Ratio**	**PAR**	**POR**
Rooms Revenue	4,808	91.8%	48,080	207.06	5,646	92.3%	56,457	227.49	6,416	92.7%	64,162	248.96
Food & Beverage Revenue	348	6.7%	3,483	15.00	383	6.3%	3,834	15.45	410	5.9%	4,101	15.91
Other Operated Departments Revenue	58	1.1%	581	2.50	64	1.0%	639	2.57	68	1.0%	684	2.65
Miscellaneous Income[1]	23	0.4%	232	1.00	26	0.4%	256	1.03	27	0.4%	273	1.06
Total Operating Revenue	5,238	100.0%	52,376	225.56	6,119	100.0%	61,186	246.54	6,922	100.0%	69,220	268.58
DEPARTMENTAL EXPENSES												
Rooms Expenses	1,045	21.7%	10,449	45.00	1,150	20.4%	11,503	46.35	1,230	19.2%	12,304	47.74
Food & Beverage Expenses	313	90.0%	3,135	13.50	341	89.0%	3,413	13.75	361	88.0%	3,609	14.00
Other Operated Departments Expenses	46	80.0%	464	2.00	51	80.0%	511	2.06	55	80.0%	547	2.12
Total Departmental Expenses	1,405	26.8%	14,048	60.50	1,543	25.2%	15,427	62.16	1,646	23.8%	16,460	63.87
Total Departmental Income	3,833	73.2%	38,327	165.06	4,576	74.8%	45,759	184.38	5,276	76.2%	52,760	204.72
UNDISTRIBUTED EXPENSES												
Administrative & General	531	10.1%	5,309	22.87	565	9.2%	5,650	22.76	597	8.6%	5,974	23.18
Sales & Marketing	450	8.6%	4,500	19.38	464	7.6%	4,635	18.68	477	6.9%	4,774	18.52
Franchise Fee	240	4.6%	2,404	10.35	282	4.6%	2,823	11.37	321	4.6%	3,208	12.45
Property Operations and Maintenance (POM)	200	3.8%	2,000	8.61	206	3.4%	2,060	8.30	212	3.1%	2,122	8.23
Utilities	180	3.4%	1,800	7.75	185	3.0%	1,854	7.47	191	2.8%	1,910	7.41
Total Undistributed Expenses	1,601	30.6%	16,013	68.96	1,702	27.8%	17,022	68.59	1,799	26.0%	17,988	69.80
Gross Operating Profit	2,231	42.6%	22,314	96.10	2,874	47.0%	28,738	115.80	3,477	50.2%	34,772	134.92
Management Fee	157	3.0%	1,571	6.77	184	3.0%	1,836	7.40	208	3.0%	2,077	8.06
Income Before Non-Operating Income & Expenses	2,074	39.6%	20,743	89.33	2,690	44.0%	26,902	108.40	3,270	47.2%	32,696	126.87
NON-OPERATING INCOME & EXPENSES												
Property Taxes	295	5.6%	2,951	12.71	301	4.9%	3,010	12.13	307	4.4%	3,070	11.91
Insurance	80	1.5%	800	3.45	82	1.3%	824	3.32	85	1.2%	849	3.29
Total Non-Operating Income & Expenses[2]	375	7.2%	3,751	16.15	383	6.3%	3,834	15.45	392	5.7%	3,919	15.20
EBITDA[3]	1,699	32.4%	16,992	73.18	2,307	37.7%	23,069	92.95	2,878	41.6%	28,777	111.66
Replacement Reserve (FF&E)	105	2.0%	1,048	4.51	184	3.0%	1,836	7.40	277	4.0%	2,769	10.74
EBITDA Less Replacement Reserve[4]	1,594	30.4%	15,945	68.67	2,123	34.7%	21,233	85.56	2,601	37.6%	26,009	100.92

All Values In (USD'000)	**2023**				**2024**			
Period Ending	December 31				December 31			
Days Open in Period	365				366			
Available Hotel Rooms	100				100			
Available Room Nights	36,500				36,600			
Occupied Room Nights	25,772				25,841			
Occupancy	70.6%				70.6%			
Average Daily Rate	256.43				264.12			
RevPAR	181.06				186.48			
OPERATING REVENUE	**Amount**	**Ratio**	**PAR**	**POR**	**Amount**	**Ratio**	**PAR**	**POR**
Rooms Revenue	6,609	92.7%	66,086	256.43	6,825	92.7%	68,252	264.12
Food & Beverage Revenue	422	5.9%	4,224	16.39	436	5.9%	4,363	16.88
Other Operated Departments Revenue	70	1.0%	704	2.73	73	1.0%	727	2.81
Miscellaneous Income[1]	28	0.4%	282	1.09	29	0.4%	291	1.13
Total Operating Revenue	7,130	100.0%	71,296	276.64	7,363	100.0%	73,633	284.94
DEPARTMENTAL EXPENSES								
Rooms Expenses	1,267	19.2%	12,673	49.17	1,309	19.2%	13,088	50.65
Food & Beverage Expenses	372	88.0%	3,717	14.42	384	88.0%	3,839	14.86
Other Operated Departments Expenses	56	80.0%	563	2.19	58	80.0%	582	2.25
Total Departmental Expenses	1,695	23.8%	16,953	65.78	1,751	23.8%	17,509	67.76
Total Departmental Income	5,434	76.2%	54,343	210.86	5,612	76.2%	56,124	217.19
UNDISTRIBUTED EXPENSES								
Administrative & General	615	8.6%	6,153	23.88	634	8.6%	6,343	24.55
Sales & Marketing	492	6.9%	4,917	19.08	506	6.9%	5,065	19.60
Franchise Fee	330	4.6%	3,304	12.82	341	4.6%	3,413	13.21
Property Operations and Maintenance (POM)	219	3.1%	2,185	8.48	225	3.1%	2,251	8.71
Utilities	197	2.8%	1,967	7.63	203	2.8%	2,026	7.84
Total Undistributed Expenses	1,853	26.0%	18,527	71.89	1,910	25.9%	19,097	73.90
Gross Operating Profit	3,582	50.2%	35,816	138.97	3,703	50.3%	37,027	143.28
Management Fee	214	3.0%	2,139	8.30	221	3.0%	2,209	8.55
Income Before Non-Operating Income & Expenses	3,368	47.2%	33,677	130.67	3,482	47.3%	34,818	134.74
NON-OPERATING INCOME & EXPENSES								
Property Taxes	313	4.4%	3,131	12.15	319	4.3%	3,194	12.36
Insurance	87	1.2%	874	3.39	90	1.2%	900	3.48
Total Non-Operating Income & Expenses[2]	401	5.6%	4,005	15.54	409	5.6%	4,094	15.84
EBITDA[3]	2,967	41.6%	29,671	115.13	3,072	41.7%	30,724	118.89
Replacement Reserve (FF&E)	285	4.0%	2,852	11.07	295	4.0%	2,945	11.40
EBITDA Less Replacement Reserve[4]	2,682	37.6%	26,820	104.06	2,778	37.7%	27,778	107.49

[1] USALI 11th Edition refers to "Rentals & Other Income" as "Miscellaneous Income" [2] USALI 11th Edition refers to "Fixed Charges" as "Non-Operating Income & Expenses" [3] USALI 11th Edition refers to "NOI" as "EBITDA" [4] USALI 11th Edition refers to "Adj. NOI" as "EBITDA Less Replacement Reserve"