

APPRAISAL REPORT



NEON COWBOY ROADHOUSE + HOT SPRINGS

18088 North Highway 395
Lakeview, Oregon 97630

Submitted to:

Sam Watson
BOG Management
108088 North Highway 395
Lakeview, Oregon 97603



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August 7, 2025

Sam Watson
BOG Management
108088 North Highway 395
Lakeview, Oregon 97603
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Re: Neon Cowboy Roadhouse + Hot Springs, Lakeview, Oregon; Job Reference #: 2025US0457

Dear Mr. Watson:

Thank you for the opportunity to complete this appraisal of the Neon Cowboy Roadhouse + Hot Springs for your company. Our attached appraisal report reflects all pertinent requirements of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA). The appraisal also incorporates all requirements of the Uniform Standards of Professional Appraisal Practice (USPAP), as provided by the Appraisal Foundation.

Our opinion of the "as is" going-concern market value for the fee simple interest in the subject property, as of July 24, 2025, is

TWO MILLION NINE HUNDRED THOUSAND DOLLARS

\$2,900,000 (\$116,000 per room)

The "as is" going-concern market value represents an allocation of \$230,000 in personal property, \$2,670,000 in real property, and \$0 in intangible property.

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

Our value estimate is subject to the data and explanation contained within this report, as well as the stipulated assumptions and limiting conditions. A complete certification of value is also contained within our report. This report may not be distributed or relied upon by other persons or entities without our written permission. We look forward to the opportunity to work with you again in the near future.

Sincerely, U.S. Hotel Appraisals

A handwritten signature in black ink, appearing to read "Kasia Russell", with a stylized, cursive script.

Kasia M. Russell, MAI, Executive Vice President, Development
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Addenda

Glossary of Terms
Qualifications with Appraisal License(s)
Copy of Engagement Letter
Copy of Legal Description

1. INTRODUCTION

The subject of this appraisal report is the Neon Cowboy Roadhouse + Hot Springs located at 18088 North Highway 395, Lakeview, Oregon 97630. Primary aspects of the property appraised are summarized as follows:

- Property Type: Select-service hotel
- Interest Appraised: Fee simple
- Site Size: 1,089,000 square feet (25.00 acres)
- Parcel Number: 39S20E04-B0-00300
- Zoning: C-1 - Commercial
- Flood zone: X

Primary aspects of the improvements appraised are summarized in the following table.

Building Characteristics

Year Opened:	1942	Dining Facilities:	The Neon Cowboy
Years Old:	82		
Effective Age of Building:	40	Meeting Space (SF):	1,100
Number of Buildings:	3		
Number of Stories:	1	Amenities:	Lobby Workstation
Building Square Feet:	17,787		Market Pantry
Building Square Feet/Room:	712		Laundry/Valet Service
Parking Spaces:	50		Hot Springs

Guestroom Type Breakdown:

King Deluxe	
King Standard	
Double Queen Deluxe	
Total:	25

Important dates and inspection information are presented as follows:

- Date of Inspection: No Inspection Per Scope of Work
Management Interviewed By Phone July 24, 2025

U.S. HOTEL APPRAISALS
NEON COWBOY ROADHOUSE + HOT SPRINGS - LAKEVIEW, OREGON

- Interviewed by: Kasia M. Russell, MAI, & George Stathakes
- Date of "As Is" Market Value: July 24, 2025

Based on the analysis and factors presented in the Cost Approach chapter of this report, our opinion of personal property value is as follows:

- Personal Property: \$230,000 (\$9,200 per room; effective age in years: 2)

The key parameters and results considered in the development of our value opinion via the income capitalization approach are summarized as follows:

- Capital Deduction: \$0 (\$0 per room)
- Value Indicated by Discounted Cash Flow: \$2,900,000
 - a. Discount Rate: 13.00%
 - b. Terminal Capitalization Rate: 12.00%
- Value Indicated by Direct Capitalization: \$2,900,000
 - a. Direct Capitalization Rate: 11.00%
- Value Indicated by Rooms Revenue Multiplier: \$2,800,000
 - a. Rooms Revenue Multiplier: 4.00

Based on these parameters and the analysis and factors presented in our report, our opinions of value via the three approaches to value are summarized as follows:

- Income Capitalization: \$2,900,000
- Sales Comparison: \$2,800,000
- Cost: Not Applicable

Our opinion of "as is" going-concern market value for the fee simple interest in the subject property, as of July 24, 2025, is summarized as follows:

- "As is" going-concern Market Value: \$2,900,000
- Value Per Room: \$116,000

The "as is" going-concern market value represents an allocation of \$230,000 in personal property, \$2,670,000 in real property, and \$0 in intangible property.

Summary of Forecasts: Occupancy, Average Rate, Income & Expense

Occupancy Projection

Year	Market-wide Hotel Occupancy	Subject Occupied Room Nights	Subject Available Room Nights	Subject Property Occupancy	Penetration
2024	51.1 %	1,770	9,125	19.4 %	38.0 %

Calendar-Year Forecast

2025	52.1 %	3,469	9,125	38.0 %	73.0 %
2026	52.9	4,486	9,125	49.2	93.0
2027	52.9	4,486	9,125	49.2	93.0
2028	52.9	4,775	9,125	52.3	99.0
2029	52.9	4,775	9,125	52.3	99.0

Average Rate Projection

Year	Market-wide Hotel Average Rate	Change	Subject Occupied Room Nights	Subject Rooms Revenue	Subject Property Average Rate	Change	Penetration
2024	\$151.53		1,770	\$263,000	\$148.32		97.9 %

Calendar-Year Forecast

2025	\$154.56	2.0 % *	3,469	\$525,462	\$151.47	2.1 % *	98.0 %
2026	157.65	2.0	4,486	693,055	154.50	2.0	98.0
2027	160.81	2.0	4,486	706,916	157.59	2.0	98.0
2028	165.63	3.0	4,775	775,099	162.32	3.0	98.0
2029	170.60	3.0	4,775	798,352	167.19	3.0	98.0

* Percent change compared to prior calendar year.

Historical Statement and Detailed Forecast of Income and Expense

	2025/26				2026/27				Stabilized				2028/29				2029/30			
Number of Rooms:	25				25				25				25				25			
Occupancy (Paid Rooms):	44%				49%				51%				51%				51%			
Average Rate:	\$153.23				\$156.30				\$160.34				\$165.15				\$170.10			
RevPAR:	\$67.42				\$76.59				\$81.77				\$84.23				\$86.75			
Days Open:	365				365				365				365				365			
Occupied Rooms (Paid):	4,015	%Gross	PAR	POR	4,471	%Gross	PAR	POR	4,654	%Gross	PAR	POR	4,654	%Gross	PAR	POR	4,654	%Gross	PAR	POR
OPERATING REVENUE																				
Rooms	\$615	58.1 %	\$24,609	\$153.23	\$699	58.2 %	\$27,954	\$156.30	\$746	58.2 %	\$29,847	\$160.34	\$769	58.2 %	\$30,742	\$165.15	\$792	58.2 %	\$31,664	\$170.10
Food & Beverage	434	41.0	17,375	108.19	492	41.0	19,669	109.97	525	41.0	20,989	112.76	540	41.0	21,619	116.14	557	41.0	22,268	119.62
Other Operated Departments	6	0.6	256	1.60	7	0.6	279	1.56	7	0.6	293	1.57	8	0.6	302	1.62	8	0.6	311	1.67
Miscellaneous Income	3	0.2	102	0.64	3	0.2	111	0.62	3	0.2	117	0.63	3	0.2	121	0.65	3	0.2	124	0.67
Total Operating Revenues	1,059	100.0	42,343	263.65	1,200	100.0	48,013	268.45	1,281	100.0	51,247	275.30	1,320	100.0	52,784	283.56	1,359	100.0	54,367	292.06
DEPARTMENTAL EXPENSES *																				
Rooms	166	27.0	6,638	41.33	183	26.1	7,305	40.84	193	25.9	7,716	41.45	199	25.9	7,948	42.70	205	25.9	8,186	43.98
Food & Beverage	382	87.9	15,265	95.05	417	84.8	16,680	93.26	439	83.7	17,575	94.41	453	83.7	18,102	97.25	466	83.7	18,646	100.16
Other Operated Departments	3	40.4	103	0.64	3	39.0	109	0.61	3	38.5	113	0.61	3	38.5	116	0.62	3	38.5	120	0.64
Total	550	52.0	22,006	137.03	602	50.2	24,094	134.71	635	49.6	25,404	136.47	654	49.6	26,166	140.57	674	49.6	26,951	144.78
DEPARTMENTAL INCOME	508	48.0	20,336	126.63	598	49.8	23,919	133.74	646	50.4	25,842	138.82	665	50.4	26,618	142.99	685	50.4	27,416	147.28
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	98	9.3	3,939	24.53	106	8.8	4,226	23.63	111	8.6	4,421	23.75	114	8.6	4,554	24.46	117	8.6	4,691	25.20
Info. and Telecom. Systems	17	1.6	668	4.16	18	1.5	716	4.00	19	1.5	749	4.03	19	1.5	772	4.15	20	1.5	795	4.27
Marketing	33	3.2	1,335	8.31	36	3.0	1,433	8.01	37	2.9	1,499	8.05	39	2.9	1,544	8.29	40	2.9	1,590	8.54
Prop. Operations & Maintenance	30	2.8	1,202	7.48	32	2.7	1,289	7.21	34	2.6	1,349	7.25	35	2.6	1,389	7.46	36	2.6	1,431	7.69
Utilities	25	2.4	1,002	6.24	27	2.2	1,074	6.01	28	2.2	1,124	6.04	29	2.2	1,158	6.22	30	2.2	1,193	6.41
Total	204	19.3	8,146	50.72	218	18.2	8,738	48.86	229	17.8	9,142	49.11	235	17.8	9,417	50.59	242	17.8	9,699	52.10
GROSS OPERATING PROFIT	305	28.7	12,191	75.91	380	31.6	15,181	84.88	417	32.6	16,700	89.71	430	32.6	17,201	92.40	443	32.6	17,717	95.17
Management Fee	0	0.0	0	0.00	0	0.0	0	0.00	0	0.0	0	0.00	0	0.0	0	0.00	0	0.0	0	0.00
INCOME BEFORE NON-OPER. INC. & EXP.	305	28.7	12,191	75.91	380	31.6	15,181	84.88	417	32.6	16,700	89.71	430	32.6	17,201	92.40	443	32.6	17,717	95.17
NON-OPERATING INCOME AND EXPENSE																				
Property Taxes	6	0.6	250	1.56	6	0.5	257	1.44	7	0.5	265	1.42	7	0.5	273	1.47	7	0.5	281	1.51
Insurance	13	1.2	524	3.26	13	1.1	540	3.02	14	1.1	556	2.99	14	1.1	573	3.08	15	1.1	590	3.17
Total	19	1.8	774	4.82	20	1.6	797	4.46	21	1.6	821	4.41	21	1.6	846	4.54	22	1.6	871	4.68
EBITDA	285	26.9	11,417	71.09	360	30.0	14,384	80.42	397	31.0	15,879	85.30	409	31.0	16,355	87.86	421	31.0	16,846	90.50
Reserve for Replacement	42	4.0	1,694	10.55	48	4.0	1,921	10.74	51	4.0	2,050	11.01	53	4.0	2,111	11.34	54	4.0	2,175	11.68
EBITDA LESS RESERVE	\$243	22.9 %	\$9,723	\$60.54	\$312	26.0 %	\$12,463	\$69.69	\$346	27.0 %	\$13,829	\$74.29	\$356	27.0 %	\$14,244	\$76.52	\$367	27.0 %	\$14,671	\$78.81

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

NOI adjusted to reflect a

0.0% mgmt fee and a 4.0% reserve

Summary of Valuation: DCF, Direct Capitalization, RRM, and Sales (As Is)

Discounted Cash Flow

Year	EBITDA Less Reserves	Discount Factor @ 13.00%	Discounted Cash Flow
2025/26	\$243,000	0.88496	\$215,000
2026/27	312,000	0.78315	244,000
2027/28	346,000	0.69305	240,000
2028/29	356,000	0.61332	218,000
2029/30	367,000	0.54276	199,000
2030/31	378,000	0.48032	182,000
2031/32	389,000	0.42506	165,000
2032/33	401,000	0.37616	151,000
2033/34	413,000	0.33288	137,000
2034/35	3,929,000 *	0.29459	1,157,000
Estimated Market Value, Prior to Deduct Capital Deduction (If Applicable)			\$2,909,000 0
Estimated Market Value, After Deduct			\$2,909,000
Rounded To			\$2,900,000
Per Room			\$116,000

Reversion Analysis

11th Year's EBITDA Less Reserves **	\$438,000
Capitalization Rate	12.00%
Total Sales Proceeds	\$3,650,000
Less: Transaction Costs @ 4.0%	146,000
Net Sales Proceeds	\$3,504,000

* 10th year net income of \$425,201 plus sales proceeds of \$3,504,000

** 11th year's EBITDA less reserves equals 10th year's net income x 3.0% inflation.

Direct Capitalization

2026/27 Deflated Stabilized EBITDA	\$346,000
÷ Deflation Factor	1.08
<hr/>	
2027/28 Deflated Stabilized EBITDA	\$320,000
÷ Capitalization Rate	11.00 %
<hr/>	
Estimated Value, Prior to Deduct Capital Deduction (If Applicable)	2,909,091 0
<hr/>	
Estimated Value, After Deduct	\$2,909,091
(Rounded)	\$2,900,000
Per Room	\$116,000

Rooms Revenue Multiplier

2027/28 Deflated Stabilized Rooms Revenue (Rounded)	\$691,000
x Multiplier	4.00
<hr/>	
Estimated Value, Prior to Deduct Capital Deduction (If Applicable)	2,764,000 0
<hr/>	
Estimated Value, After Deduct	\$2,764,000
(Rounded)	\$2,800,000
Per Room	\$112,000

Sales Adjustment Grid

	<u>Sale #1</u>	<u>Sale #2</u>	<u>Sale #3</u>	<u>Sale #4</u>
<u>Elements of Comparison</u>	<u>Belfair Motel, Belfair, WA</u>	<u>Adventure Inn Durango, Durango, CO</u>	<u>Econo Lodge Panguitch, Panguitch, UT</u>	<u>Buck Springs Resort, Pinetop, AZ</u>
Sale Price	\$2,699,985	\$2,450,000	\$2,730,000	\$4,050,000
Number of Rooms	28	25	40	24
Price per Room	\$96,428	\$98,000	\$68,250	\$168,750
Year Open	1988	1957	1963	1993
Date of Sale	March-25	August-24	May-24	January-23
Adjustments for Transaction Characteristics (Per Room)				
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment	0.0 %	0.0 %	0.0 %	0.0 %
Adjusted Sales Price	96,428	98,000	68,250	168,750
Financing Terms	Cash Equivalent	Cash Equivalent	Cash Equivalent	Cash Equivalent
Adjustment	0.0 %	0.0 %	0.0 %	0.0 %
Adjusted Sales Price	96,428	98,000	68,250	168,750
Conditions of Sale	Normal	Normal	Normal	Normal
Adjustment	0.0 %	0.0 %	0.0 %	0.0 %
Adjusted Sales Price	96,428	98,000	68,250	168,750
Market Conditions	Similar	Similar	Similar	Inferior
Adjustment	0.0 %	0.0 %	0.0 %	5.0 %
Adjusted Sales Price	96,428	98,000	68,250	177,188
Adjustments for Property Characteristics				
Location/Market	Similar	Superior	Similar	Superior
Direction of Adjustment	=	--	=	--
Physical Condition/Facilities	Inferior	Similar	Inferior	Similar
Direction of Adjustment	+	=	+	=
Other Revenue Sources	Inferior	Inferior	Inferior	Inferior
Direction of Adjustment	+	+	+	+
Final Adjusted Unit Price	\$106,000	\$93,000	\$78,000	\$168,000

Opinion of Value – Sales Comparison Approach

Unadjusted Price per Room Range:	\$68,250	to	\$168,750
Adjusted Price per Room Range:	78,000	to	168,000
Indicated Value Range:	\$2,000,000		\$4,200,000
Concluded Value per Room:			\$110,000
Concluded Sales Comparison Approach Value:			\$2,800,000

Assignment Conditions

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

Ownership, Management, and Franchise Assumptions

The subject property is currently owned by Emily E. Noack and Michael A. Watson, who are based in Portland, Oregon. The subject property was last sold in 2018; Emily E. Noack and Michael A. Watson have owned the property since that time, having purchased it from James Gullickson for a reported price of \$725,000. Based on discussions with the owner, the purchase appears to have been an arm's-length transaction and was not affected by any concessions. No other transfers of the property have reportedly occurred since 2010. The hotel is neither listed nor under contract for sale, and we have no knowledge of any recent listings.

The subject hotel is managed by BOG Management, an affiliate of the ownership entity. Details pertaining to management terms were not available for our review. As a 25-room budget motel, the subject property is of a small enough size and low enough price point to necessitate owner operation; the revenue level of the hotel would neither attract nor support the installation of a professional management company. Therefore, we have not forecast a management fee in our appraisal, as a typical buyer would manage this hotel independent of a management company.

The hotel is not currently franchised with a national brand and is expected to continue to operate without a brand affiliation throughout the forecast period; therefore, it will not be subject to franchise fees.

Exposure Period

Exposure period is defined as 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. The exposure period reflects a retrospective opinion based on an analysis of past events and assumes a competitive and open market. Our interviews with brokers revealed that it typically takes six to nine months from the listing of a property to the closing of the sale. Brokers specializing in hotel transactions actively solicit potential buyers on an ongoing basis and maintain databases on hotel investor criteria, increasing the efficiency of the marketing and sales process for hotels. Within approximately 90 to 120 days, brokers are able to electronically produce marketing materials, elicit interest, schedule property tours, accept offers, and select a buyer. The due diligence and closing period are typically 90 days following the execution of a purchase and sale agreement; the willingness of buyers and sellers and the availability of quality assets that solicit numerous bids contribute to the timely closing of transactions.

According to the HVS Brokers Survey - Spring 2025, reported exposure periods averaged 6.0 and 5.5 months for select-service and limited-service hotel assets, respectively. Our opinion is that the exposure period for the subject property, prior to our date of value, is estimated to be four to nine months.

Marketing Time

Marketing time refers to the amount of time necessary to market the hotel subsequent to our date of value for it to sell for the appraised value; thus, it is a prospective opinion. An opinion of marketing time is not a condition of, or directly related to, market value. However, many clients specifically request, or have an interest in, prospective marketing time.

According to the HVS Brokers Survey - Spring 2025, reported marketing periods averaged 5.2 and 4.8 months for select-service and limited-service properties, respectively. Marketing time for economy/limited-service hotels averaged 5.5 months, according to the PWC Real Estate Investor Survey - Second Quarter 2025. USRC reported an average marketing time of 5.4 months for limited-service hotels in its Mid-Year 2025 Hotel Investor Survey. Overall marketing time is averaging 8.3 months for hotels, as reported by the RERC Real Estate Report for the second quarter of 2025. Our opinion is that the marketing time for the subject property, subsequent to our date of value, is four to eight months.

Intended Use of the Appraisal

This appraisal report is being prepared for use in the refinancing of the subject property.

Most Probable Buyer

The subject property is an older, exterior-corridor, limited-service hotel that offers an appropriate complement of amenities and facilities for this class of asset. The hotel has been completely renovated since it was purchased by current ownership and has been repositioned as a boutique roadside motel, targeted towards group events and nature-focused leisure travelers attracted to the property's unique natural hot springs. It is our opinion that the most probable buyer of the subject property would be a regional or local entrepreneurial buyer or group. This type of buyer would seek to implement its own management team, or a third-party professional hotel operator, and to maintain the hotel's independent status.

Identification of the Client and Intended User(s) of the Appraisal

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

Definition of Market Value

The objective of the appraisal is to develop an opinion of the subject property's "as is" market value. The following definition has been agreed upon by the agencies that regulate federal financial institutions in the United States: "The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: buyer and seller are typically motivated; both parties are well informed or well advised, and acting in what they consider their own best interests; a reasonable time is allowed for exposure in the open market; payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."¹ According to *The Dictionary of Real Estate Appraisal* (Fifth Edition), published by the Appraisal Institute, the definition of going-concern value is as follows: (1) The market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the "market value of the going concern." (2) The value of an operating business enterprise. Goodwill may be separately measured but is an integral component of the going-concern value when it exists and is recognizable.

Intangible Component of Going-Concern Market Value

For hotel assets, intangible value is generally associated with two aspects of the operating business: goodwill and coordination of a business enterprise. Goodwill is an intangible asset category that may be composed of elements such as a hotel's reputation, customer patronage, and similar factors. Goodwill is often explained as the larger-than-normal return on tangible assets. Our market research and review of the subject hotel's operation did not reveal any outsized returns to the hotel based upon the above-mentioned factors; therefore, we have concluded that there is no goodwill aspect of the going-concern market value.

A second element of intangible value for hotels is associated with the coordination and operation of the business. This may result from factors such as having an assembled and trained workforce, as well as the necessary licenses, systems, and procedures in place for the operation of a hotel business. In the case of hotels with affiliated ownership and management entities, an owner may be accruing excess returns from the operation of the business over and above the returns attributed to the real estate. However, in the vast majority of hotel sales, new ownership has the ability to install its own manager or sign a new agreement with a third-party management company. As such, any excess returns attributed to the coordination of the existing business would not be transferred to a new owner and would not contribute to the going-concern market value of the asset.

¹ Code of Federal Regulations Title 12, Ch. 1, Part 34 Subpart C 34.42.

The functions of business coordination may vary based upon the size and scope of a hotel asset. In the case of small-scale hotels with limited facilities and amenities, business coordination functions are minimal or non-existent. Business coordination efforts are generally the responsibility of a third-party manager or a managing partner of an ownership group. These entities are compensated for their business coordination roles through the payment of a management fee or officer's salary. In the case of smaller-scale assets, an onsite general manager carries out any minimal business coordination efforts. Our forecast of income and expense reflects the payment of an appropriate management fee, or in the case of properties with a more limited scope, an adequate general manager's salary. This expense reflects the cost of business coordination to the owner of the real estate, effectively removing any intangible contribution toward market value.

Property Rights Appraised

The property rights appraised are the fee simple ownership of the real and personal property. The fee simple estate is defined as "absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."² The subject property is appraised as an open and operating facility.

Competency

Our qualifications are included as an addendum to this report. These qualifications reflect that we have the competence required to complete this engagement, in accordance with USPAP's competency provision. Our knowledge and experience are appropriate for the complexity of this assignment.

Scope of Work Performed

All information was collected and analyzed by the staff of TS Worldwide LLC. Property-specific information was supplied by the hotel's general manager (GM). The subject site has been evaluated from the viewpoint of its physical utility for the operation of a hotel, as well as access, visibility, and other relevant location-related factors. We completed an interview with the GM of the hotel.

The surrounding neighborhood and economic environment have been reviewed to identify economic and demographic trends that may have an impact on future demand for hotels. For this assignment, we have interviewed representatives of the local building office, planning office, and assessor's office. The market for hotel accommodations has been investigated, including factors such as purpose of visit, average length of stay, facilities and amenities, seasonality, daily demand fluctuations, and price sensitivity. An analysis of existing and proposed competition provides an indication of the current accommodated demand, along with market penetration and the degree of competitiveness. We have evaluated the competitive lodging facilities on a desktop basis and have completed phone interviews at select competitor hotels.

Our occupancy and ADR projections were derived utilizing a penetration method based on an analysis of lodging activity. A detailed projection of income and expense made in accordance with the USALI sets forth the anticipated economic benefits of the subject property. The appraisal considers the three approaches to value: income capitalization, sales comparison, and cost. After consideration of all approaches, we applied the income capitalization and sales comparison approaches for our analysis. We have investigated numerous improved sales in the market and analyzed the sales summarized in this report; the properties represented in the sales comparison approach were not inspected. The value conclusion of the appraisal is based on this investigation and analysis and is conveyed in this report.

² Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 7th ed. (Chicago: Appraisal Institute, 2022).

2. THE REAL ESTATE

The suitability of the land for the operation of a lodging facility is an important consideration affecting the economic viability of a property and its overall value. Factors such as size, topography, access, visibility, and the availability of utilities have a direct impact on the desirability of a particular site.

Important site attributes include the following:

- The site size measures 1,089,000 square feet, or 25.00 acres.
- The total site measures approximately 23 acres, consisting of six parcels. Four of the six parcels are contiguous, while two parcels are located east of the greater site and house two water wells. The topography of the site is generally flat, and the shape permits efficient use of the site for the building and other improvements. It is important to note that ingress and egress are only accessible via a driveway along U.S. Highway 395 that is reportedly owned by Lake County. According to ownership, the county has reportedly vacated the site, allowing ownership to manage ingress and egress to the property. Moreover, the site features a number of natural water features, including a hot springs and the only geyser in the state of Oregon. The subject property and associated facilities are located on a parcel that measures approximately three acres. The remainder of the site is undeveloped; however, a portion of the undeveloped land includes the aforementioned water features. It is unlikely that land would be sold, entitled, and developed for alternate use given that it contributes to a retreat-like setting. Additionally, given the vast availability of land, it is unlikely portions of this site would be sold individually. Thus, the site is only partially developed with site or building improvements; however, the remaining portion is surplus land.
- The site is subject to an access easement, as ingress and egress are only accessible via a driveway along U.S. Highway 395 that is reportedly owned by Lake County. According to ownership, the county has reportedly vacated the site, allowing ownership to manage ingress and egress to the property. Therefore, this easement does not significantly affect the site's utility or marketability.
- According to property ownership, the subject site is served by all necessary utilities.
- The site has the zoning designation of C-1 - Commercial. This zoning designation allows for most commercial uses, including hotels. We assume that all necessary permits and approvals have been secured and that the subject property was constructed in accordance with local zoning ordinances, building codes, and all other applicable regulations. Our zoning analysis should be verified before any physical changes are made to the hotel.

Direction	Adjacent Use
North	Vacant Land
South	Wild Goose Meadows RV
East	Residential
West	Vacant Land

Aerial View of Site



Hazardous Waste

We were not informed of any site-specific nuisances or hazards, and there were no visible signs of toxic ground contaminants at the time of our inspection. Because we are not experts in this field, we do not warrant the absence of hazardous waste and urge the reader to obtain an independent analysis of these factors.

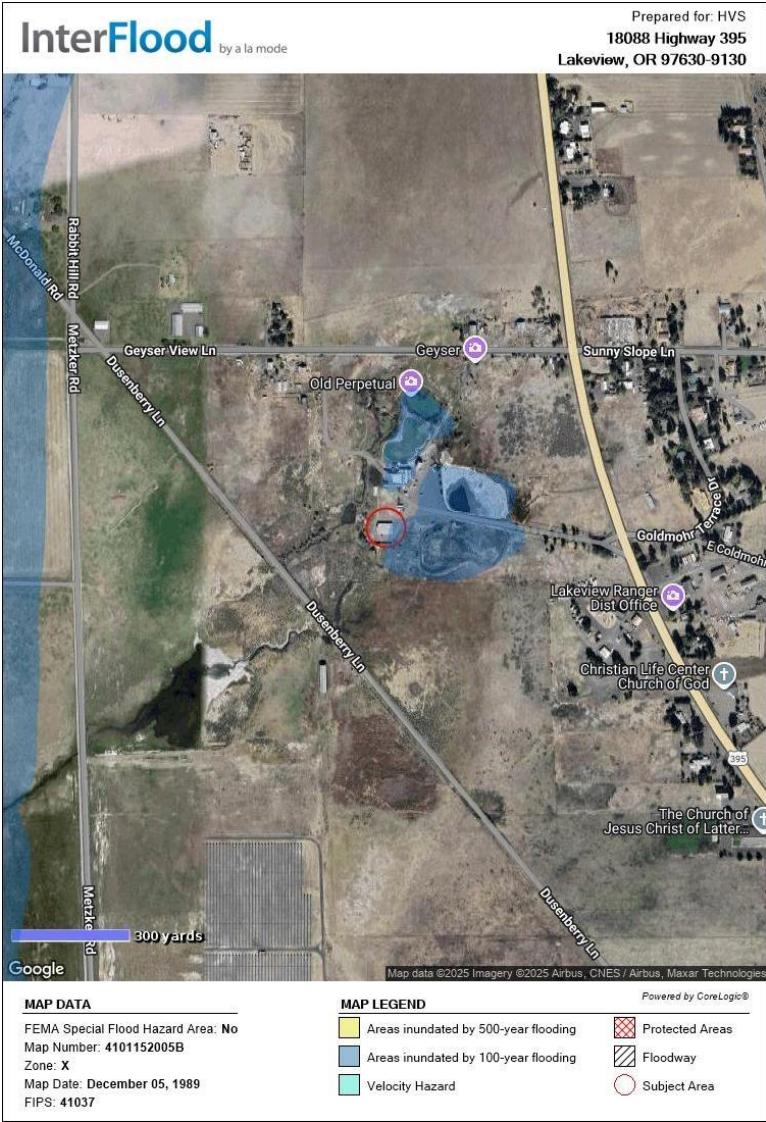
Soil Conditions

Geological and soil reports were not provided to us or made available for our review during the preparation of this report. We are not qualified to evaluate soil conditions other than by a visual inspection of the surface; no extraordinary conditions were apparent. The property is located within an identified seismic zone. This condition is consistent with the surrounding real estate and does not affect the subject site's utility or marketability.

Flood Map

The site is located in Flood Zone X. A copy of the flood map is illustrated below.

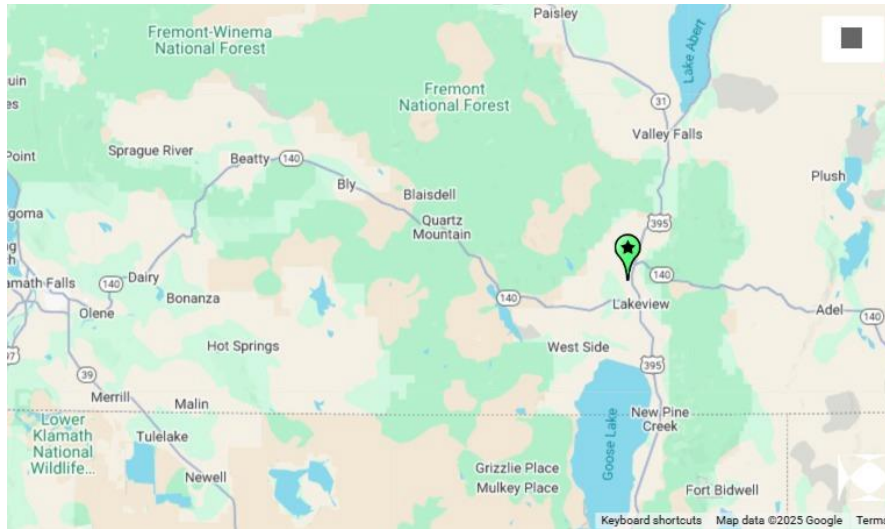
FEMA Map



Accessibility and Visibility of the Site

It is important to analyze the site with respect to regional and local transportation routes and demand generators, including ease of access. The subject site is readily accessible from a variety of local and regional highways.

Map of Primary Access Routes



Our summary of pertinent accessibility and visibility attributes and ratings is presented in the following table.

Summary of Access and Visibility Attributes

Major Local Highways:	U.S. Route 395, State Route 140
Primary Airport:	Rogue Valley International-Medford Airport
Distance to Airport (Miles):	98

Regional Access Rating:	Good
Local Accessibility Rating:	Very Good
Building Visibility Rating:	Very Good
Hotel Signage Rating:	Very Good

Accessibility & Visibility Issues or Highlights:

The subject property sits along U.S. Route 395, just north of the State Route 140 interchange. Marketing efforts and signage at the main thoroughfare help draw demand to the hotel.

Neighborhood Analysis

The neighborhood surrounding a lodging facility often has an impact on a hotel's status, image, class, style of operation, and ability to attract and properly serve a particular market segment. Our analysis of the subject property's neighborhood is described as follows.

Neighborhood Summary

Neighborhood Boundaries:

North:	Sunny Slope Lane
South:	South 12th Street
East:	North D Street
West:	County Highway 2 - 18

Neighborhood Composition:

Residential	45%	Other	10%
Retail/Restaurant	10%	Undeveloped	25%
Office/Industrial	10%	Total	100%

Life-Cycle Stage:	Stable
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Proximate Restaurants:

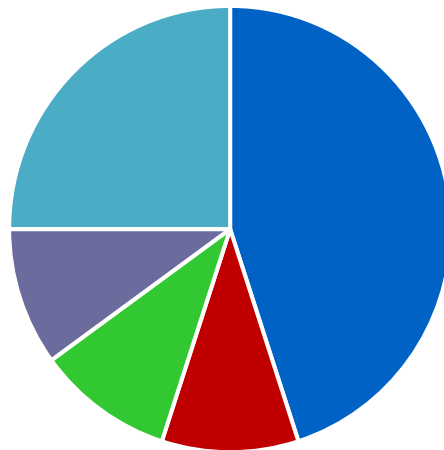
- 1 Neon Cowboy Steakhouse
- 2 Tall Town Café & Bakery
- 3 High Desert Coffee Company
- 4 P's Que

Proximate Businesses:

- 1 Wild Goose Meadows RV
- 2 US Ranger Station
- 3 Sinclair Gas Station
- 4 Imerys Perlite USA Inc.

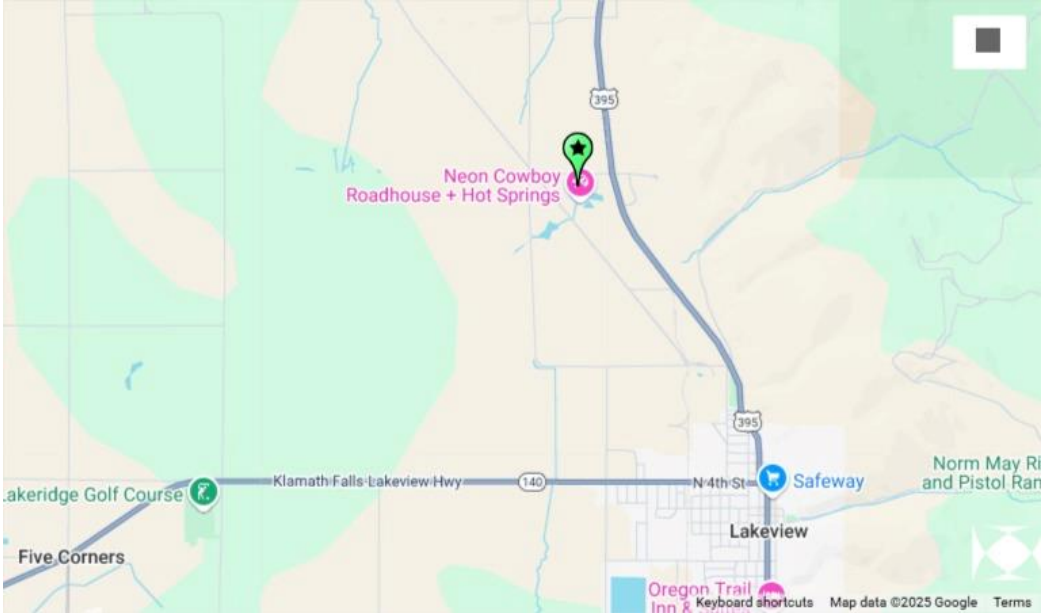
Neighborhood Changes, Issues, or Highlights:

The subject property's neighborhood essentially represents the small city of Lakeview, which offers a variety of services and is home to several employers. The city is economically stable, with a steady number of residents and businesses that rely on the city's mining, lumber mill, and forestry industries.



- Residential
- Retail/Restaurant
- Office/Industrial
- Other
- Undeveloped

Neighborhood Map



Improvements

Starting in 2018, the hotel and restaurant underwent a comprehensive renovation that was completed in December 2024. All interiors and exteriors of all three buildings were included in the renovations, as well as outdoor areas. The hotel is currently in very good condition and offers superior facilities to other hotel properties in the Lakeview market.

The subject property's structure and components are outlined in the following charts. Each component's condition is ranked as poor, fair, good, very good, or excellent. Excellent is typically reserved for hotel properties that have recently opened, while poor or fair would indicate needs for immediate or near-term repair. The standard rating would be good, while very good is used for components that have been recently updated or refurbished. Overall, the hotel's facilities and amenities are typical for a property of this type.

Building Characteristics

Year Opened:	1942	Dining Facilities:	The Neon Cowboy
Years Old:	82		
Effective Age of Building:	40	Meeting Space (SF):	1,100
Number of Buildings:	3		
Number of Stories:	1	Amenities:	Lobby Workstation
Building Square Feet:	17,787		Market Pantry
Building Square Feet/Room:	712		Laundry/Valet Service
Parking Spaces:	50		Hot Springs

Guestroom Type Breakdown:

King Deluxe	
King Standard	
Double Queen Deluxe	
Total:	25

Condition Ratings and History of Repairs and Updates

Site Improvements	Condition*	Year Updated or Repaired
Parking Lot:	Very Good	2024
Signage:	Very Good	2024
Landscaping:	Very Good	2024
Sidewalks:	Very Good	2024
Structural Components	Condition	Year Updated or Repaired
Exterior Finish:	Very Good	2024
Roof:	Very Good	2024
Foundation/Structure:	Very Good	2024
Public Areas & Amenities	Condition	Year Updated or Repaired
Lobby:	Very Good	2024
Restaurant and Lounge:	Very Good	2024
Meeting Space:	Very Good	2024
Hot Springs:	Very Good	2024
Lobby Workstation:	Very Good	2024
Market Pantry:	Very Good	2024
Guestroom Areas	Condition	Year Updated or Repaired
Guestroom Living Areas:	Very Good	2024
Guestroom Sleeping Areas:	Very Good	2024
Guestroom Kitchen Areas:	Very Good	2024
Guestroom Bathrooms:	Very Good	2024
Interior/Exterior Guestroom Corridors:	Very Good	2024
Back-of-the-House Areas	Condition	Year Updated or Repaired
In-House Laundry:	Very Good	2024
Kitchen/Food Prep Area:	Very Good	2024
Administrative Offices:	Very Good	2024

**Condition assessments provided by hotel management*

Note: The following photographs were provided by hotel management.

Front View of Property



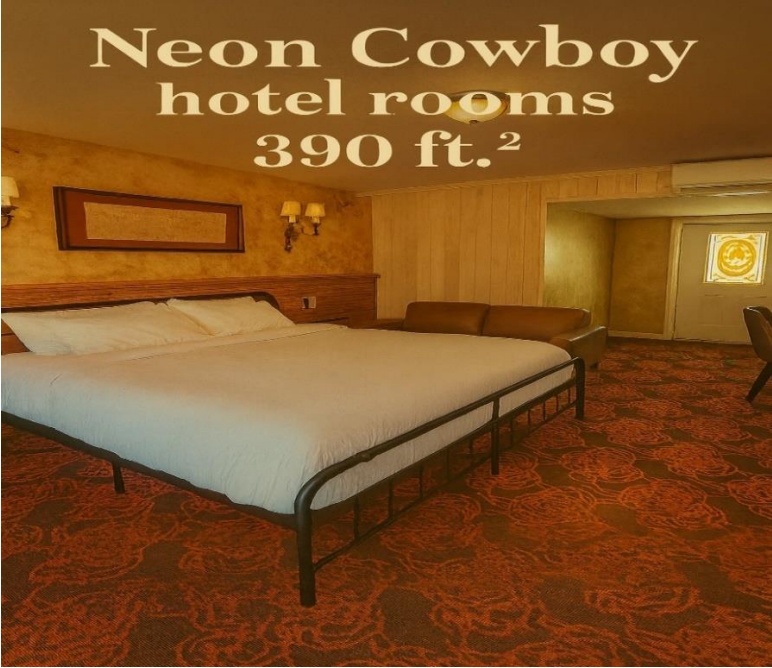
Rear View of Property



Typical Guestroom – Example 1



Typical Guestroom – Example 2



Typical Guestroom – Example 3



Dining Area – Restaurant Bar



Support Areas and Engineering Systems

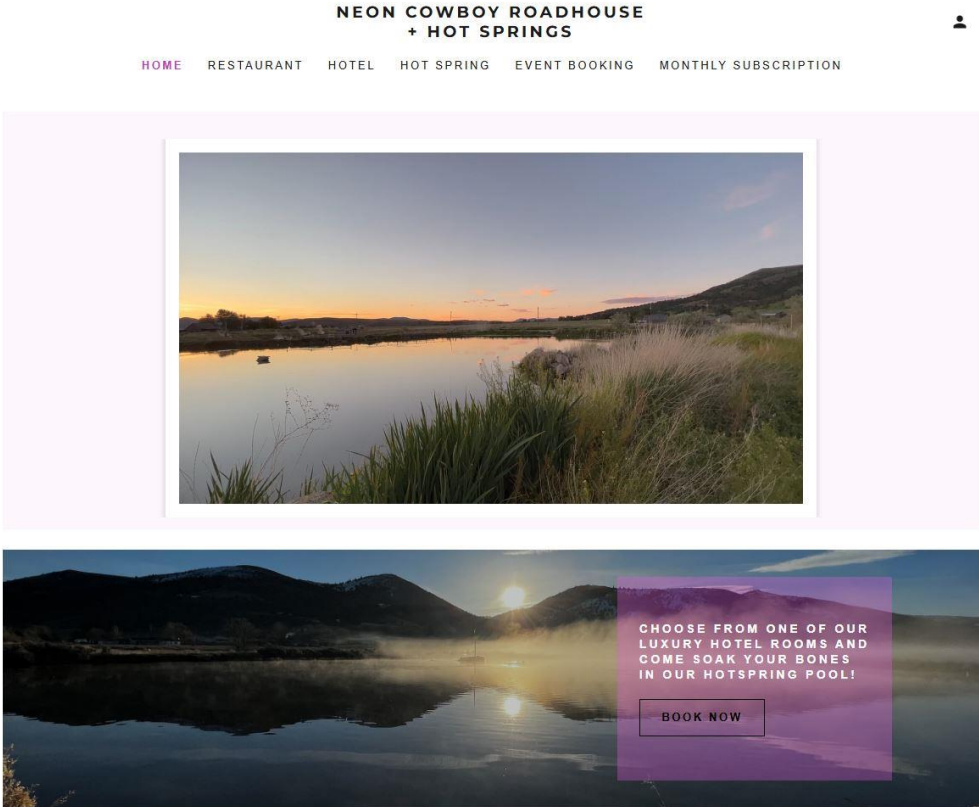
The hotel is served by the necessary back-of-the-house space; the equipment and appliances were reported to be operational at the time of inspection, appearing to be in good condition.

Web Presence

The way a property is presented on the Internet is vital to its marketability and success as a lodging facility. *Hotels.com* is a popular source for online hotel reservations, along with the hotel's proprietary website. We have reviewed the subject property's presence on *Hotels.com* as part of our market research for this appraisal. A snapshot of this presence is provided below.

We have reviewed the web presence of the Neon Cowboy Roadhouse + Hot Springs and have provided two snapshots of its current website, as follows:


Hotel Website (Sample Snapshot)



Hotel Website (Sample Snapshot)

**NEON COWBOY ROADHOUSE
+ HOT SPRINGS**

[HOME](#) [RESTAURANT](#) [HOTEL](#) [HOT SPRING](#) [EVENT BOOKING](#) [MONTHLY SUBSCRIPTION](#)



**CHOOSE FROM ONE OF OUR
LUXURY HOTEL ROOMS AND
COME SOAK YOUR BONES
IN OUR HOTSPRING POOL!**

BOOK NOW

**WE ARE PET FRIENDLY, THERE
IS A \$35 ONE TIME CHARGE**

**BOOK WITH THE LINK ABOVE OR
CALL 1-541-947-4242**

18088 US Route 395, Lakeview, Oregon 97630, United States

541.947.4242
bogbills2@gmail.com

HOTEL HOURS

Open today 07:00 am – 08:30 pm

Please give us a call to schedule a check-in time if it's after our posted hours. Thank you!

TripAdvisor

We have also reviewed the hotel's presence on *TripAdvisor.com*. While we note that this web source tends to attract the best and worst of experiences, it does help to gauge the hotel's ability to provide a successful overall guest experience.

A snapshot of the hotel's rating average is provided below, as is the most recent review.

Trip Advisor (Sample Snapshot)

Reviews

4.5
Very Good
●●●●● (12)

Excellent	8
Good	3
Average	0
Poor	1
Terrible	0

Lauren
wrote a review
4 contributions

Date visited **Oct 2024**
Trip type **Couples**

5.0 Oct 2024 ...

An excellent spot!

My husband and I stayed here in the middle of an off road motorcycle trip, it was a perfect spot for relaxing and had a great atmosphere and excellent hosts. We arrived a couple of hours before check in and they were friendly and welcoming and had no issue getting us into the room early. The main building has a fun, classic yet modern vibe that nods to the past as Hunter's Hotspring lodge, yet feels modern and upscale but not pretentious. Our room was perfect, modern and hip, it had the most comfortable bed, a couch, plenty of space and VERY clean. The hot spring pool was the perfect temp and had a beautiful view of the valley for soaking. The restaurant was closed for dinner due to the chef having been hospitalized, but they had a delicious breakfast included. We look forward to returning, seeing the continued renovations and getting to try the restaurant and bar that was fully stocked and had a great old west feel. A great place to stay, especially if you enjoy supporting local businesses. We will be back!

If you're riding the Northern California BDR, it's a perfect spot to start or finish the trip, about 10 miles north of the route end and plenty of parking.

[Read less](#) ^

Value 5.0 **Service** 5.0 **Food** 5.0

Atmosphere 5.0

This review is the subjective opinion of a Tripadvisor member and not of Tripadvisor LLC. Tripadvisor performs checks on reviews as part of our industry-leading trust & safety standards. Read our [transparency report](#) to learn more.

1 helpful vote

Functional Obsolescence

Due to the age of the subject property, which was constructed roughly 45 to 50 years ago, some functional obsolescence is to be expected. Most notably, the hotel features multiple buildings and interior/exterior corridors, which no longer reflect typical design standards for a limited-service hotel. However, as the subject property's retreat-like atmosphere is due in part to its sprawling layout, we found no major components or aspects of the property's design that significantly limit its profitability for this competitive market.

Environmental Hazards and ADA Compliance

According to information provided by management representatives, there are no environmental hazards present in the subject property's improvements, nor did we observe any.

Effective Age and Remaining Economic Life for the Building

Our estimate of remaining economic life for the building is presented below. This economic life may be extended in future years with future renovations made by ownership to keep the hotel in a competitive, marketable condition.

Typical Economic Life	55 Years
Chronological Age	82
Effective Age	30
Remaining Economic Life	25

Recent Renovations and Future Capital

The subject property underwent various renovations and received a number of repairs and updates from 2018 through 2024, as summarized in the following table. Reportedly, no major capital has been spent thus far in 2025.

Capital Expenditures During Last 12 Months	Capital Expenditure	Per Room
	Amount	Amount
Complete Property Renovation 2018–2024	\$650,000	\$26,000
Totals:	\$650,000	\$26,000

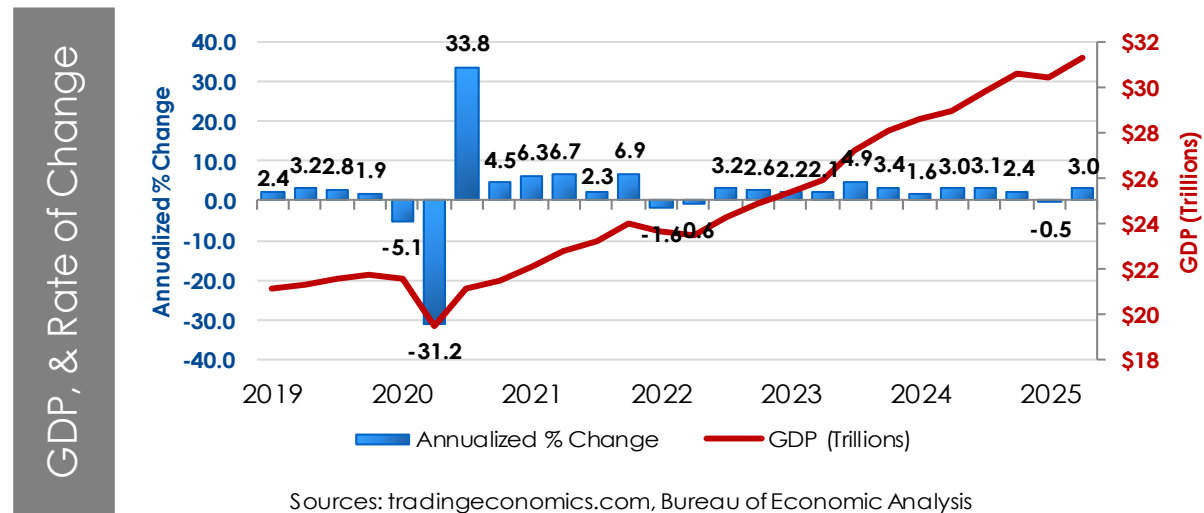
Our forecast of income and expense incorporates a reserve for replacement in recognition of the future renovation needs of the property, which is consistent with accepted industry norms for a property of this type. This appraisal also assumes an ongoing preventive maintenance program and appropriate management and ownership oversight. Investors recognize that additional capital may be required over the holding period, and this expectation is factored into their return requirements. Our selected discount and capitalization rates are based on market requirements, implicitly considering potential additional capital investments that may be required during the holding period.

3. MARKET AREA ANALYSIS

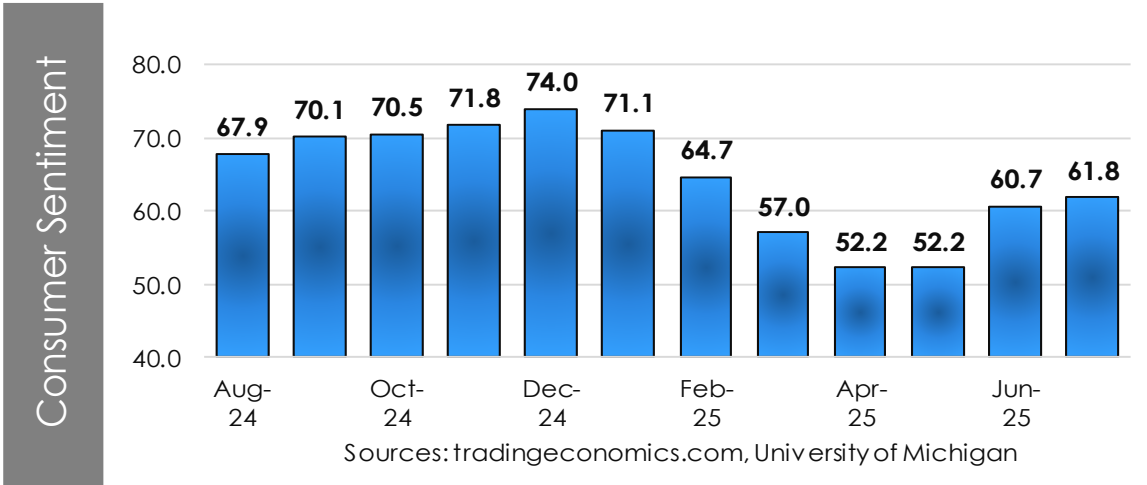
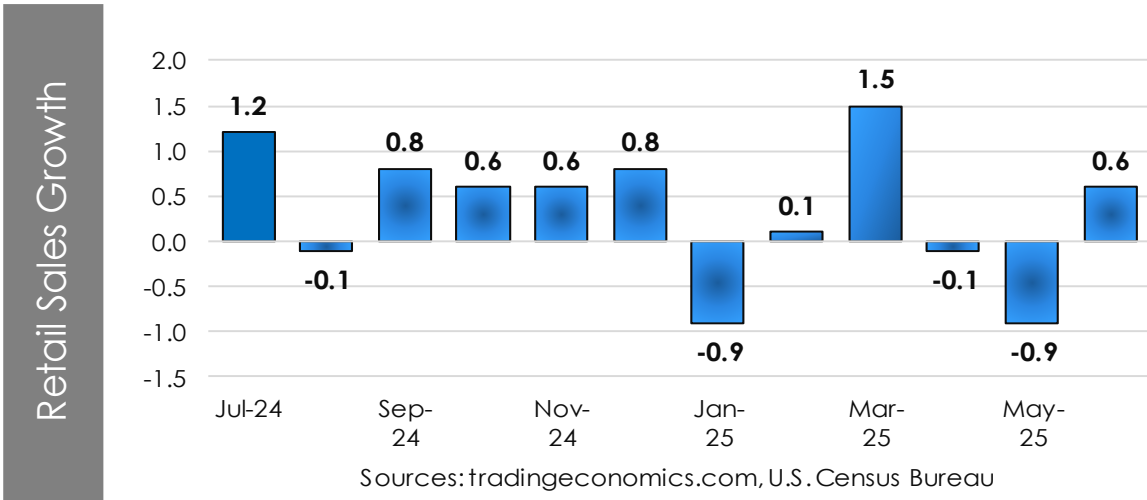
The economic vitality of the market is an important consideration in forecasting lodging demand. The purpose of this chapter is to review available economic and demographic data to determine whether the local market will undergo economic growth, stabilize, or decline. These trends are then correlated based on their propensity to reflect variations in lodging demand.

Status of the National Economy

Gross domestic product (GDP) is a key measure of a country's economic health and trends. Research has also identified a high degree of correlation between GDP and lodging demand. For the eight quarters leading up to 2020, GDP quarterly growth ranged between 0.9% and 3.8%, reflecting moderate economic expansion. The impact of the pandemic was considerable in 2020. As shutdowns halted major components of the U.S. economy from mid-March through May, GDP contracted by an annualized rate of 31.2% in Q2 2020, the largest such decline in U.S. history. While shocking, this GDP decline was offset by a significant rebound in economic activity in Q3 2020, greatly moderating the overall impact for the year. The U.S. economy grew by 33.8% on an annualized basis in the third quarter, followed by more modest gains in the five quarters that followed through the end of 2021, with GDP having surpassed the pre-pandemic peak by Q1 2021. A pullback during the first half of 2022 was driven by the trade deficit and decreases in government spending and inventory investment, although the decline was offset by gains during the second half of the year.



The positive trend continued through 2023 and 2024, registering 2.5% and 2.4% increases for the year, respectively. GDP then declined slightly (-0.5%) and bounced back by 3.0% in the first two quarters of 2025, respectively. According to the July 30, 2025, report from the Bureau of Economic Analysis, "The increase in real GDP in the second quarter primarily reflected a decrease in imports, which are a subtraction in the calculation of GDP, and an increase in consumer spending. These movements were partly offset by decreases in investment and exports." After a period of low transaction volume, 2025 was expected to bring a more active deal environment given this recent stability in growth; however, a pullback in international travel to the United States and the uncertainty surrounding what effect the tariffs would have on prices, trade, employment, and ultimately domestic travel prompted some buyers to retreat to the sidelines in the first three to four months of the year, and thus transaction activity has been muted thus far in 2025. Transaction activity is anticipated to strengthen in the latter half of 2025 now that we have moved beyond the March/April period of volatility. We will be closely monitoring how these changes impact employment, hotel demand, ADRs, and, ultimately, hotel values.

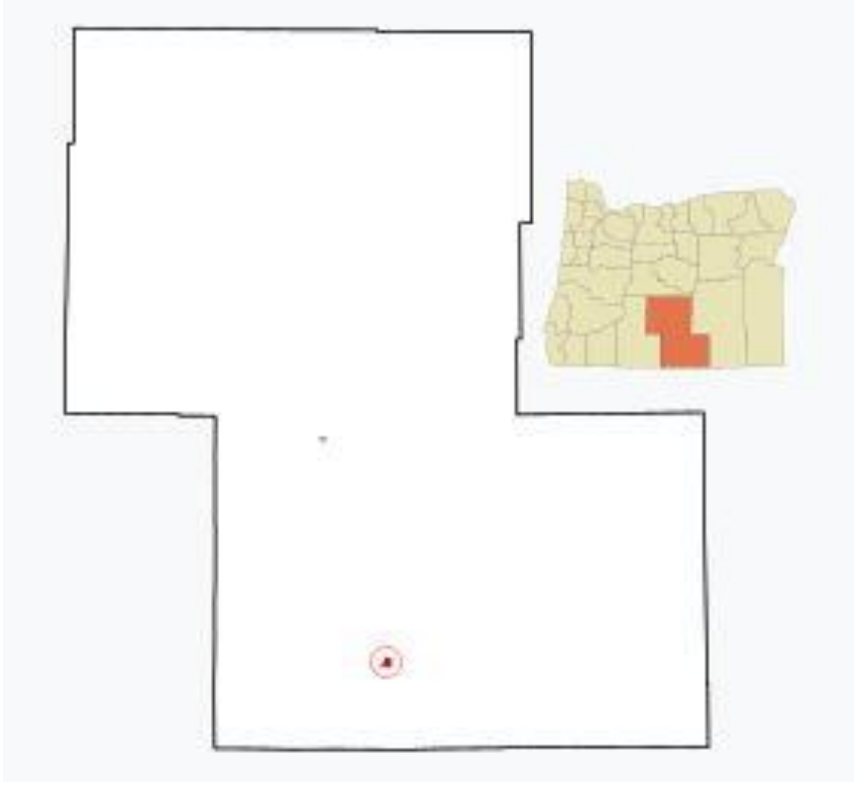


According to the U.S. Census Bureau, retail sales expanded in June 2025 (0.6%) after declines in the two prior months of April and May. The most significant increases were registered in sales related to miscellaneous store retailers (1.8%), motor vehicles and parts (1.2%), building material and garden equipment (0.9%), and clothing (0.9%). Other gains were realized in sales at food services & drinking places (0.6%), food & beverage stores (0.5%), health and personal care (0.5%) and general merchandise stores (0.5%), non-store retailers (0.4%), and sporting goods, hobby, musical instrument, and book stores (0.2%).

Overview of the Local Market Area

The subject property's greater market area spans Lake County.

Location within the State

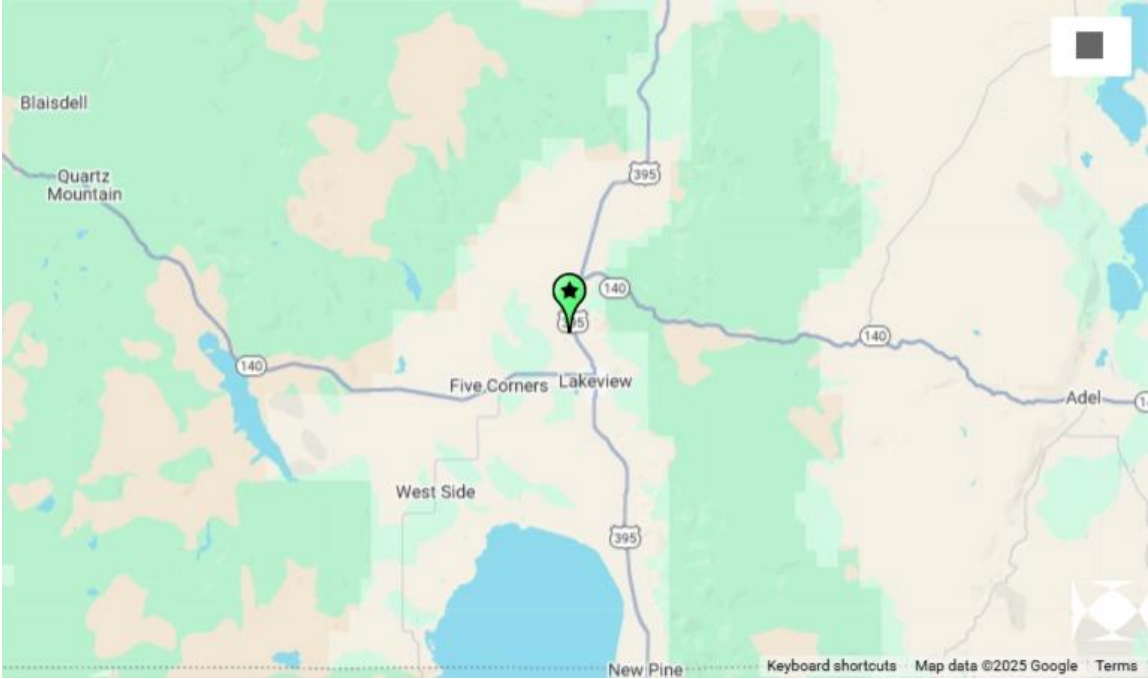


City Vital Statistics

Year Settled:	1869
Year Incorporated:	1889
Area (Square Miles):	2.45
Elevation (Feet):	4,757
Population (2020):	2,418

Source: Wikipedia

Map of Market Area



Economic and Demographic (Social) Statistics

Based on fieldwork conducted in the area and our in-house sources, we have evaluated various economic and demographic statistics to determine trends in lodging demand. A primary source of economic and demographic statistics used in this analysis is the *Complete Economic and Demographic Data Source* published by Woods & Poole Economics, Inc., a well-regarded forecasting service based in Washington, D.C.

	2010	2020	2024	2029	Avg. Annual Compounded Chg.		
					2010-20	2010-24	2024-29
Resident Population (Thousands)							
Lake County	7.8	8.2	8.3	8.4	0.4 %	0.4 %	0.2 %
State of Oregon	3,837.7	4,245.0	4,269.8	4,450.3	1.0	0.8	0.8
United States	309,382.3	331,526.9	337,214.9	348,565.1	0.7	0.6	0.7
Per-Capita Personal Income*							
Lake County	\$30,624	\$41,635	\$42,293	\$46,310	3.1	2.3	1.8
State of Oregon	39,706	54,001	56,580	60,244	3.1	2.6	1.3
United States	44,807	56,530	59,191	63,789	2.4	2.0	1.5
W&P Wealth Index							
Lake County	72.4	74.8	71.2	72.3	0.3	(0.1)	0.3
State of Oregon	90.1	95.4	95.1	94.2	0.6	0.4	(0.2)
United States	100.0	100.0	100.0	100.0	0.0	0.0	0.0
Food and Beverage Sales (Millions)*							
Lake County	\$5	\$5	\$7	\$8	1.9	2.9	2.5
State of Oregon	6,400	8,318	10,582	12,151	2.7	3.7	2.8
United States	502,827	611,998	777,882	881,337	2.0	3.2	2.5
Total Retail Sales (Millions)*							
Lake County	\$72	\$118	\$139	\$149	5.1	4.8	1.4
State of Oregon	56,635	73,774	85,548	94,704	2.7	3.0	2.1
United States	4,638,710	5,826,739	6,781,526	7,456,593	2.3	2.7	1.9

* Inflation Adjusted

Source: Woods & Poole Economics, Inc.

The U.S. population grew at an average annual compounded rate of 0.6% from 2010 through 2024. The county's population has grown more slowly than the nation's population; the average annual growth rate of 0.4% between 2010 and 2024 reflects a gradually expanding area. Following this population trend, per-capita personal income increased modestly, at 2.3% on average annually for the county between 2010 and 2024. Local wealth indexes have remained stable in recent years, registering a low 71.2 level for the county in 2024.

Food and beverage sales totaled \$7 million in the county in 2024, versus \$5 million in 2010. This reflects a 2.9% average annual change. The pace of growth is anticipated to be 2.5% through 2029. The retail sales sector demonstrated an annual increase of 4.8% in the decade spanning from 2010 to 2024. An increase of 1.4% average annual change is expected in county retail sales through 2029.

County Employment Trends

Industry	2010	Percent of Total	2020	Percent of Total	2024	Percent of Total	2029	Percent of Total	Avg. Annual Compounded Chg.		
									2010-2020	2020-2024	2024-2029
Farm	0.6	16.0 %	0.6	14.7 %	0.5	13.5 %	0.5	13.1 %	(0.7) %	(2.1) %	(0.3) %
Forestry, Fishing, Related Activities And Other	0.2	5.1	0.2	5.2	0.2	4.5	0.2	4.3	0.4	(3.5)	(0.7)
Mining	0.0	1.2	0.0	1.1	0.0	0.6	0.0	0.7	(1.4)	(11.6)	1.6
Utilities	0.0	0.5	0.0	0.4	0.0	0.4	0.0	0.4	(2.5)	3.4	(1.3)
Construction	0.2	4.3	0.2	4.8	0.2	4.3	0.2	4.3	1.2	(2.7)	0.4
Manufacturing	0.2	5.3	0.2	6.2	0.2	6.3	0.2	6.0	1.6	0.5	(0.7)
Total Trade	0.5	12.0	0.4	9.9	0.4	9.7	0.4	9.5	(1.9)	(0.3)	(0.2)
Wholesale Trade	0.1	1.8	0.0	1.2	0.0	1.1	0.0	1.1	(3.8)	(1.1)	(0.5)
Retail Trade	0.4	10.2	0.3	8.7	0.3	8.6	0.3	8.4	(1.5)	(0.2)	(0.1)
Transportation And Warehousing	0.1	2.8	0.1	2.3	0.1	2.7	0.1	2.6	(1.7)	3.9	(0.6)
Information	0.0	0.4	0.0	0.8	0.0	0.8	0.0	0.7	6.8	0.9	(0.7)
Finance And Insurance	0.0	1.1	0.1	1.3	0.1	1.6	0.1	1.5	2.5	4.1	(0.3)
Real Estate And Rental And Lease	0.1	3.2	0.1	3.6	0.2	4.0	0.2	4.2	1.4	3.1	0.8
Total Services	0.8	21.5	0.8	19.8	0.8	21.5	0.8	21.1	(0.7)	2.2	(0.1)
Professional And Technical Services	0.1	2.8	0.1	3.3	0.1	3.2	0.1	3.4	1.8	(0.2)	0.9
Management Of Companies And Enterprises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Administrative And Waste Services	0.1	1.4	0.1	2.3	0.1	2.6	0.1	2.5	5.4	3.2	(0.4)
Educational Services	0.0	0.6	0.0	0.4	0.0	0.6	0.0	0.6	(3.0)	9.0	0.8
Health Care And Social Assistance	0.2	5.0	0.2	4.3	0.1	2.5	0.1	2.6	(1.4)	(12.5)	1.0
Arts, Entertainment, And Recreation	0.0	0.7	0.0	0.6	0.0	0.6	0.0	0.5	(2.0)	0.0	(0.9)
Accommodation And Food Services	0.2	6.5	0.2	4.2	0.3	6.5	0.2	6.1	(4.2)	11.7	(1.1)
Other Services, Except Public Administration	0.2	4.5	0.2	4.7	0.2	5.4	0.2	5.4	0.5	3.8	0.0
Total Government	1.0	26.6	1.2	29.9	1.2	30.0	1.2	31.5	1.3	0.2	1.2
Federal Civilian Government	0.3	7.3	0.3	6.6	0.2	5.7	0.2	5.6	(0.9)	(3.7)	0.1
Federal Military	0.0	0.6	0.0	0.5	0.0	0.4	0.0	0.4	(1.5)	(1.4)	0.0
State And Local Government	0.7	18.7	0.9	22.8	0.9	23.9	1.0	25.4	2.1	1.3	1.5
TOTAL	3.8	100.0 %	3.8	100.0 %	3.9	100.0 %	3.9	100.0 %	0.1 %	0.1 %	0.2 %
U.S.	172,901.7	—	195,286.6	—	218,894.3	—	232,833.6	—	1.2	2.9	1.2

Source: Woods & Poole Economics, Inc.

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NEON COWBOY ROADHOUSE + HOT SPRINGS - LAKEVIEW, OREGON

Woods & Poole Economics, Inc. reports that during the period from 2010 to 2024, total employment in the county grew at an average annual rate of 0.1%. Of the primary employment sectors, Total Government recorded the highest increase in number of employees during the period from 2010 to 2024, increasing by 147 people, or 0.7%, and rising from 26.6% to 30.0% of total employment. Of the various service sub-sectors, Accommodation And Food Services and Other Services, Except Public Administration were the largest employers. Forecasts developed by Woods & Poole Economics, Inc. anticipate that total employment in the county will change by 0.2% on average annually through 2029. The trend is below the forecast rate of change for the U.S. as a whole during the same period.

Demographics by Radius

	0.00 - 1.00 miles	0.00 - 3.00 miles	0.00 - 5.00 miles
Population			
2030 Projection	99	3,764	4,510
2025 Estimate	96	3,636	4,352
2020 Census	94	3,558	4,254
Percent Change: 2025 to 2030	3.1%	3.5%	3.6%
Households			
2030 Projection	47	1,488	1,791
2025 Estimate	45	1,433	1,725
2020 Census	43	1,396	1,681
Percent Change: 2025 to 2030	4.4%	3.8%	3.8%
Income			
2025 Est. Average Household Income	\$74,643	\$72,762	\$72,866
2025 Est. Median Household Income	43,316	54,410	55,869
2025 Est. Civ. Employed Pop 16+ by Occupation			
Architecture/Engineering	0	27	29
Arts/Design/Entertainment/Sports/Media	0	13	14
Building/Grounds Cleaning/Maintenance	0	30	32
Business/Financial Operations	1	25	27
Community/Social Services	2	32	35
Computer/Mathematical	0	30	36
Construction/Extraction	0	18	20
Education/Training/Library	5	88	94
Farming/Fishing/Forestry	3	80	86
Food Preparation/Serving Related	1	90	133
Healthcare Practitioner/Technician	1	73	80
Healthcare Support	1	111	116
Installation/Maintenance/Repair	0	21	23
Legal	0	0	0
Life/Physical/Social Science	3	53	65
Management	3	165	188
Office/Administrative Support	3	130	139
Production	1	69	83
Protective Services	5	82	90
Sales/Related	2	125	135
Personal Care/Service	0	1	1
Transportation/Material Moving	1	132	154

Source: Envionics Analytics

This source reports 4,352 residents and 1,725 households within a five-mile radius of the subject property. The average household income within a five-mile radius of the subject property is currently reported at \$72,866, while the median is \$55,869.

Major Employers and Other Pertinent Economic Indicators

Lakeview is located in the high-desert country of Southern Oregon, situated in the Goose Lake Valley at the foot of the Warner Mountains. Sheep and cattle ranchers first settled in Lakeview in the 1870s, and it is known as the state's tallest town at 4,798 feet. Lakeview's economic base is largely dependent on agriculture, timber production, perlite mining, and government organizations, such as the Bureau of Land Management, the U.S. Department of Agriculture, the U.S. Fish and Wildlife Service, and the U.S. Forest Service. Agriculture in the area focuses on livestock and alfalfa. More recently, the area has somewhat diversified due to sources of renewable energy. Eco Material Technologies is currently constructing a new production facility in Lakeview, which will produce sustainable cement alternatives and should be completed by the end of 2025. Healthcare is also important to the area, as Lake District Hospital services the area. Moreover, Warner Creek Correctional Facility is also located in Lakeview. The city's profile and the diversity of the economy support a positive outlook.

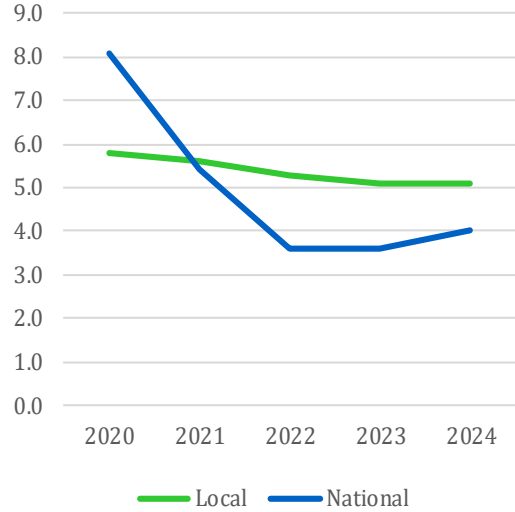
Major Employers

Rank	Employer	Number of Employees
1	Lake District Hospital	375
2	U.S. Forest Service & Bureau of Land Management	180
3	Warner Creek Correctional Facility	110
4	Pacific Pine Mill	100
5	Collins Pine Mill	85
6	Imerys Perlite USA Inc	60
7	Comerstone Industrial Minerals Corporation	25

Source: Data USA, 2023

Unemployment Statistics

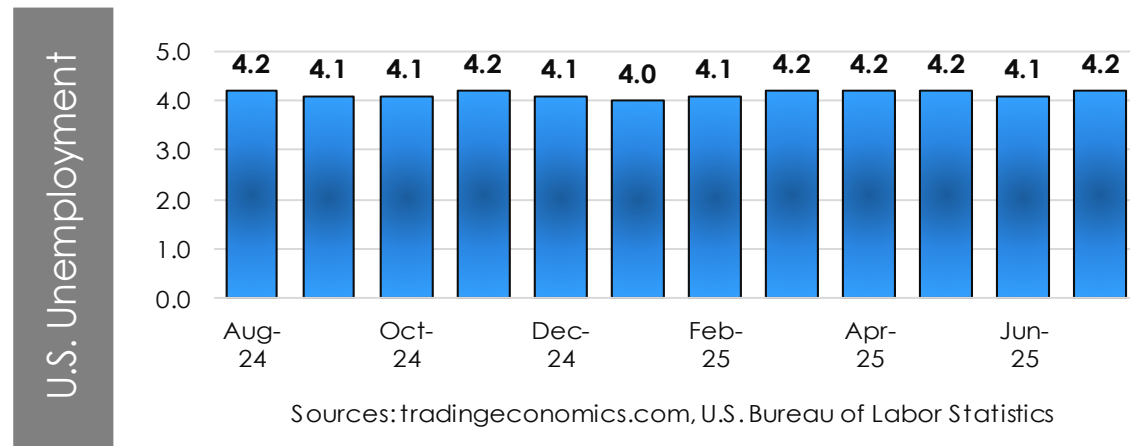
Year	County	State	U.S.
2015	7.7 %	5.6 %	5.3 %
2016	6.4	4.8	4.9
2017	5.7	4.1	4.4
2018	5.5	4.1	3.9
2019	5.4	3.7	3.7
2020	5.8	7.6	8.1
2021	5.6	5.2	5.4
2022	5.3	4.0	3.6
2023	5.1	3.8	3.6
2024	5.1	4.2	4.0
<i>Recent Month - May</i>			
2024	4.1 %	3.6 %	4.0 %
2025	6.3	4.8	4.2



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

Source: U.S. Bureau of Labor Statistics

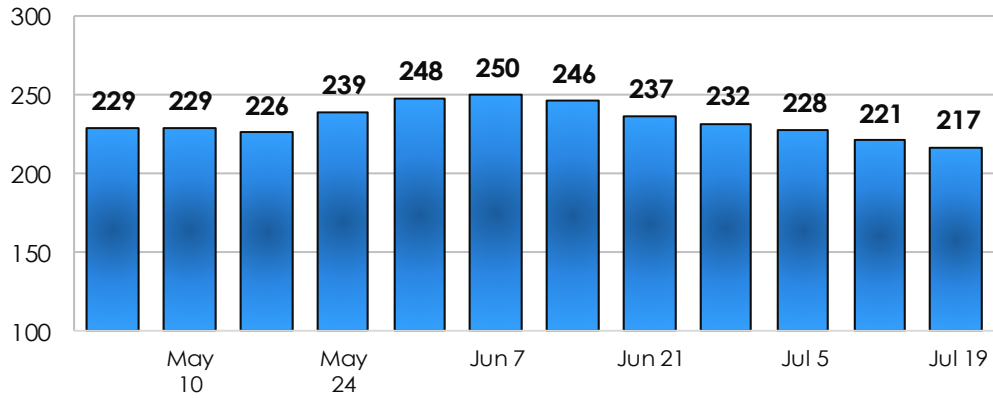
Prior to the pandemic, U.S. unemployment levels were firmly below the 4.6% level recorded in 2006 and 2007, the peak years of the economic cycle prior to the Great Recession. The national unemployment rate during the months leading up to the COVID-19 pandemic were in the 3.5%–3.7% range, reflecting a trend of stability and strength. However, in April 2020, after the onset of the pandemic, unemployment rose to 14.7%, while employment dropped by 20.7 million. Steady gains in employment have been registered since that time; however, job gains have waned in recent months. The national unemployment rate was 4.2% in July 2025, and gains in employment of 19,000, 14,000, and 73,000 jobs were registered in May, June, and July, respectively. In July, the most significant gains were reported in the health care and social assistance sectors, whereas federal government employment continued to decline. Locally, the unemployment rate was 5.1% in 2024; for this same area in 2025, the most recent month's unemployment rate was registered at 6.3%, versus 4.1% for the same month in 2024.



Sources: tradingeconomics.com, U.S. Bureau of Labor Statistics

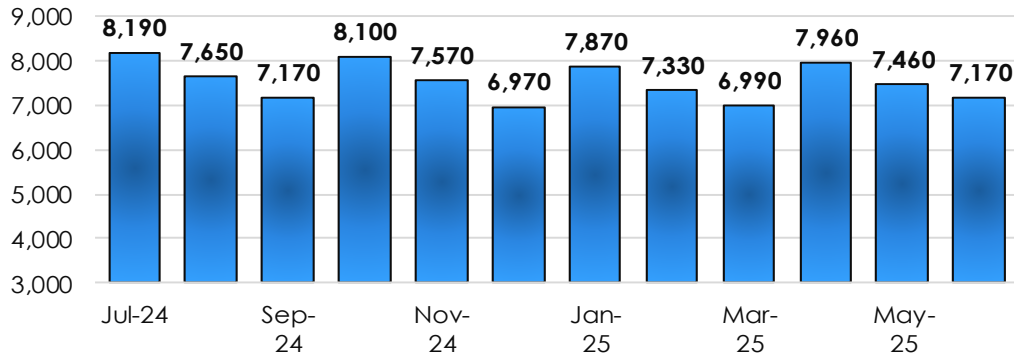
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Initial Jobless Claims (000)



Sources: tradingeconomics.com, University of Michigan

Job Openings (000)



Sources: tradingeconomics.com, U.S. Bureau of Labor Statistics

Airport Traffic

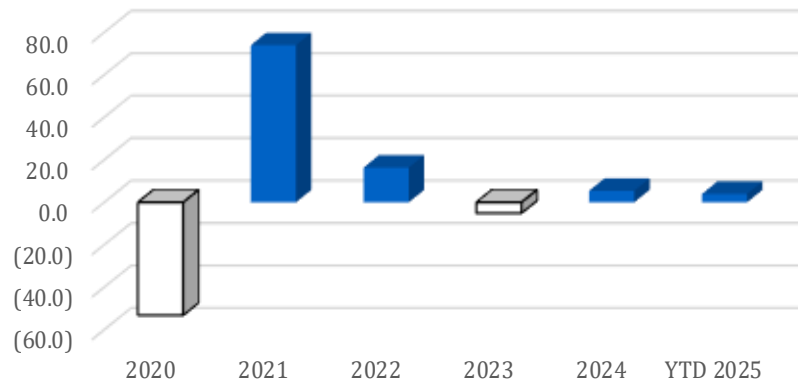
The following table illustrates recent operating statistics for the Rogue Valley International-Medford Airport, which is the primary airport facility serving the subject property's submarket.

Airport Statistics

Year	Passenger Traffic	Percent Change From Prior Year	Avg. Annual Percent Change From 2015
2015	757,971	—	—
2016	822,289	8.5 %	8.5 %
2017	901,578	9.6	9.1
2018	1,010,920	12.1	10.1
2019	1,087,873	7.6	9.5
2020	509,624	(53.2)	(7.6)
2021	886,670	74.0	2.6
2022	1,031,693	16.4	4.5
2023	979,211	(5.1)	3.3
2024	1,032,704	5.5	3.5
<i>Year-to-date, June</i>			
2024	481,172	—	—
2025	500,218	4.0 %	—

Source: Rogue Valley International-Medford Airport

Recent Trend of Airport Activity (Percent Change):



Tourism

Despite a rural and somewhat remote location, the subject market benefits from a modest number of tourism and leisure attractions. Leisure demand generators include Hart Mountain National Antelope Refuge, Warner Canyon Ski Area, and the greater Oregon Outback, which received a Dark Sky Sanctuary designation in 2024 and has seen a related mild rise in tourism since that time. Special events also play a role during key weekends, such as Lake County Round-Up Rodeo, which attracts an average of 4,000 visitors per day every Labor Day weekend, and the Lake County Fair. Per our market interviews and research, no major changes related to these attributes of the market are expected in the near future.

Governmental and Environmental Factors

The Lakeview area is subject to a normal form of local government and is also subject to the laws and regulations of Lake County and the State of Oregon. None of these laws or government entities was noted to have a particularly abnormal influence on the operation of the property, its marketability, or property values in the market area. The environment of the subject property's city appears normal to its surrounding areas; we observed no adverse conditions, and no such conditions were reported by market representatives. No noted environmental factors have particularly positive or negative influences on property values in the subject property's market area.

Conclusion

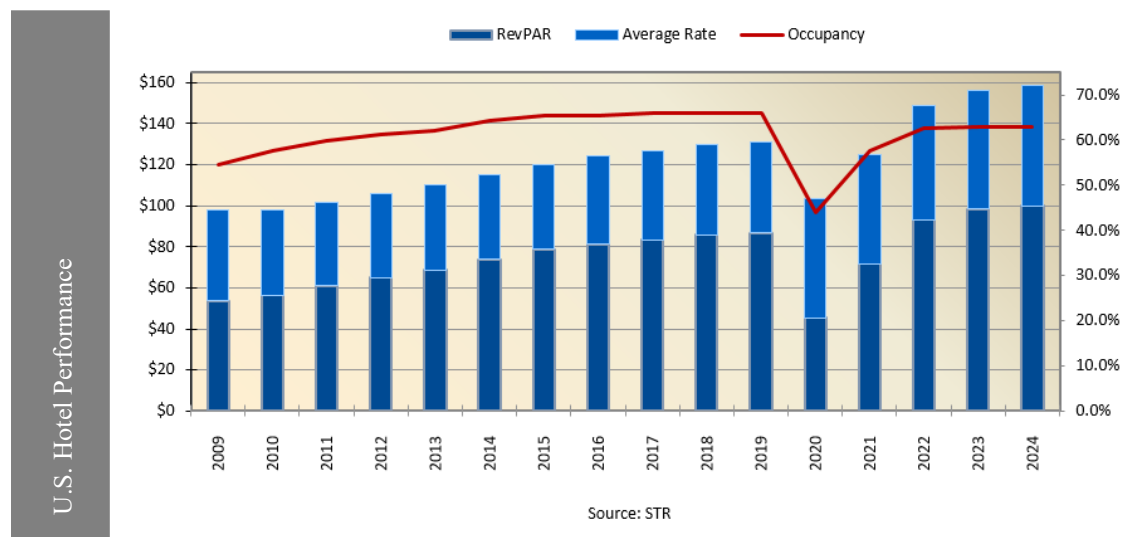
We have reviewed and studied various social, economic, governmental, and environmental data and observations pertaining to Lake County and the State of Oregon. No adverse governmental or environmental factors were noted. We will relate these historical and expected growth trends based on their propensity to reflect changes in lodging demand.

4. HOTEL MARKET TRENDS

This chapter will begin with an overview of national lodging demand trends to determine what macro changes have occurred in this real estate sector. Next, we will provide a definition of the subject property's pertinent hotel market and review each competitive hotel. We then provide an analysis and discussion pertaining to the occupancy and average daily rate (ADR) trends of this competitive set.

National Trends Overview

STR is an independent research firm that compiles data on the lodging industry, and this information is routinely used by typical hotel buyers. The following STR chart reflects annual hotel occupancy and ADR data since 2009.

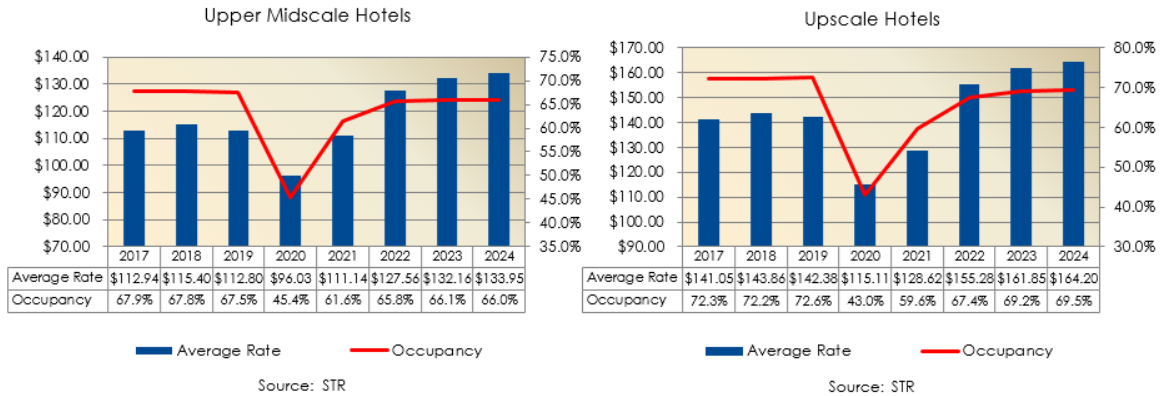


The preceding chart illustrates performance trends for the U.S. hospitality sector and the recovery following the financial crisis of 2008/09, as well as the impact of and subsequent recovery following the 2020/21 COVID-19 pandemic. The onset of the COVID-19 pandemic in March 2020 had a severe impact on the lodging industry, causing occupancy, ADR, and RevPAR to decline by unprecedented levels. By the conclusion of 2020, occupancy had fallen 22 points, with ADR decreasing by roughly \$28.00, resulting in a RevPAR loss of 48.0% (rounded). Led by strong leisure demand, many markets began to recover mid-year 2021. The recovery continued in 2022 and 2023, as group activity returned; business travel also improved during this time frame, although hybrid work options and lower office occupancy rates constrained demand recovery in this segment. By year-end 2023, the U.S. occupancy level had reached 96.0% of the occupancy level attained in 2019. Occupancy remained unchanged in 2024, as a strengthening in the group and commercial segments was balanced by a pullback in leisure demand, influenced by more travelers seeking international destinations for vacations. The ADR in 2024 was 21.0% (rounded) higher than the national rate in 2019, resulting in a RevPAR increase of 15.0% (rounded) over the level achieved in 2019.

Excluding fluctuations due to the Great Recession in 2008/09 and the pandemic from 2020 to 2022, supply growth ranged between 0.4% to 2.0%, averaging 1.1% in these years. The pace of supply growth slowed significantly in the two to three years following the downturns in 2001/02, 2008/09, and 2020/21, reflecting the decline in new project-starts during these periods. As the market moved out of these cycles, supply growth accelerated. The impact of the pandemic caused a decline in supply, as hotels temporarily suspended operations or closed, in many cases for conversion to alternate use. The

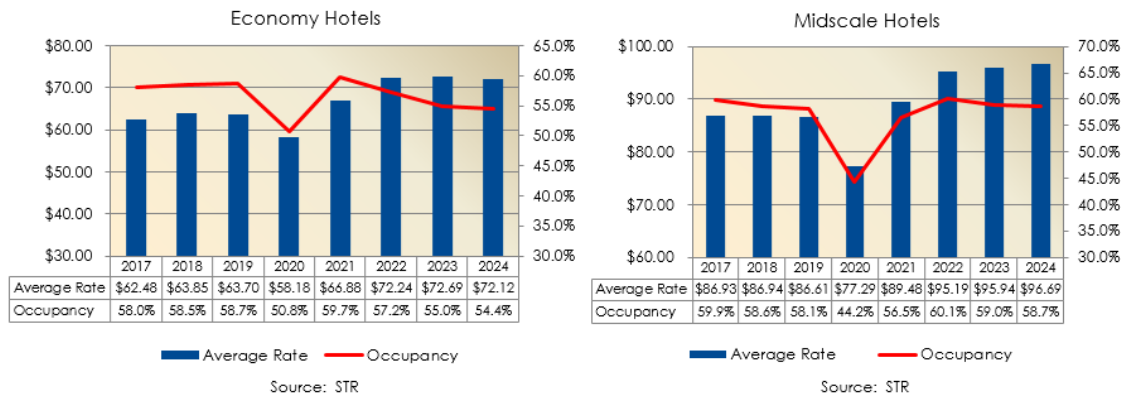
reopening of the temporarily closed properties caused an artificial spike in supply growth. Supply growth in 2023 through early 2025 reflects the high cost of construction, as well as the limited availability of financing for new construction. Thus, the pace of supply growth is expected to remain muted through 2026.

Upscale and Upper Midscale



In the years leading up to 2020 and the impact of the COVID-19 pandemic, both upper-midscale and upscale hotels enjoyed stable and strong performance trends; occupancy at upper-midscale hotels averaged near 68.0%, while upscale hotels achieved an average occupancy level of 72.0%. The impact of the COVID-19 pandemic in 2020 was swift when the lockdowns were implemented. As the economy reopened and as travel resumed, the lower-priced tiers rebounded the fastest in 2021 (relative to 2019 levels), while the recovery for upscale hotels was more prolonged given a greater dependence on corporate account travel (versus the leisure and highway-related travel that benefited the other categories to a greater degree). From 2022 through 2024, occupancy for upper-midscale hotels settled into a new stabilization point near 66.0%, while occupancy for upscale hotels approached 70.0%, as more corporations had returned to normal office operations, thus increasing demand levels in key locations. Aided by the elevated inflation in 2021 and 2022, ADRs moved well beyond the prior peak by year-end 2022 and continued to climb higher in 2023 and 2024, particularly in the upper-midscale and upscale categories.

Economy and Midscale



With the impact of COVID-19 on domestic travel in 2020, occupancy dropped roughly eight points for economy hotels that year; moreover, ADR decreased by just over \$5 in this category. The greatest impact occurred in Q2 2020, although a swift recovery was realized in the latter half of that year. In 2021, occupancy exceeded the prior peak by a full point and then decreased by two points in both 2022 and 2023 as demand normalized, leisure travel abroad resumed, and blended work-leisure trips declined along with the heightened return-to-office requirements. ADR reached new all-time highs in 2021 and 2022, landing at roughly \$67 and \$72, respectively. Declining occupancy levels in 2023 kept ADR increases minimal that year, while both occupancy and ADR for this class of lodging supply decreased slightly in 2024. In the midscale hotel category, occupancy reached nearly 57.0% by year-end 2021, just three points shy of the prior peak, followed by an additional three-point gain in 2022. Occupancy then retreated by a point in 2023 given the same factors

that affected economy hotels. ADR for this midscale hotel category fully recovered in 2021 and moved to new heights, exceeding \$89 (almost \$3 higher than the prior peak); by year-end 2024, this rate had risen to nearly \$97.

National Trends by Region, Class, Location, and Chain Scale

The following table provides additional insights for year-to-date performance for the U.S. hotel industry across a variety of different categories.

Lodging Sector Performance Statistics											
	Occupancy - YTD June			Average Rate - YTD June			RevPAR - YTD June			Percent Change	
	2024	2025	% Chg.	2024	2025	% Chg.	2024	2025	% Chang	Rms. Avail.	Rms. Sold
United States	62.6 %	62.2 %	(0.4) %	\$157.98	\$160.12	1.4 %	\$98.83	\$99.58	0.8 %	0.7 %	0.1 %
Region											
New England	59.3 %	60.2 %	(1.6) %	\$179.56	\$178.45	0.6 %	\$106.41	\$107.49	(1.0) %	0.5 %	(1.1) %
Middle Atlantic	63.3	63.2	0.2	189.62	183.59	3.3	120.11	116.05	3.5	0.5	0.7
South Atlantic	66.0	65.9	0.2	169.80	165.23	2.8	112.14	108.88	3.0	1.0	1.2
E. North Central	55.9	55.4	1.0	129.39	127.58	1.4	72.35	70.66	2.4	0.7	1.7
E. South Central	58.7	59.7	(1.6)	126.15	127.00	(0.7)	74.09	75.83	(2.3)	2.0	0.3
W. North Central	54.0	53.9	0.1	117.58	116.41	1.0	63.45	62.73	1.2	0.0	0.2
W. South Central	60.2	61.7	(2.4)	123.27	120.85	2.0	74.23	74.55	(0.4)	0.8	(1.6)
Mountain	64.6	67.0	(3.5)	171.47	175.52	(2.3)	110.77	117.55	(5.8)	0.4	(3.1)
Pacific	66.2	65.6	0.9	195.24	192.99	1.2	129.24	126.56	2.1	0.3	1.2
Class											
Upper-Midscale	64.5 %	65.2 %	(1.1) %	\$134.17	\$133.96	0.2 %	\$86.55	\$87.31	(0.9) %	1.7 %	0.6 %
Midscale	57.0	57.5	(0.9)	98.97	99.53	(0.6)	56.41	57.23	(1.4)	0.5	(0.4)
Economy	52.1	52.5	(0.8)	76.31	76.57	(0.3)	39.76	40.22	(1.2)	(1.0)	(1.8)
Location											
Suburban	62.7 %	63.2 %	(0.7) %	\$128.17	\$126.85	1.0 %	\$80.42	\$80.15	0.3 %	1.0 %	0.3 %
Airport	69.1	69.8	(1.1)	136.78	136.24	0.4	94.51	95.16	(0.7)	0.4	(0.7)
Interstate	56.0	56.0	(0.1)	107.57	106.48	1.0	60.19	59.64	0.9	0.8	0.7
Small Town	53.3	53.4	(0.1)	131.63	129.72	1.5	70.22	69.25	1.4	0.4	0.3
Chain Scale											
Upper-Midscale	65.0 %	65.7 %	(1.0) %	\$133.71	\$133.04	0.5 %	\$86.93	\$87.36	(0.5) %	1.7 %	0.7 %
Midscale	57.6	57.9	(0.5)	95.44	95.01	0.4	55.00	55.04	(0.1)	2.7	2.2
Economy	53.3	53.7	(0.7)	70.49	70.46	0.0	37.59	37.84	(0.7)	(1.6)	(2.3)

Source: STR - Lodging Review

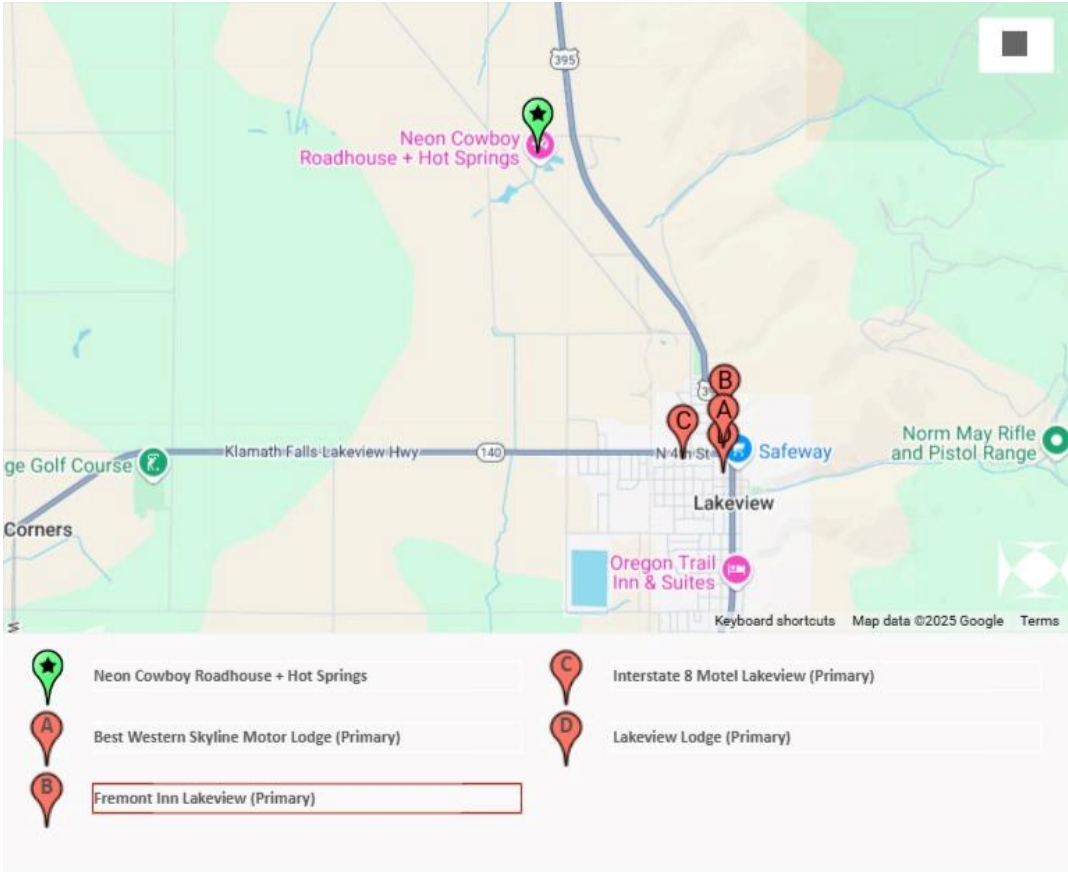
Definition of Subject Market

The 25-room Neon Cowboy Roadhouse + Hot Springs is located in Lakeview, Oregon. We have reviewed the available lodging options in the area of the subject property and have established a competitive set based on proximity, price point, age, and product type, among other factors. The following table, map, and photographs illustrate this established set.

Selected Competitive Set of Hotels – Operating Performance

	Estimated 2024				
Property	Number of Rooms	Occ.	Average Rate	RevPAR	RevPAR Penetration
Neon Cowboy Roadhouse + Hot Springs	25	19.4 %	\$148.32	\$28.77	37.2 %
Best Western Skyline Motor Lodge	38	60 - 65	\$180 - \$190	\$115 - \$120	150 - 160
Fremont Inn Lakeview	30	50 - 55	\$170 - \$180	\$95 - \$100	120 - 130
Interstate 8 Motel Lakeview	27	50 - 55	\$120 - \$125	\$65 - \$70	80 - 85
Lakeview Lodge	39	50 - 55	\$120 - \$125	\$60 - \$65	75 - 80
Totals/Averages	159	51.1 %	\$151.53	\$77.37	100.0 %

Map of Competition



New Supply

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

Forecast of Future Demand Change

Based upon a review of the market dynamics in the subject property's competitive environment, we have forecast demand rates of change. The following table details our projections of market demand change and available room nights; occupancy levels for the market are also forecast.

Projection of Market-Wide Supply, Demand, and Occupancy

Year	Occupied Room		Room Supply	Available Room		Occupancy	Change
	Nights	Change		Nights	Change		
2024	29,631		159	58,035	18.7 %	51.1 %	
Calendar-Year Forecast							
2025	30,223	2.0 % *	159	58,035	0.0 % *	52.1 %	2.0 % *
2026	30,677	1.5	159	58,035	0.0	52.9	1.5
2027	30,677	0.0	159	58,035	0.0	52.9	0.0
2028	30,677	0.0	159	58,035	0.0	52.9	0.0

* Percent change compared to prior calendar year.

Demand is forecast to change by 2.0% between 2024 and 2025, followed by growth rates of 1.5% and 0.0% in 2026 and 2027, respectively. The defined competitive market of hotels has experienced an overall improving occupancy trend over the last few years, largely attributed to stronger levels of both commercial and leisure travel. The trends reflect an overall healthy market, with demand generated by expanding industrial developments in the area, particularly in the green-energy sector, and higher tourism demand attributable to 2024's Dark Skies Sanctuary designation for the Lakeview area being the most important contributors. Market participants report that the year-to-date 2025 data reflect continued demand growth and modest ADR gains.

Conclusion

Our forecast is supported by the historical hotel market data, the primary market data collected while in the field, trends in the local economy presented in the previous chapter, and our hotel appraisal expertise. These room-night projections for the market area will be used in forecasting the subject hotel's occupancy and ADR in the RevPAR Forecast chapter.

5. HIGHEST AND BEST USE

The concept of highest and best use is a fundamental element in the determination of value of real property, either as if vacant or as improved. Highest and best use is defined as follows:

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.³

As If Vacant

The subject site is favorably located near a main arterial and is of an appropriate size to support any number of retail, office, or hospitality projects. However, the local market's RevPAR levels, coupled with the number of hotel properties already in the area, would likely not warrant new development at this time. While the Lakeview area has seen a boost in nature tourism over the past year, this trend is likely to level off over the next few years as it reaches a steady level of annual visitors. Therefore, it is our opinion that the highest and best use of the subject property as if it were vacant would be to hold the site for future development.

As Improved

The subject hotel represents a viable enterprise that generates a positive EBITDA Less Replacement Reserve. Accordingly, the property is anticipated to generate a sufficient return to the land over the long term to continue to support its current use as a select-service hotel. It is our opinion that the highest and best use of the subject property is its continued use as an operating hotel.

³ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

6. REVPAR FORECAST

Along with ADR results, the occupancy levels achieved by a hotel are the foundation of the property's financial performance and market value. Most of a lodging facility's other revenue sources, such as market pantry and guest laundry income, are driven by the number of guests, and many expense levels also vary with occupancy. Consequently, a well-documented forecast of occupancy is essential. To a certain degree, occupancy attainment can be manipulated by management. For example, hotel operators may choose to lower rates in an effort to maximize occupancy. Our forecasts reflect an operating strategy that we believe would be implemented by a competent hotel management team to achieve an optimal mix of occupancy and ADR.

Projection of Occupancy

The subject hotel's occupancy has been projected using a penetration analysis. The next table illustrates the historical and projected change in market-wide occupancy (see Chapter 4 for discussion), as well as the subject hotel's historical and projected penetration levels and resulting occupancy forecast.

Occupancy Projection

Year	Market-wide Hotel Occupancy	Subject Occupied Room Nights	Subject Available Room Nights	Subject Property Occupancy	Penetration
2024	51.1 %	1,770	9,125	19.4 %	38.0 %
Calendar-Year Forecast					
2025	52.1 %	3,469	9,125	38.0 %	73.0 %
2026	52.9	4,486	9,125	49.2	93.0
2027	52.9	4,486	9,125	49.2	93.0
2028	52.9	4,775	9,125	52.3	99.0
2029	52.9	4,775	9,125	52.3	99.0

The subject hotel's occupancy has trended upward since renovations were completed at the end of 2024, reflecting a growing level for a property of this type in this submarket. The hotel's most significant demand generators include nature tourism, group bookings for work retreats, and leisure bookings from travelers driving between Northern California and the inland areas of Oregon. The hotel's occupancy penetration increased in 2025 given the property's renovations, targeted traditional and digital marketing efforts, and the higher levels of tourism in the area.

Our occupancy forecast for the subject hotel reflects an improvement because of the recently completed property-wide renovation and the desirability of the property for leisure travelers. We have forecast the hotel's occupancy penetration level to increase given the boutique nature of the property, growth of tourism in the Lakeview area, and consistent strength of group bookings.

Projection of Average Rate

The subject hotel's ADR has also been projected using a penetration analysis. The following table illustrates the historical and projected market-wide ADR, as well as the subject hotel's ADR forecast.

Average Rate Projection							
Year	Market-wide Hotel Average Rate	Change	Subject Occupied Room Nights	Subject Rooms Revenue	Subject Property Average Rate	Change	Penetration
2024	\$151.53		1,770	\$263,000	\$148.32		97.9 %
Calendar-Year Forecast							
2025	\$154.56	2.0 % *	3,469	\$525,462	\$151.47	2.1 % *	98.0 %
2026	157.65	2.0	4,486	693,055	154.50	2.0	98.0
2027	160.81	2.0	4,486	706,916	157.59	2.0	98.0
2028	165.63	3.0	4,775	775,099	162.32	3.0	98.0
2029	170.60	3.0	4,775	798,352	167.19	3.0	98.0

* Percent change compared to prior calendar year.

Given the subject hotel's completion of renovations in December 2024, a historical ADR analysis was not possible. However, performance metrics have increased notably since the hotel's renovations were completed and the full inventory of rooms was opened to guests, with its RevPAR penetration nearing 70.0%.

As illustrated above, the rate of change expected for the subject hotel's room rate in 2025 equates to 2.1%. This is followed by rates of 2.0% and 2.0% in 2026 and 2027, respectively. The subject hotel's room rate is expected to follow a trend similar to that of the market, increasing in the first projection year, with the hotel's ADR penetration level increasing by the stabilized year given its positioning as a desirable property for nature tourists and corporate group retreats. Rate increases going forward should be supported by continued growth in occupancy and increasing awareness of the property via management's continued social media marketing efforts. Anticipated future economic strength in this market should also support longer-term rate improvements for the subject hotel.

Projection of RevPAR

We calculated both the market's and the subject hotel's RevPAR using the projected occupancy and average room rates presented previously. These RevPAR levels are illustrated in the following table.

RevPAR Projection

Year	Market-wide		Subject		RevPAR Penetration
	Hotel RevPAR	Change	Property RevPAR	Change	
2024	\$77.37		\$28.77		37.2 %
Calendar-Year Forecast					
2025	\$80.49	4.0 % *	\$57.58	100.1 % *	71.5 %
2026	83.33	3.5	75.95	31.9	91.1
2027	85.00	2.0	77.47	2.0	91.1
2028	87.55	3.0	84.94	9.6	97.0
2029	90.18	3.0	87.49	3.0	97.0

* Percent change compared to prior calendar year.

Summary of Forecast

The following occupancy and ADR levels will be used to project the subject hotel's rooms revenue; this forecast begins on August 1, 2025, (calendar years have been converted to fiscal years when applicable) and corresponds with our financial projections.

Forecast of Occupancy, Average Rate, and RevPAR

Year	Occupancy	Average Rate	RevPAR
2025/26	44.0 %	\$153.23	\$67.42
2026/27	49.0	156.30	76.59
2027/28	51.0	160.34	81.77

7. APPROACHES TO VALUE

The appraiser has three approaches from which to select when appraising real estate for market value: income capitalization, cost, and sales comparison. The inherent strengths of each approach and the nature of the subject property must be evaluated to determine which will provide supportable estimates of market value. The appraiser then selects one or more of the appropriate approaches in arriving at a final value estimate.

The income capitalization approach analyzes a property's ability to generate financial returns as an investment. The three methods commonly used to estimate value via this approach include a discounted cash flow (DCF) analysis, direct capitalization method, and rooms revenue multiplier (RRM) method. We then provide a reconciliation of a final estimate of value within this approach. The income capitalization approach is often selected as the preferred valuation method for operating properties because it most closely reflects the investment rationale of knowledgeable buyers.

The sales comparison approach estimates the value of a property by comparing it to similar properties sold on the open market. To obtain an estimate of value, the sales price of a comparable property must be adjusted to reflect any dissimilarity between it and the subject property. This approach is most useful in the case of simple forms of real estate such as vacant land and single-family homes, where the properties are homogeneous, and the adjustments are few and relatively simple to compute. In the case of complex investments such as hotels, where the adjustments are numerous and more difficult to quantify, the sales comparison approach loses much of its reliability.

The cost approach estimates market value by computing the current cost of replacing the property and subtracting any depreciation resulting from deterioration and obsolescence. The value of the land is then added to the depreciated value. The cost approach is most reliable for estimating the value of new properties; however, as the improvements deteriorate, the resultant loss in value becomes increasingly difficult to quantify. Based on our experience with hotel investors, this approach is not employed when making purchase decisions. The replacement cost may be used as a benchmark for testing reasonableness of value indications provided by income factors.

The final step in the valuation process is the reconciliation of the value indications. Factors that are considered in assessing the reliability of each approach include the purpose of the appraisal, the nature of the subject property, and the reliability of the data used. In the reconciliation, the applicability and supportability of each approach are considered, and the range of value indications is examined. The most weight is given to the approach that produces the most reliable solution and most reflects the criteria used by typical investors. Our nationwide experience with numerous hotel buyers and sellers indicates that the procedures used in estimating market value by the income capitalization approach are comparable to those employed by the hotel and motel investors who constitute the marketplace. For this reason, the income capitalization approach produces the most supportable value estimate, and it is generally given the greatest weight in the hotel valuation process.

8. INCOME APPROACH

The income capitalization approach is based on the principle that the value of a property is indicated by its net return, known as the present worth of future benefits. These future benefits can be converted into an indication of market value through various methods.

We were not provided with historical operating statements for the subject property, aside from the year to date 2025 data presented in the table below. It should, however, be noted that due to the repositioning of and extensive renovations to the hotel that historical statements would not necessarily be indicative of future performance.

Historical Operating Performance

	2025		Year-to-Date Ending May 31	
Number of Rooms:	25			
Paid Occupied Rooms:	998			
Days Open:	151			
Paid Occupancy:	26.4%			
Average Rate:	\$178.26	Percentage	Available	Amount
RevPAR:	\$47.13	of Revenue	Room	Occupied
				Room
REVENUE				
Rooms	\$178	50.1 %	\$7,116	\$178.26
Food & Beverage	175	49.3	6,993	175.17
Total	355	100.0	14,191	355.49
DEPARTMENTAL EXPENSES*				
Rooms	61	34.4	2,450	61.37
Food & Beverage	110	63.1	4,412	110.53
Other Operated Departments	10	476.6	390	9.77
Total	181	51.1	7,252	181.67
DEPARTMENTAL INCOME				
	173	48.9	6,939	173.81
UNDISTRIBUTED OPERATING EXPENSES				
Administrative & General	35	9.8	1,387	34.76
Info. and Telecom. Systems	4	1.1	156	3.91
Marketing	9	2.6	367	9.19
Prop. Operations & Maintenance	16	4.4	628	15.73
Utilities	22	6.3	898	22.49
Total	86	24.2	3,436	86.08
GROSS OPERATING PROFIT				
	88	24.7	3,503	87.74
Management Fee	0	0.0	0	0.00
INCOME BEFORE NON-OPER. INC. & EXP.				
	88	24.7	3,502	87.74
NON-OPERATING INCOME AND EXPENSE				
Property Taxes	7	2.1	299	7.50
Insurance	10	2.8	404	10.13
Total	18	5.0	704	17.62
EBITDA				
	70	19.7	2,799	70.11
Reserve for Replacement	0	0.0	0	0.00
EBITDA LESS RESERVE				
	\$70	19.7 %	\$2,798	\$70.12

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

Comparable Operating Data

The following comparable operating statements from properties with a similar operating profile are from our database of hotel statistics and have also been used in our formulation of the subject hotel's projections.

The data are presented in four tables:

1. Percent of revenue
2. Amounts per available room
3. Amounts per occupied room
4. Composite statement

U.S. HOTEL APPRAISALS
NEON COWBOY ROADHOUSE + HOT SPRINGS - LAKEVIEW, OREGON

Percent of Revenue

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5
Year:	2024	2024	2023/24	2023/24	2023
Number of Rooms:	20 to 40	40 to 60	20 to 30	30 to 50	30 to 50
Days Open:	365	365	365	365	365
Occupancy:	47%	67%	59%	57%	61%
Average Rate:	\$195	\$145	\$142	\$133	\$129
RevPAR:	\$91	\$96	\$84	\$76	\$79
REVENUE					
Rooms	100.0 %	99.8 %	84.7 %	100.0 %	99.1 %
Other Operated Departments	0.0	0.0	0.0	0.0	0.0
Miscellaneous Income	0.0	0.2	15.3	0.0	0.9
Total	100.0	100.0	100.0	100.0	100.0
DEPARTMENTAL EXPENSES*					
Rooms	26.4	38.5	10.5	16.8	25.5
Total	26.4	38.4	8.9	16.8	25.3
DEPARTMENTAL INCOME					
	73.6	61.6	91.1	83.2	74.7
UNDISTRIBUTED OPERATING EXPENSES					
Administrative & General	12.9	8.7	8.5	6.4	15.6
Marketing	7.4	0.4	0.4	2.2	0.0
Franchise Fee	0.0	13.6	4.9	0.0	10.9
Property Operations & Maintenance	7.1	4.1	4.1	4.9	6.7
Utilities	4.9	4.5	8.2	2.1	5.6
Total	37.2	32.3	26.1	15.8	40.2
GROSS OPERATING PROFIT					
	36.4	29.3	65.0	67.4	34.5
Management Fee	0.0	6.0	4.3	0.0	0.0
INCOME BEFORE NON-OPER. INC. & EXP.					
	36.4	23.2	60.8	67.4	34.5
NON-OPERATING INCOME AND EXPENSE					
Property Taxes	0.0	1.2	1.8	2.6	6.1
Insurance	2.2	7.3	2.6	0.0	1.9
Miscellaneous Fixed Expenses	0.0	7.1	0.0	0.0	0.0
Total	2.2	15.6	4.4	2.6	8.0
EBITDA					
	34.2	7.6	56.4	64.8	26.5
Reserve for Replacement	0.0	0.0	0.0	0.0	0.0
EBITDA LESS RESERVE					
	34.2 %	7.6 %	56.4 %	64.8 %	26.5 %

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

Amounts per Available Room

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5
Year:	2024	2024	2023/24	2023/24	2023
Number of Rooms:	20 to 40	40 to 60	20 to 30	30 to 50	30 to 50
Days Open:	365	365	365	365	365
Occupancy:	47%	67%	59%	57%	61%
Average Rate:	\$195	\$145	\$142	\$133	\$129
RevPAR:	\$91	\$96	\$84	\$76	\$79
REVENUE					
Rooms	\$33,340	\$35,213	\$30,833	\$27,597	\$28,902
Other Operating Departments	0	3	0	0	0
Miscellaneous Income	0	67	5,550	0	260
Total	33,340	35,283	36,382	27,597	29,162
DEPARTMENTAL EXPENSES					
Rooms	8,789	13,560	3,233	4,632	7,380
Total	8,789	13,560	3,233	4,632	7,380
DEPARTMENTAL INCOME					
	24,550	21,723	33,149	22,965	21,782
UNDISTRIBUTED OPERATING EXPENSES					
Administrative & General	4,289	3,052	3,084	1,773	4,558
Marketing	2,465	136	147	606	0
Franchise Fee	0	4,807	1,786	0	3,174
Property Operations & Maintenance	2,374	1,457	1,485	1,360	1,948
Utilities	1,626	1,598	2,976	573	1,648
Total	12,407	11,410	9,478	4,356	11,712
GROSS OPERATING PROFIT					
	12,143	10,313	23,671	18,609	10,070
Management Fee	0	2,117	1,565	0	0
INCOME BEFORE NON-OPER. INC. & EXP.					
	12,143	8,196	22,106	18,609	10,070
NON-OPERATING INCOME AND EXPENSE					
Property Taxes	0	410	662	731	1,770
Insurance	748	2,583	929	0	558
Miscellaneous Fixed Expenses	0	2,493	0	0	0
Total	748	5,486	1,590	731	2,328
EBITDA					
	11,395	2,710	20,516	17,878	7,742
Reserve for Replacement	0	0	0	0	0
EBITDA LESS RESERVE					
	\$11,395	\$2,710	\$20,516	\$17,878	\$7,742

Amounts per Occupied Room

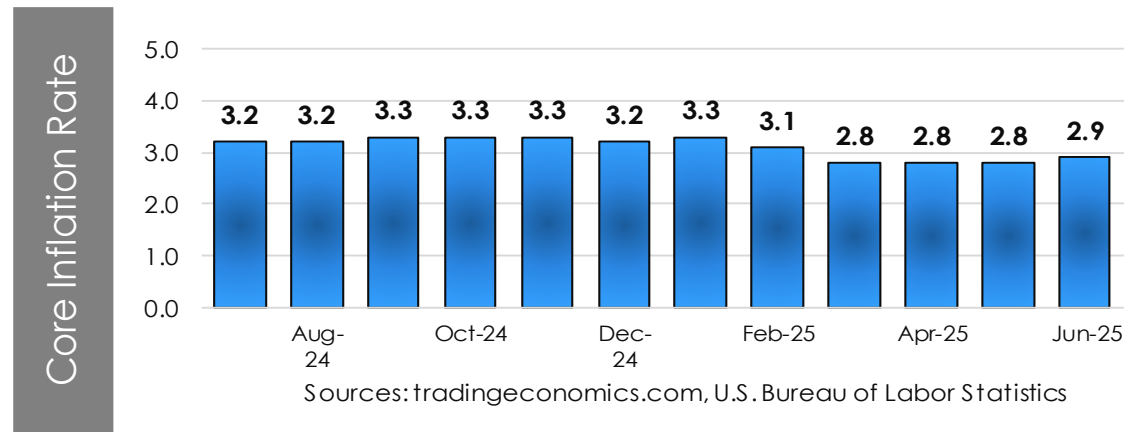
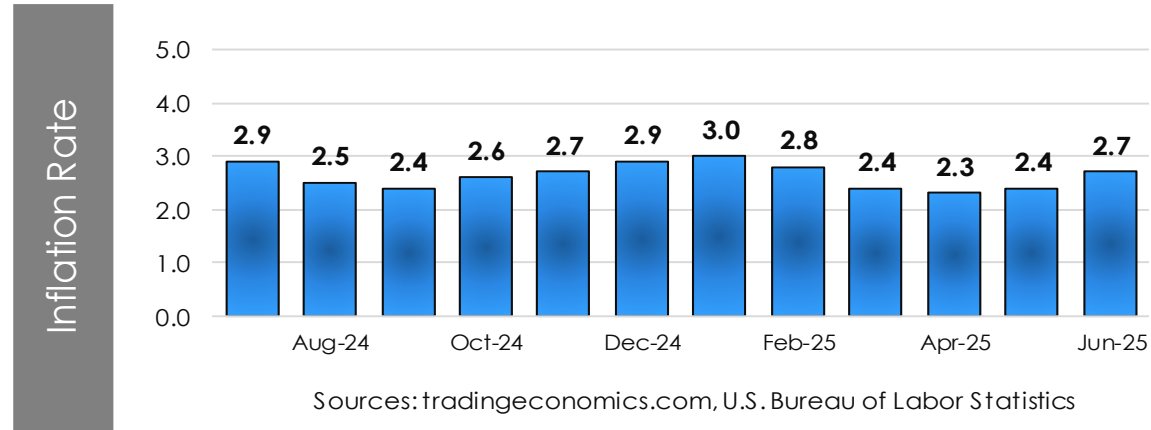
	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5
Year:	2024	2024	2023/24	2023/24	2023
Number of Rooms:	20 to 40	40 to 60	20 to 30	30 to 50	30 to 50
Days Open:	365	365	365	365	365
Occupancy:	47%	67%	59%	57%	61%
Average Rate:	\$195	\$145	\$142	\$133	\$129
RevPAR:	\$91	\$96	\$84	\$76	\$79
REVENUE					
Rooms	\$195.26	\$144.65	\$142.46	\$132.71	\$129.01
Other Operating Departments	0.00	0.01	0.00	0.00	0.00
Miscellaneous Income	0.00	0.27	25.64	0.00	1.16
Total	195.26	144.93	168.10	132.71	130.17
DEPARTMENTAL EXPENSES					
Rooms	51.48	55.70	14.94	22.27	32.94
Total	51.48	55.70	14.94	22.27	32.94
DEPARTMENTAL INCOME					
	143.79	89.23	153.16	110.44	97.23
UNDISTRIBUTED OPERATING EXPENSES					
Administrative & General	25.12	12.54	14.25	8.52	20.35
Marketing	14.44	0.56	0.68	2.91	0.00
Franchise Fee	0.00	19.75	8.25	0.00	14.17
Property Operations & Maintenance	13.90	5.99	6.86	6.54	8.69
Utilities	9.52	6.57	13.75	2.76	7.35
Total	72.67	46.87	43.79	20.95	52.28
GROSS OPERATING PROFIT					
	71.12	42.36	109.37	89.49	44.95
Management Fee	0.00	8.70	7.23	0.00	0.00
INCOME BEFORE NON-OPER. INC. & EXP.					
	71.12	33.67	102.14	89.49	44.95
NON-OPERATING INCOME AND EXPENSE					
Property Taxes	0.00	1.68	3.06	3.51	7.90
Insurance	4.38	10.61	4.29	0.00	2.49
Miscellaneous Fixed Expenses	0.00	10.24	0.00	0.00	0.00
Total	4.38	22.54	7.35	3.51	10.39
EBITDA					
	66.74	11.13	94.79	85.98	34.56
Reserve for Replacement	0.00	0.00	0.00	0.00	0.00
EBITDA LESS RESERVE					
	\$66.74	\$11.13	\$94.79	\$85.98	\$34.56

Composite Statement

	Number of Rooms:	185		
	Days Open:	365		
	Occupancy:	59.3%		
	Average Rate:	\$145.35	Percentage	Amount per
	RevPAR:	\$86.15	of Revenue	Available
				Occupied
				Room
REVENUE				
Rooms	\$5,817	97.6 %	\$31,446	\$145.35
Other Operating Departments	0	0.0	1	0.00
Miscellaneous Income	141	2.4	762	3.52
Total	5,958	100.0	32,208	148.87
DEPARTMENTAL EXPENSES				
Rooms	1,537	26.4	8,310	38.41
Total	1,537	25.8	8,310	38.41
DEPARTMENTAL INCOME				
Total	4,421	74.2	23,898	110.46
UNDISTRIBUTED OPERATING EXPENSES				
Administrative & General	608	10.2	3,288	15.20
Marketing	111	1.9	602	2.78
Franchise Fee	418	7.0	2,260	10.45
Property Operations & Maintenance	313	5.3	1,691	7.82
Utilities	289	4.9	1,562	7.22
Total	1,826	30.7	9,872	45.63
GROSS OPERATING PROFIT				
Total	2,595	43.5	14,025	64.83
Management Fee	150	2.5	813	3.76
INCOME BEFORE NON-OPER. INC. & EXP.				
Total	2,444	41.0	13,213	61.07
NON-OPERATING INCOME AND EXPENSE				
Property Taxes	132	2.2	714	3.30
Insurance	205	3.4	1,106	5.11
Miscellaneous Fixed Expenses	135	2.3	728	3.36
Total	471	7.9	2,548	11.78
EBITDA				
Total	1,973	33.1	10,665	49.30
Reserve for Replacement	0	0.0	0	0.00
EBITDA LESS RESERVE				
Total	\$1,973	33.1 %	\$10,665	\$49.30

Inflation Assumption

A general rate of inflation must be established, which is applied to most revenue and expense categories. Overall, the financial analysts who were surveyed in January 2025 for the Wall Street Journal Economic Forecasting Survey anticipated inflation rates ranging from 2.0% to 4.3% (on an annualized basis ending June 2025), with the average of these data points at 2.6%.



As a further check on these inflation projections, we have reviewed historical increases in the Consumer Price Index (CPI-U). Between 2014 and 2024, the national CPI increased at a compound annual growth rate (CAGR) of 2.9%; from 2019 through 2024, the CPI rose by a notably higher CAGR of 4.2%. In 2024, the CPI rose by 2.9%, reflecting a much reduced level from the high inflation marks of 2021 and 2022, which were driven primarily by the supply-chain constraints that occurred in a tight job market. In consideration of the latest trends, the projections set forth above, and our assessment of probable property appreciation levels, we have applied a 3.0% underlying inflation rate.

Inflation Assumptions

Timeframe	Rate of Inflation
2024 to 2025	3.0 %
2025 to 2026	3.0
2026 to 2027	3.0
2027 to 2028	3.0
2028 to 2029	3.0

Forecast of Income and Expense

The forecasts of income and expense are intended to reflect the appraisers' opinion of how a typical buyer would analyze the subject hotel's historical operating results and ultimately project its future activity. Based on the market for hotel accommodations in the subject property's market area and the anticipated position of the subject property in its identified competitive market, we have developed a forecast of income and expense.

Important points are as follows:

- The forecast begins on August 1, 2025, in current value dollars for each year. The rooms revenue forecast is based on the occupancy and ADR projections presented in Chapter 6.
- According to the USALI, other operated departments include any major or minor operated department other than rooms and food and beverage (F&B) that carry expenses. Revenues that are collected from meeting space rentals are reflected in this line item.
- The miscellaneous income category includes revenue classifications that are reported on a net basis.
- Rooms expense are forecast to stabilize at 25.9% of rooms revenue or \$41.45 per occupied room. The selected comparable operating data supports this level of expense.
- Operating expenses are positioned based on both the available operating history of the hotel and the comparable operating data presented.
- Onsite marketing efforts are forecast to stabilize at 2.9% of total revenue or \$1,499 per available room by the stabilized year.
- The assessment history, comparable data, and property tax burden forecast is illustrated in the following tables. In the state of Oregon, the Taxable Assessed Value is the lower of two values of a property, the property's Maximum Assessed Value (MAV) or the current Real Market Value (RMV). The MAV was created by the Oregon Constitution to limit the growth rates of property values subject to taxation. The taxable value limit that was established for each property in the 1997–1998 tax year equaled 90.0% of the 1995–1996 RMV. For tax years after 1997–1998, the MAV is defined as the greater of the prior year's MAV or the prior year's assessed value increased by 3.0% per year. An exception stipulates that if the RMV is less than the MAV for two consecutive years, the MAV will not increase. Additionally, the MAV can increase by more than 3.0%, if there is new property construction, if the property is partitioned or subdivided, if the property is rezoned and the use is changed consistent with rezoning, if the property was omitted from previous tax rolls, or if the property becomes disqualified from exemption, partial exemption, or special assessment. Personal property is taxed at the same rate as real property.

Assessment History – Real Property

Year	Real Property								
	Appraised Value				Percent Change	Assessed Value			Percent Change
	Land	Improvements	Real Property Total	Land		Improvements	Real Property Total		
2022	\$56,510	\$364,050	\$420,560	—	\$56,510	\$364,050	\$420,560	—	
2023	73,210	436,850	510,060	21.3 %	73,210	436,850	510,060	21.3 %	
2024	88,890	524,210	613,100	20.2	88,890	524,210	613,100	20.2	

Source: Lake County Assessor's Office

Tax Forecast

Year	Assessed Value (Taxable Historical)					Forecast Rate of Value Change	Base Rate of Tax Burden Increase	Equalization Rate	Real Prop. Millage	School Millage Rate	Pers. Prop. Millage Rate	Tax Forecast
	Land	Improvements	School	Personal	Total							
Historical	-	\$433,170	\$0	\$0	\$433,170	—	—	1.00	14.00	0.00	14.00	\$6,064
2025/26	\$0	\$433,170	\$0	\$0	\$433,170	0.0 %	3.0 %	—	—	—	—	\$6,246
2026/27	0	433,170	0	0	433,170	0.0	3.0	—	—	—	—	6,434
2027/28	0	433,170	0	0	433,170	0.0	3.0	—	—	—	—	6,627
2028/29	0	433,170	0	0	433,170	0.0	3.0	—	—	—	—	6,826
2029/30	0	433,170	0	0	433,170	0.0	3.0	—	—	—	—	7,030

- We have forecast the insurance expense based on historical data available, our review of comparable data, and our experience in this industry.
- As illustrated, the operating statements show no additional fixed expenses; therefore, no fixed expenses have been forecast.
- Based upon the results of our analysis and on our review of the subject asset and comparable lodging facilities, as well as on our industry expertise, we estimate that a reserve for replacement of 4.0% of total revenues is sufficient to provide for the timely and periodic replacement of the subject property's furniture, fixtures, and equipment.

The following table illustrates the historical statement of revenue and expense and the first several projection years, including amounts per available room (PAR) and per occupied room (POR). The next table illustrates our ten-year forecast of income and expense. U.S. Hotel Appraisals uses a fixed and variable component model to project a lodging facility's revenue and expense levels. This model is based on the premise that hotel revenues and expenses have one component that is fixed and another that varies directly with occupancy and facility usage. A projection can be made by taking a known level of revenue or expense and calculating its fixed and variable components. The fixed component is then increased in tandem with the underlying rate of inflation, while the variable component is adjusted for a specific measure of volume, such as total revenue.

Historical Statement and Detailed Forecast of Income and Expense

	2025/26				2026/27				Stabilized				2028/29				2029/30			
Number of Rooms:	25				25				25				25				25			
Occupancy (Paid Rooms):	44%				49%				51%				51%				51%			
Average Rate:	\$153.23				\$156.30				\$160.34				\$165.15				\$170.10			
RevPAR:	\$67.42				\$76.59				\$81.77				\$84.23				\$86.75			
Days Open:	365				365				365				365				365			
Occupied Rooms (Paid):	4,015	%Gross	PAR	POR	4,471	%Gross	PAR	POR	4,654	%Gross	PAR	POR	4,654	%Gross	PAR	POR	4,654	%Gross	PAR	POR
OPERATING REVENUE																				
Rooms	\$615	58.1 %	\$24,609	\$153.23	\$699	58.2 %	\$27,954	\$156.30	\$746	58.2 %	\$29,847	\$160.34	\$769	58.2 %	\$30,742	\$165.15	\$792	58.2 %	\$31,664	\$170.10
Food & Beverage	434	41.0	17,375	108.19	492	41.0	19,669	109.97	525	41.0	20,989	112.76	540	41.0	21,619	116.14	557	41.0	22,268	119.62
Other Operated Departments	6	0.6	256	1.60	7	0.6	279	1.56	7	0.6	293	1.57	8	0.6	302	1.62	8	0.6	311	1.67
Miscellaneous Income	3	0.2	102	0.64	3	0.2	111	0.62	3	0.2	117	0.63	3	0.2	121	0.65	3	0.2	124	0.67
Total Operating Revenues	1,059	100.0	42,343	263.65	1,200	100.0	48,013	268.45	1,281	100.0	51,247	275.30	1,320	100.0	52,784	283.56	1,359	100.0	54,367	292.06
DEPARTMENTAL EXPENSES *																				
Rooms	166	27.0	6,638	41.33	183	26.1	7,305	40.84	193	25.9	7,716	41.45	199	25.9	7,948	42.70	205	25.9	8,186	43.98
Food & Beverage	382	87.9	15,265	95.05	417	84.8	16,680	93.26	439	83.7	17,575	94.41	453	83.7	18,102	97.25	466	83.7	18,646	100.16
Other Operated Departments	3	40.4	103	0.64	3	39.0	109	0.61	3	38.5	113	0.61	3	38.5	116	0.62	3	38.5	120	0.64
Total	550	52.0	22,006	137.03	602	50.2	24,094	134.71	635	49.6	25,404	136.47	654	49.6	26,166	140.57	674	49.6	26,951	144.78
DEPARTMENTAL INCOME	508	48.0	20,336	126.63	598	49.8	23,919	133.74	646	50.4	25,842	138.82	665	50.4	26,618	142.99	685	50.4	27,416	147.28
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	98	9.3	3,939	24.53	106	8.8	4,226	23.63	111	8.6	4,421	23.75	114	8.6	4,554	24.46	117	8.6	4,691	25.20
Info. and Telecom. Systems	17	1.6	668	4.16	18	1.5	716	4.00	19	1.5	749	4.03	19	1.5	772	4.15	20	1.5	795	4.27
Marketing	33	3.2	1,335	8.31	36	3.0	1,433	8.01	37	2.9	1,499	8.05	39	2.9	1,544	8.29	40	2.9	1,590	8.54
Prop. Operations & Maintenance	30	2.8	1,202	7.48	32	2.7	1,289	7.21	34	2.6	1,349	7.25	35	2.6	1,389	7.46	36	2.6	1,431	7.69
Utilities	25	2.4	1,002	6.24	27	2.2	1,074	6.01	28	2.2	1,124	6.04	29	2.2	1,158	6.22	30	2.2	1,193	6.41
Total	204	19.3	8,146	50.72	218	18.2	8,738	48.86	229	17.8	9,142	49.11	235	17.8	9,417	50.59	242	17.8	9,699	52.10
GROSS OPERATING PROFIT	305	28.7	12,191	75.91	380	31.6	15,181	84.88	417	32.6	16,700	89.71	430	32.6	17,201	92.40	443	32.6	17,717	95.17
Management Fee	0	0.0	0	0.00	0	0.0	0	0.00	0	0.0	0	0.00	0	0.0	0	0.00	0	0.0	0	0.00
INCOME BEFORE NON-OPER. INC. & EXP.	305	28.7	12,191	75.91	380	31.6	15,181	84.88	417	32.6	16,700	89.71	430	32.6	17,201	92.40	443	32.6	17,717	95.17
NON-OPERATING INCOME AND EXPENSE																				
Property Taxes	6	0.6	250	1.56	6	0.5	257	1.44	7	0.5	265	1.42	7	0.5	273	1.47	7	0.5	281	1.51
Insurance	13	1.2	524	3.26	13	1.1	540	3.02	14	1.1	556	2.99	14	1.1	573	3.08	15	1.1	590	3.17
Total	19	1.8	774	4.82	20	1.6	797	4.46	21	1.6	821	4.41	21	1.6	846	4.54	22	1.6	871	4.68
EBITDA	285	26.9	11,417	71.09	360	30.0	14,384	80.42	397	31.0	15,879	85.30	409	31.0	16,355	87.86	421	31.0	16,846	90.50
Reserve for Replacement	42	4.0	1,694	10.55	48	4.0	1,921	10.74	51	4.0	2,050	11.01	53	4.0	2,111	11.34	54	4.0	2,175	11.68
EBITDA LESS RESERVE	\$243	22.9 %	\$9,723	\$60.54	\$312	26.0 %	\$12,463	\$69.69	\$346	27.0 %	\$13,829	\$74.29	\$356	27.0 %	\$14,244	\$76.52	\$367	27.0 %	\$14,671	\$78.81

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

NOI adjusted to reflect a

0.0% mgmt fee and a 4.0% reserve

Ten-Year Forecast of Revenue and Expense

	2025/26		2026/27		2027/28		2028/29		2029/30		2030/31		2031/32		2032/33		2033/34		2034/35	
Number of Rooms:	25		25		25		25		25		25		25		25		25		25	
Occupied Rooms:	4,015		4,471		4,654		4,654		4,654		4,654		4,654		4,654		4,654		4,654	
Occupancy:	44%		49%		51%		51%		51%		51%		51%		51%		51%		51%	
Average Rate:	\$153.23	% of	\$156.30	% of	\$160.34	% of	\$165.15	% of	\$170.10	% of	\$175.21	% of	\$180.46	% of	\$185.88	% of	\$191.45	% of	\$197.20	% of
RevPAR:	\$67.42	Gross	\$76.59	Gross	\$81.77	Gross	\$84.23	Gross	\$86.75	Gross	\$89.35	Gross	\$92.04	Gross	\$94.80	Gross	\$97.64	Gross	\$100.57	Gross
OPERATING REVENUE																				
Rooms	\$615	58.1 %	\$699	58.2 %	\$746	58.2 %	\$769	58.2 %	\$792	58.2 %	\$815	58.2 %	\$840	58.2 %	\$865	58.2 %	\$891	58.2 %	\$918	58.2 %
Food & Beverage	434	41.0	492	41.0	525	41.0	540	41.0	557	41.0	573	41.0	591	41.0	608	41.0	627	41.0	645	41.0
Other Operated Departments	6	0.6	7	0.6	7	0.6	8	0.6	8	0.6	8	0.6	8	0.6	8	0.6	9	0.6	9	0.6
Miscellaneous Income	3	0.2	3	0.2	3	0.2	3	0.2	3	0.2	3	0.2	3	0.2	3	0.2	3	0.2	4	0.2
Total Operating Revenue	1,059	100.0	1,200	100.0	1,281	100.0	1,320	100.0	1,359	100.0	1,400	100.0	1,442	100.0	1,485	100.0	1,530	100.0	1,576	100.0
DEPARTMENTAL EXPENSES*																				
Rooms	166	27.0	183	26.1	193	25.9	199	25.9	205	25.9	211	25.9	217	25.9	224	25.9	230	25.9	237	25.9
Food & Beverage	382	87.9	417	84.8	439	83.7	453	83.7	466	83.7	480	83.7	495	83.7	509	83.7	525	83.7	540	83.7
Other Operated Departments	3	40.4	3	39.0	3	38.5	3	38.5	3	38.5	3	38.5	3	38.5	3	38.5	3	38.5	3	38.5
Total	550	52.0	602	50.2	635	49.6	654	49.6	674	49.6	694	49.6	715	49.6	736	49.6	758	49.6	781	49.6
DEPARTMENTAL INCOME																				
	508	48.0	598	49.8	646	50.4	665	50.4	685	50.4	706	50.4	727	50.4	749	50.4	771	50.4	795	50.4
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	98	9.3	106	8.8	111	8.6	114	8.6	117	8.6	121	8.6	124	8.6	128	8.6	132	8.6	136	8.6
Info. and Telecom. Systems	17	1.6	18	1.5	19	1.5	19	1.5	20	1.5	20	1.5	21	1.5	22	1.5	22	1.5	23	1.5
Marketing	33	3.2	36	3.0	37	2.9	39	2.9	40	2.9	41	2.9	42	2.9	43	2.9	45	2.9	46	2.9
Prop. Operations & Maintenance	30	2.8	32	2.7	34	2.6	35	2.6	36	2.6	37	2.6	38	2.6	39	2.6	40	2.6	41	2.6
Utilities	25	2.4	27	2.2	28	2.2	29	2.2	30	2.2	31	2.2	32	2.2	33	2.2	34	2.2	35	2.2
Total	204	19.3	218	18.2	229	17.8	235	17.8	242	17.8	250	17.8	257	17.8	265	17.8	273	17.8	281	17.8
GROSS OPERATING PROFIT																				
	305	28.7	380	31.6	417	32.6	430	32.6	443	32.6	456	32.6	470	32.6	484	32.6	499	32.6	513	32.6
INCOME BEFORE NON-OPER. INC. & EXP.																				
	305	28.7	380	31.6	417	32.6	430	32.6	443	32.6	456	32.6	470	32.6	484	32.6	499	32.6	513	32.6
NON-OPERATING INCOME AND EXPENSE																				
Property Taxes	6	0.6	6	0.5	7	0.5	7	0.5	7	0.5	7	0.5	7	0.5	8	0.5	8	0.5	8	0.5
Insurance	13	1.2	13	1.1	14	1.1	14	1.1	15	1.1	15	1.1	16	1.1	16	1.1	17	1.1	17	1.1
Total	19	1.8	20	1.6	21	1.6	21	1.6	22	1.6	22	1.6	23	1.6	24	1.6	25	1.6	25	1.6
EBITDA																				
	285	26.9	360	30.0	397	31.0	409	31.0	421	31.0	434	31.0	447	31.0	460	31.0	474	31.0	488	31.0
Reserve for Replacement	42	4.0	48	4.0	51	4.0	53	4.0	54	4.0	56	4.0	58	4.0	59	4.0	61	4.0	63	4.0
EBITDA LESS RESERVE																				
	\$243	22.9 %	\$312	26.0 %	\$346	27.0 %	\$356	27.0 %	\$367	27.0 %	\$378	27.0 %	\$389	27.0 %	\$401	27.0 %	\$413	27.0 %	\$425	27.0 %

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

Ten-Year Discounted Cash Flow

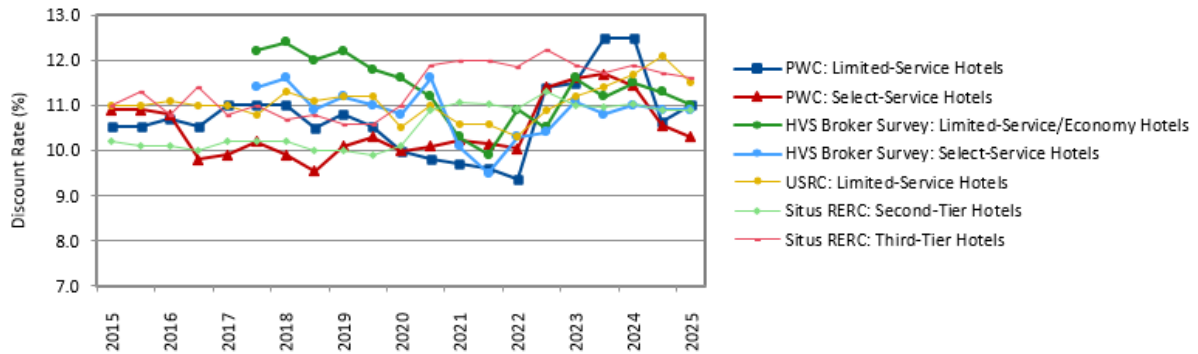
The subject property has been valued via a discounted cash flow (DCF) analysis, which applies a discount factor to forecast revenues over a ten-year period, inclusive of a reversion of the hotel at the end of the holding period. We have reviewed several recent investor surveys, including the *HVS Broker Survey*, *PWC Real Estate Investor Survey*, *Situs RERC Real Estate Report*, and *USRC Hotel Investment Survey*. The following table summarizes the range of discount and terminal capitalization rates indicated by the investor surveys for hotels similar in class to the subject property. The averages for each survey are listed directly underneath the ranges.

Results of Recent Investment Surveys – Discount Rates and Terminal Capitalization Rates for Hotels

Source	Discount Rate Average	Terminal Cap. Rate Average
HVS Hotel Brokers Survey Select-Service Hotels Spring 2025	8.5% – 13.5% 10.9%	6.0% – 11.5% 8.6%
PWC Real Estate Investor Survey Select-Service Hotels 2nd Quarter 2025	10.0% – 12.0% 11.0%	8.0% – 11.0% 9.6%
HVS Hotel Brokers Survey Limited-Service Hotels Spring 2025	8.5% – 12.5% 11.0%	6.0% – 12.0% 8.8%
PWC Real Estate Investor Survey Limited-Service & Economy Hotels 2nd Quarter 2025	9.5% – 13.0% 11.4%	8.5% – 10.0% 9.3%
Situs RERC Real Estate Report Second-Tier Hotels 2nd Quarter 2025	9.8% – 13.0% 10.9%	8.8% – 11.5% 9.9%
Situs RERC Real Estate Report Third-Tier Hotels 2nd Quarter 2025	10.5% – 14.0% 11.6%	9.0% – 12.5% 10.6%
USRC Hotel Investment Survey Limited-Service Hotels - Mid-Year 2025	10.4% – 13.0% 11.4%	8.5% – 10.5% 9.2%

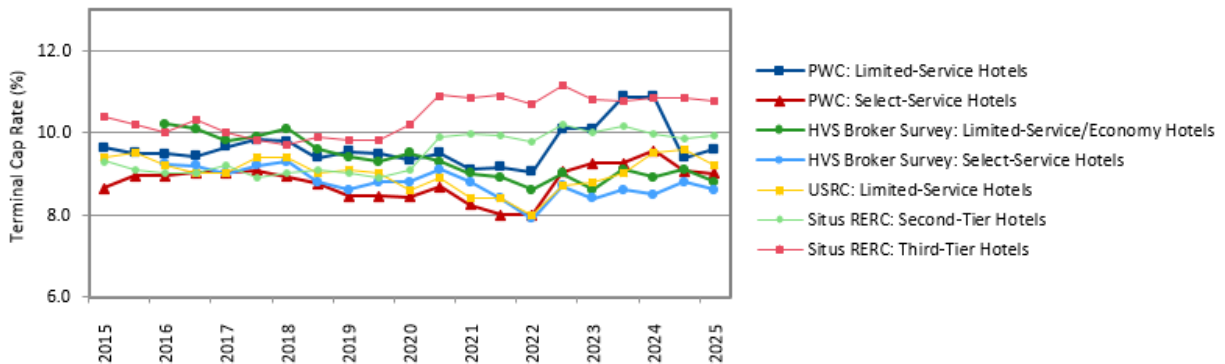
The following chart summarizes the averages presented for discount rates in various investor surveys during the past decade.

Historical Trend of Hotel Discount Rates



The following chart summarizes the averages presented for terminal capitalization rates in various investor surveys during the past decade.

Historical Trend of Hotel Terminal Capitalization Rates



These selected rates were utilized in our DCF analysis, which is presented in the following table.

DCF Analysis

Year	EBITDA Less Reserves	Discount Factor @ 13.00%	Discounted Cash Flow
2025/26	\$243,000	0.88496	\$215,000
2026/27	312,000	0.78315	244,000
2027/28	346,000	0.69305	240,000
2028/29	356,000	0.61332	218,000
2029/30	367,000	0.54276	199,000
2030/31	378,000	0.48032	182,000
2031/32	389,000	0.42506	165,000
2032/33	401,000	0.37616	151,000
2033/34	413,000	0.33288	137,000
2034/35	3,929,000 *	0.29459	1,157,000
Estimated Market Value, Prior to Deduct Capital Deduction (If Applicable)			\$2,909,000 0
Estimated Market Value, After Deduct			\$2,909,000
Rounded To			\$2,900,000
Per Room			\$116,000

Reversion Analysis

11th Year's EBITDA Less Reserves **	\$438,000
Capitalization Rate	12.00%
<hr/>	
Total Sales Proceeds	\$3,650,000
Less: Transaction Costs @ 4.0%	146,000
<hr/>	
Net Sales Proceeds	\$3,504,000

* 10th year net income of \$425,201 plus sales proceeds of \$3,504,000

** 11th year's EBITDA less reserves equals 10th year's net income x 3.0% inflation.

Direct Capitalization

We have estimated the value of the subject property via a direct capitalization method. We reviewed the national cap-rate surveys and actual sales data to determine an appropriate range of cap rates for the subject property. Our selected capitalization rate reflects its select-service profile with full-service restaurant; its age, recent comprehensive renovations, rural location, and unique amenities; and its likely desirability by investors in this marketplace.

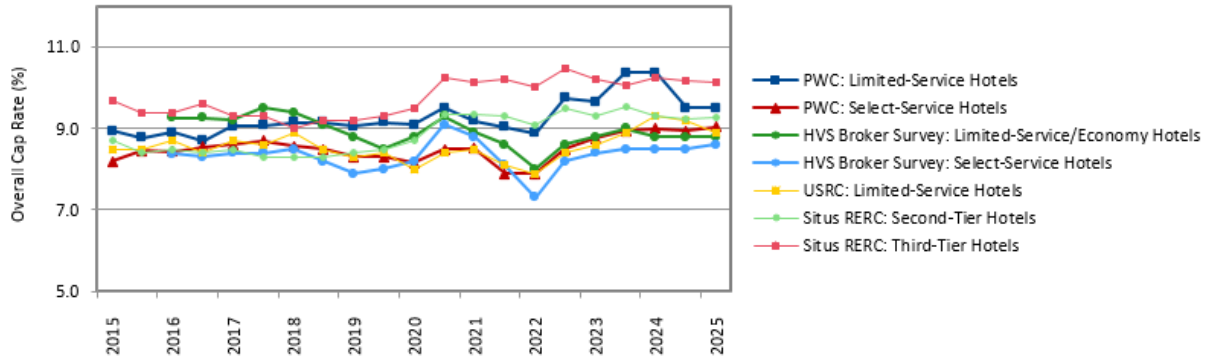
We have reviewed several recent investor surveys, including the *HVS Broker Survey*, *PWC Real Estate Investor Survey*, *Situs RERC Real Estate Report*, and *USRC Hotel Investment Survey*. The following table summarizes the range of overall capitalization rates indicated by the hotel sales and the investor surveys for hotels similar in class and in profile to the subject property. The averages for each survey are listed directly underneath the ranges.

Results of Recent Investment Surveys – Capitalization Rates for Hotels

Source	Overall Cap Rate Average
HVS Hotel Brokers Survey Select-Service Hotels Spring 2025	5.5% – 10.5% 8.4%
PWC Real Estate Investor Survey Select-Service Hotels 2nd Quarter 2025	8.5% – 11.0% 9.8%
HVS Hotel Brokers Survey Limited-Service Hotels Spring 2025	5.5% – 12.0% 8.8%
PWC Real Estate Investor Survey Limited-Service & Economy Hotels 2nd Quarter 2025	8.0% – 11.0% 9.4%
Situs RERC Real Estate Report Second-Tier Hotels 2nd Quarter 2025	8.3% – 11.0% 9.2%
Situs RERC Real Estate Report Third-Tier Hotels 2nd Quarter 2025	8.5% – 12.0% 10.0%
USRC Hotel Investment Survey Limited-Service Hotels - Mid-Year 2025	8.5% – 10.0% 8.9%

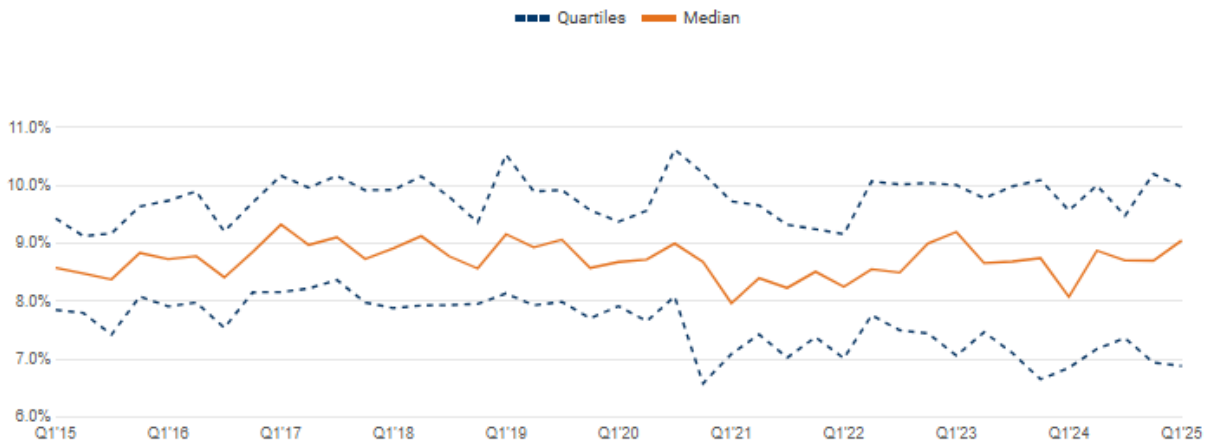
The following chart summarizes the averages presented for overall capitalization rates in the various investor surveys during the past decade.

Historical Trend of Overall Capitalization Rates



The following graph illustrates the cap-rate data by quartile for limited-service transactions, as published by Real Capital Analytics (RCA).

Historical Trend of Overall Capitalization Rates – Actual Sales '15 – '25 Q1 (Real Capital Analytics)



U.S. HOTEL APPRAISALS
NEON COWBOY ROADHOUSE + HOT SPRINGS - LAKEVIEW, OREGON

We have also reviewed capitalization rates from our extensive hotel transactions database. A selection of these transactions is illustrated in the following table.

Capitalization Rate Data

Property	Location	Year Open	Date of Sale	Sale Price	Number of Rooms	Price Per Room	Cap Rate
Sundowner Inn	Forsyth, MT	1973	Apr-25	\$1,500,000	40	\$37,500	13.1 %
USA Motel Pueblo	Pueblo, CO	1966	Dec-24	1,950,000	23	84,783	11.9
Best Western Plus Weatherford	Weatherford, OK	1959	Sep-24	3,990,000	63	63,333	6.5
Clarion Pointe Winslow I-40	Winslow, AZ	1985	Jul-24	4,793,281	72	66,573	7.5
Econo Lodge Panguitch	Panguitch, UT	1963	May-24	2,730,000	40	68,250	11.1
Red Arrow Inn & Suites	Montrose, CO	1971	Apr-24	2,700,000	59	45,763	10.2
Super 8 by Wyndham Albany	Albany, OR	1979	Mar-24	6,550,000	72	90,972	10.5
Travelodge Hemet	Hemet, CA	1978	May-23	8,000,000	74	108,108	7.6
Big Horn Lodge Grand Lake	Grand Lake, CO	1985	Apr-23	1,850,000	21	88,095	7.0
Landmark Lookout Lodge Tombstone	Tombstone, AZ	1964	Jan-23	2,000,000	40	50,000	15.2
Average							10.1 %

Based on the capitalization rates indicated in the investor surveys, recent sales data, and our review of the subject property and its market, we have selected an overall rate, as presented in the following table. Specific market factors considered in positioning this rate include the subject property's product quality, extent of facilities, and location.

Opinion of Market Value – Direct Capitalization Method

2026/27 Deflated Stabilized EBITDA	\$346,000
÷ Deflation Factor	1.08
2027/28 Deflated Stabilized EBITDA	\$320,000
÷ Capitalization Rate	11.00 %
Estimated Value, Prior to Deduct Capital Deduction (If Applicable)	2,909,091 0
Estimated Value, After Deduct	\$2,909,091
(Rounded)	\$2,900,000
Per Room	\$116,000

Rooms Revenue Multiplier

A benchmark method for converting the subject property's revenue into an indication of value is to multiply the property's adjusted base-year rooms revenue by a rooms revenue multiplier (RRM). The RRM is a common measure of sales transactions in the limited-service sector and is often used in lieu of capitalization rates. Given the widely different operating profiles that characterize the owner-operators that constitute the market for these assets, operating efficiencies and net income levels can vary significantly. Consequently, the market typically employs a standard of measurement that is tied to the location, facilities, and market conditions of the assets, rather than profitability; the RRM fits these criteria. RRMs are derived from sales by dividing the indicated sales price by its rooms revenue.

In today's market, newer limited-service, select-service, and extended-stay hotels that do not suffer from significant obsolescence, are largely in compliance with brand standards, and have a long runway with their current brand are typically trading at RRMs from 3.5 to 5.0, with 4.5 to 6.0 being more prevalent in neighborhoods with limited risk of new supply. Hotels with significant risk of new supply, a major capital expenditure pending, and/or a possible brand downgrade will tend to see RRMs below 3.5. Although the metric is a somewhat crude instrument for determining value, it can be particularly useful for properties that are owner-operated with atypical accounting methods or expense histories.

The following graphic illustrates the results from a recent survey completed by HVS (Spring 2025 Survey, April) that was completed by 40 U.S. brokers or brokerage firms and reflects the respondents' views of the current trends in RRMs. The data are reported for limited-service and extended-stay hotels.



Source: HVS

For comparison purposes, averages from the prior survey are shown in the tables below. For the survey, HVS also inquires about multipliers for select-service hotels, as illustrated below.

Rooms Revenue Multiplier (RRM), Limited Service & Extended Stay	
Minimum	3.0
<i>Prior Survey (Spring '24)</i>	3.0
Maximum	6.0
<i>Prior Survey (Spring '24)</i>	5.0
Median	4.0
<i>Prior Survey (Spring '24)</i>	4.0
Average	3.9
<i>Prior Survey (Spring '24)</i>	3.9

Rooms Revenue Multiplier (RRM), Select Service	
Minimum	2.8
<i>Prior Survey (Spring '24)</i>	3.0
Maximum	6.0
<i>Prior Survey (Spring '24)</i>	5.0
Median	4.0
<i>Prior Survey (Spring '24)</i>	4.0
Average	3.9
<i>Prior Survey (Spring '24)</i>	4.0

Source: HVS

The following table illustrates recent RRM's from geographically relevant transactions.

Rooms Revenue Multipliers							
Property	Location	Year Open	Room Count	Date of Sale	Sale Price	Price Per Room	GRRM
USA Motel Pueblo	Pueblo, CO	1966	23	Dec-24	\$ 1,950,000	\$84,783	4.8
Best Western University Inn	Fort Collins, CO	1961	70	Oct-24	10,000,000	142,857	4.9
Super 8 by Wyndham Albany	Albany, OR	1979	72	Mar-24	6,550,000	90,972	3.8
Astro Motel	San Bernardino, CA	1968	31	Dec-23	4,070,000	131,290	6.1
Wenatchee Inn	Wenatchee, WA	1993	65	Oct-23	6,450,000	99,231	4.0
Travelodge Hemet	Hemet, CA	1978	74	May-23	8,000,000	108,108	4.8
Big Horn Lodge Grand Lake	Grand Lake, CO	1985	21	Apr-23	1,850,000	88,095	5.7
Best Western Mission Inn	Las Cruces, NM	1957	68	Mar-23	4,650,000	68,382	4.4
Big 7 Motel	Chula Vista, CA	1980	45	Feb-23	5,725,000	127,222	6.9
Baymont by Wyndham Durango	Durango, CO	1965	65	Jan-23	5,500,000	84,615	3.4
						Minimum	3.4
						Maximum	6.9
						Average	4.9

Based on our review of the survey data shown, our in-house research, and the same factors influencing our selection of overall rate, we have selected the most appropriate RRM for the subject property, as illustrated in the following table.

Estimate of Market Value – Rooms Revenue Multiplier	
12/27/28 Deflated Stabilized Rooms Revenue (Rounded)	\$691,000
x Multiplier	4.00
Estimated Value, Prior to Deduct Capital Deduction (If Applicable)	2,764,000
	0
Estimated Value, After Deduct	\$2,764,000
(Rounded)	\$2,800,000
Per Room	\$112,000

“As Is” Market Value Conclusion via Income Approach

The subject property was valued by two different income capitalization methodologies and an RRM approach as a check against value. Based upon our review of each method and its inherent strengths and weaknesses, as well as investor attitudes and methodologies, we estimate the “as is” market value indication via this approach as follows:

Opinion of Value – Income Capitalization Approach

Discounted Cash Flow:	\$2,900,000
Direct Capitalization:	2,900,000
Rooms Revenue Multiplier:	2,800,000
Income Capitalization Approach Value:	\$2,900,000
Per Room:	\$116,000

9. SALES COMPARISON

The sales comparison approach is based on the principle of substitution, which asserts that, when a property is replaceable, its value is limited to the cost of acquiring an equally desirable substitute (assuming that no costly delay is incurred in making substitution). Thus, the sales comparison approach can be used to determine an opinion of the market value of a property by comparing it to similar properties recently sold or being offered in the open market. Market value is indicated by the price at which equally desirable properties have sold or for which they can be purchased.

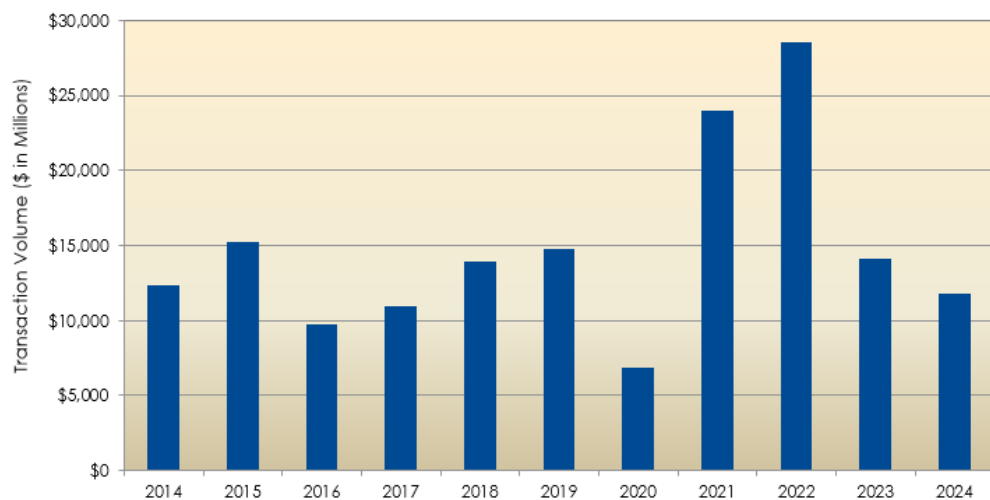
U.S. Lodging Market Overview

Prior to presenting the comparable hotel sales used in our analysis, it is important to give a brief synopsis of the hotel investment market during recent industry investment cycles. After the Great Recession of 2008 through 2010, limited-service hotel sales volume generally strengthened through 2016. A spike in 2015 was attributed to portfolio volume that year, and then volume moderated downward somewhat in 2016 and 2017, before strengthening in both 2018 and 2019. While 2020 started out strong, the onset of the COVID-19 pandemic brought the hotel transactions market to a standstill. Lenders cut off financing, and buyers retreated from the market to wait for the sector's recovery to come into clearer view.

As was evident by the economy and midscale sector performance illustrated earlier in this report, the lower-end of the hotel market quickly rebounded following the second-quarter 2020 lockdowns and travel restrictions. By early to mid-year 2021, trailing-twelve-month (TTM) statements supported this recovery, and individual asset transaction volume soared to record levels by the conclusion of that year. This momentum continued into 2022, bolstered in part by the widely available financing at low interest rates, with the individual asset transaction activity for the year improving modestly from the total from 2021. With the Fed beginning a quick succession of interest rate increases in 2022, and the expectation for a recession taking hold by early 2023 (coupled with high-profile bank failures early in the year), transaction volume retreated significantly in 2023 and remained muted in 2024. A rebound is widely anticipated in 2025 given the high levels of employment, stable interest rates, and availability of financing, as well as a narrowing of the buyer-seller pricing gap.

Annual
 Limited-
 Service
 Sales
 Trends

Source:
 RCA

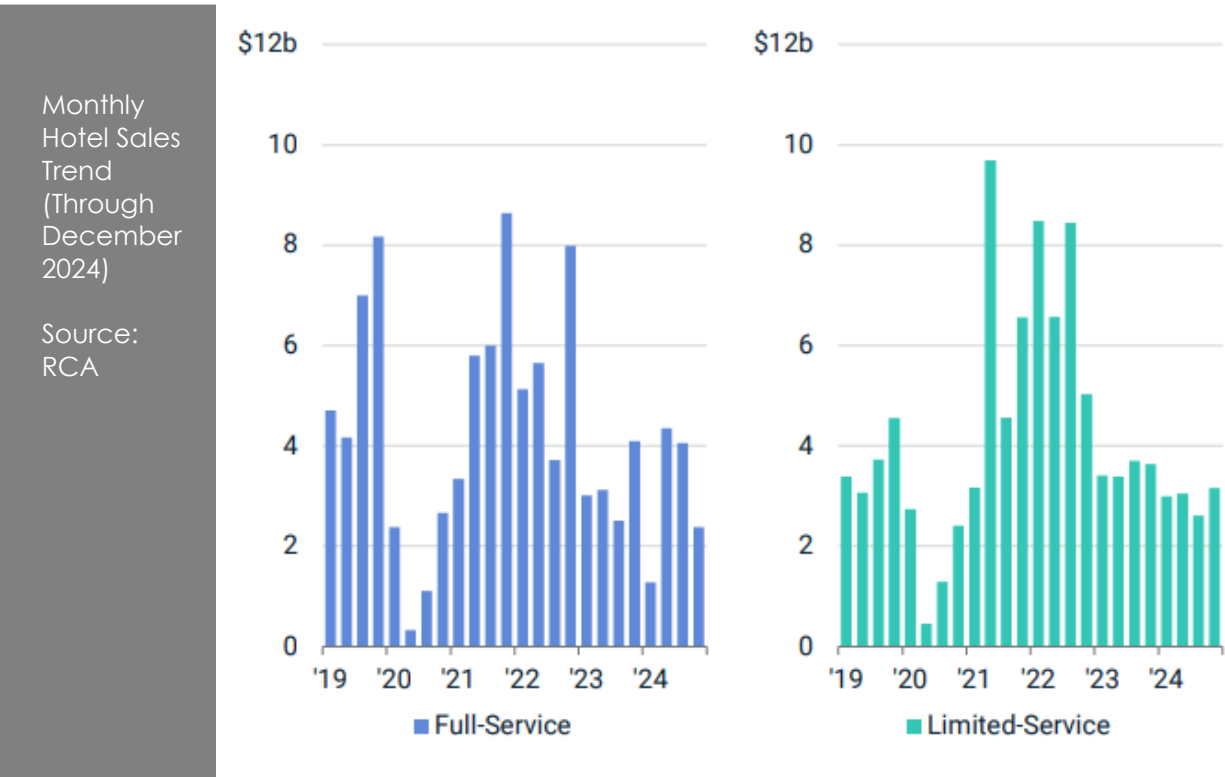


Source: Real Capital Analytics

Sales Volume, Price per Room, and Average Cap Rates – Limited-Service Hotels, Q1 2025

	Last Four Quarters	YOY Change	Q1 '25	YOY Change	Q2 '25 to Date & Pending
Volume (\$m)					
Individual Property Volume	\$10,450.7	-10.8%	\$2,226.1	-15.3%	\$355.1
Portfolio Volume	\$1,094.4	-41.7%	\$274.6	-7.4%	n/a
Total Volume	\$11,545.1	-15.1%	\$2,500.7	-14.5%	\$355.1
# Props	1,293	-12.3%	276	-19.5%	9
Units	117,326	-11.9%	25,214	-14.7%	1,065
Pricing					
Avg Price Per unit	\$98,402	-2.3%	\$101,520	1.0%	\$353,222
Avg Cap Rate	8.4%	4 bps	8.3%	24 bps	

The sales price for a limited-service hotel averaged roughly \$98,000 per room in 2024, down 2.5% from 2023. The average price per unit was recorded at \$96,000 (rounded) in Q4 2024, 2.4% lower than the amount recorded in Q4 2023. These downward trends reflect the impact of the higher cost of renovations on the transactions market, as well as the expense pressures on line items such as insurance, labor, and property taxes; thus, sellers are having to lower pricing expectations to meet the market. In 2024, the average cap rate was 8.3%, roughly one-quarter point lower than the 2023 level, similar to what was registered in Q4 2024.

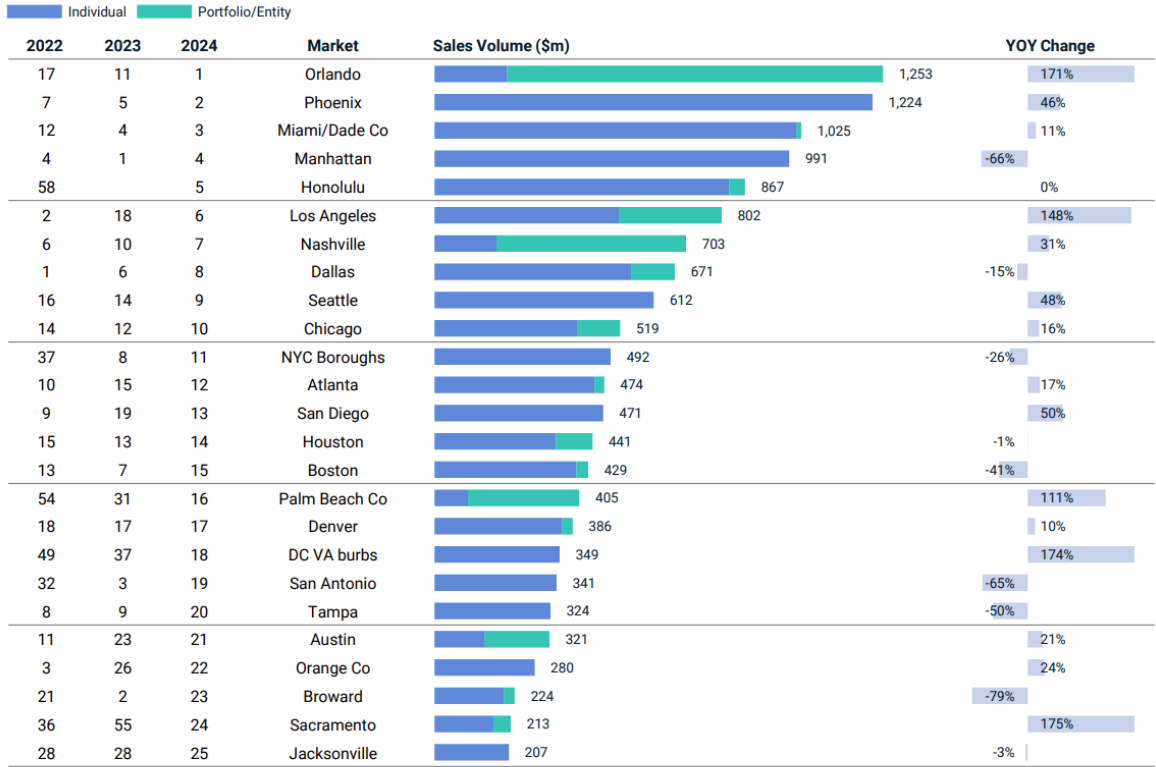


As illustrated in the prior chart, transaction activity of limited-service hotels reflects stable and a relatively muted level of sales for much of 2023 and 2024, as the high costs of renovations, a higher cost of debt (relative to that of 2021 and 2022), and rising operating costs affected the overall market. Stabilizing RevPARs also led to less-favorable outlooks for NOI improvements, which further dampened deal metrics. Inflation is now in the 2.0–3.0% range, albeit still above the Fed target of 2.0%, and interest-rate stability is expected for much of 2025. As of early 2025, the economic outlook is stronger than it was through much of 2024; however, some uncertainty now exists due to changes being implemented by the current administration. Accordingly, transaction volume is anticipated to strengthen over the course of 2025.

U.S. HOTEL APPRAISALS
NEON COWBOY ROADHOUSE + HOT SPRINGS - LAKEVIEW, OREGON

Most Active Hotel Markets

Source: RCA

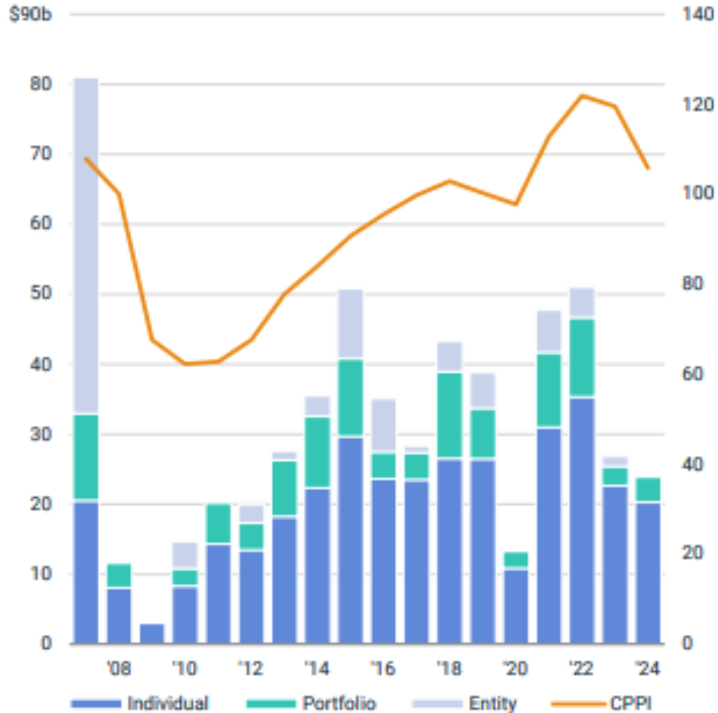


YOY change truncated at 150%.

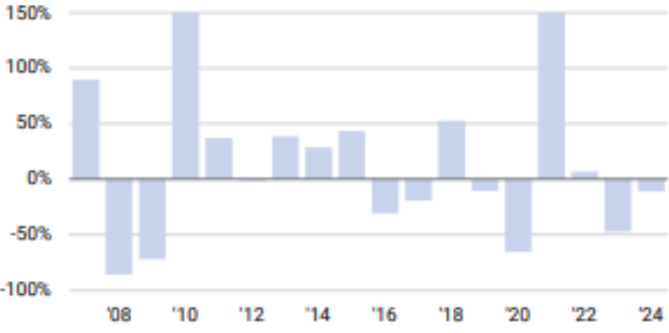
U.S. HOTEL APPRAISALS
 NEON COWBOY ROADHOUSE + HOT SPRINGS - LAKEVIEW, OREGON

Hotel Sector
 Transaction
 Volume and
 Pricing Change

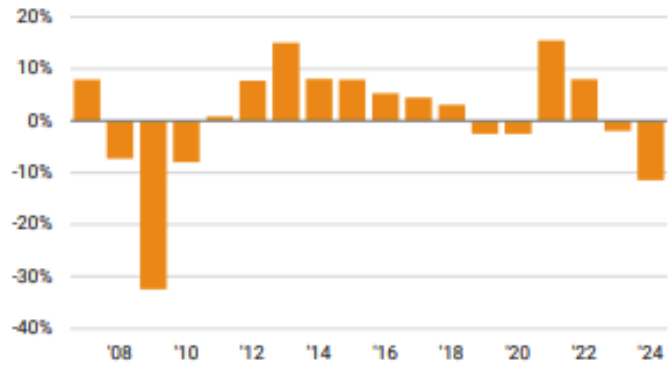
Source: RCA



Volume YOY Change



Pricing YOY Change



Volume change truncated at 150%.

Improved Comparable Sales

Our selection of comparable sales is based upon a comprehensive search for transactions of hotels that are similar to the subject property. We searched for sales of properties throughout the region and/or sales that reflect similarity in product type or branding. A selection of transactions that would be of interest to a buyer of this property is presented in the following table.

Property	Location	Sale Date	Price	Rooms	Price/Rm	Overall Cap	Year Opened
FairBridge Inn & Suites and Big Sky Conference Center Missoula	Missoula, MT	Jul-25	\$5,800,000	80	\$72,500	—	1984
Heritage Inn Great Falls	Great Falls, MT	May-25	12,000,000	230	52,174	—	1972
Sundowner Inn	Forsyth, MT	Apr-25	1,500,000	40	37,500	13.1%	1973
Studio 6 Suites Willcox	Willcox, AZ	Apr-25	2,800,000	91	30,769	—	1980
Belfair Motel	Belfair, WA	Mar-25	2,699,985	28	96,428	—	1988
Serena Inn & Suites Sundance	Sundance, WY	Mar-25	1,625,000	44	36,932	—	1966
Best Hotel War Bonnet Inn Miles City	Miles City, MT	Mar-25	3,200,000	53	60,377	—	1969
USA Motel Pueblo	Pueblo, CO	Dec-24	1,950,000	23	84,783	11.9%	1966
Best Western Plus Garden Court Inn Fremont	Fremont, CA	Nov-24	6,600,000	123	53,659	—	1974
Best Western University Inn	Fort Collins, CO	Oct-24	10,000,000	70	142,857	—	1961
Best Western Rancho Grande	Wickenburg, AZ	Sep-24	8,400,000	78	107,692	—	1948
Adventure Inn Durango	Durango, CO	Aug-24	2,450,000	25	98,000	—	1957
Grand Vista Hotel Bullhead City	Bullhead City, AZ	Aug-24	3,700,000	80	46,250	—	1987
Extend-a-Suites Mesa	Mesa, AZ	Jul-24	7,300,000	100	73,000	—	1979
Coronado Motor Hotel Yuma A Travelodge by Wyndham	Yuma, AZ	Jul-24	4,500,000	125	36,000	—	1938
Clarion Pointe Winslow I-40	Winslow, AZ	Jul-24	4,793,281	72	66,573	7.5%	1985
Best Western Graham's	Murdo, SD	Jun-24	2,300,000	45	51,111	—	1962
Econo Lodge Panguitch	Panguitch, UT	May-24	2,730,000	40	68,250	11.1%	1963
Red Arrow Inn & Suites	Montrose, CO	Apr-24	2,700,000	59	45,763	10.2%	1971
Bodega Coast Inn & Suites	Bodega Bay, CA	Apr-24	7,025,000	44	159,659	—	1987
Super 8 by Wyndham Albany	Albany, OR	Mar-24	6,550,000	72	90,972	10.5%	1979
Best Western Arcata Inn	Arcata, CA	Dec-23	7,500,000	62	120,968	—	1991
Astro Motel	San Bernardino, CA	Dec-23	4,070,000	31	131,290	—	1968
Best Western Country Inn Fortuna	Fortuna, CA	Dec-23	9,500,000	66	143,939	—	1993
Best Western Paint Pony Lodge	Show Low, AZ	Nov-23	4,090,000	50	81,800	4.8%	1976
Wenatchee Inn	Wenatchee, WA	Oct-23	6,450,000	65	99,231	4.2%	1993
Fresno City Inn Fresno	Fresno, CA	Sep-23	8,246,000	133	62,000	—	1965
Affordable Inns Glenwood Springs	Glenwood Springs, CO	Sep-23	4,875,000	60	81,250	—	1982
Travelodge by Wyndham Ogallala	Ogallala, NE	Sep-23	1,750,000	100	17,500	—	1965
G T Hotels Inn & Suites	Victorville, CA	Aug-23	13,000,000	204	63,725	—	1963
Wayside Motor Inn Monticello	Monticello, UT	Jul-23	1,175,000	37	31,757	—	1978
Sierra Inn	Sierra Vista, AZ	Jul-23	1,975,000	40	49,375	18.0%	1996
Traveler Inn Craig	Craig, CO	Jun-23	1,800,000	41	43,902	—	1980
Blue Jay Lodge	South Lake Tahoe, CA	Jun-23	7,500,000	41	182,927	—	1966
Ponderosa Inn	Gresham, OR	Jun-23	4,000,000	74	54,054	—	1985
Travelodge Hemet	Hemet, CA	May-23	8,000,000	74	108,108	7.6%	1978
Bella Vista Motel	Sierra Vista, AZ	May-23	1,200,000	40	30,000	—	1970
Wingate by Wyndham Mount Vernon	Mount Vernon, WA	May-23	8,600,000	120	71,667	—	1986
Mesa Verde Inn **CLOSED**	Cortez, CO	May-23	585,000	87	6,724	—	1965
Big Horn Lodge Grand Lake	Grand Lake, CO	Apr-23	1,850,000	21	88,095	7.0%	1985
SCP Mendocino Coast Lodge	Albion, CA	Mar-23	7,100,000	22	322,727	—	1981
Dalles Inn	The Dalles, OR	Mar-23	5,000,000	64	78,125	3.6%	1964
Best Western Mission Inn	Las Cruces, NM	Mar-23	4,650,000	68	68,382	3.1%	1957
Alder Inn	South Lake Tahoe, CA	Mar-23	4,000,000	24	166,667	—	1970
Big 7 Motel	Chula Vista, CA	Feb-23	5,725,000	45	127,222	6.3%	1980
Best Western Plus Loveland Inn	Loveland, CO	Feb-23	7,500,000	89	84,270	—	1973
Inn at San Luis Obispo	San Luis Obispo, CA	Jan-23	6,800,000	39	174,359	—	1962
Buck Springs Resort	Pinetop, AZ	Jan-23	4,050,000	24	168,750	—	1993
Baymont by Wyndham Durango	Durango, CO	Jan-23	5,500,000	65	84,615	—	1965
Landmark Lookout Lodge Tombstone	Tombstone, AZ	Jan-23	2,000,000	40	50,000	15.2%	1964

In review of the previous and other reviewed sales, we have chosen several primary transactions for further review and consideration in the development of an indication of value via this approach. When possible, we gave priority to transactions occurring in the same state or region as the subject property. We also considered factors such as operational and physical similarities to the subject property, including brand affiliation and revenue-generating aspects. We have primarily focused on transactions that occurred within the last two years because of changes in market conditions since that time. The following transactions, illustrated in the following map and tables, have been further reviewed and considered in the development of an indication of value via this approach.

Sale #1
Belfair Motel
Belfair, WA
28 Rooms



Transaction Data

Date of Sale:	March-25
Interest Conveyed:	Fee Simple
Buyer:	Michael T Yi
Seller:	Tai Kyoon Sohn
Sales Price:	\$2,699,985
Price per Room:	\$96,428
Rev PAR:	Not Available
Rooms Revenue Multiplier:	Not Available
Reported Capitalization Rate:	Not Disclosed
Source:	Real Capital Analytics

Property Data

Year Opened:	1988
Property Class:	Economy
Condition at Sale:	Fair
Type of Location:	Highway/Interstate

Sale #2
Adventure Inn Durango
Durango, CO
25 Rooms



Transaction Data

Date of Sale:	August-24
Interest Conveyed:	Fee Simple
Buyer:	J and C Ventures LLC
Seller:	NTPECK Investments LLC
Sales Price:	\$2,450,000
Price per Room:	\$98,000
Rev PAR:	Not Available
Rooms Revenue Multiplier:	Not Available
Reported Capitalization Rate:	Not Disclosed
Source:	La Plata County Assessor & CoStar

Property Data

Year Opened:	1957
Property Class:	Mid-Scale
Condition at Sale:	Good
Type of Location:	Downtown Core/CBD

Sale #3
Econo Lodge Panguitch
Panguitch, UT
40 Rooms



Transaction Data

Date of Sale:	May-24
Interest Conveyed:	Fee Simple
Buyer:	Not Disclosed
Seller:	Maa Bryce Canyon Hospitality LLC
Sales Price:	\$2,730,000
Price per Room:	\$68,250
Rev PAR:	Not Available
Rooms Revenue Multiplier:	Not Available
Reported Capitalization Rate:	11.1%
Source:	Real Capital Analytics

Property Data

Year Opened:	1963
Property Class:	Economy
Condition at Sale:	Fair
Type of Location:	Highway/Interstate

Sale #4
Buck Springs Resort
Pinetop, AZ
24 Rooms



Transaction Data

Date of Sale:	January-23
Interest Conveyed:	Fee Simple
Buyer:	Cale Genenbacher
Seller:	Buck Springs Resort LLC
Sales Price:	\$4,050,000
Price per Room:	\$168,750
Rev PAR:	Not Available
Rooms Revenue Multiplier:	Not Available
Reported Capitalization Rate:	Not Disclosed
Source:	Real Capital Analytics

Property Data

Year Opened:	1993
Property Class:	Economy
Condition at Sale:	Good
Type of Location:	Highway/Interstate

U.S. HOTEL APPRAISALS
NEON COWBOY ROADHOUSE + HOT SPRINGS - LAKEVIEW, OREGON

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

	<u>Sale #1</u>	<u>Sale #2</u>	<u>Sale #3</u>	<u>Sale #4</u>
	Belfair Motel, Belfair, WA	Adventure Inn Durango, Durango, CO	Econo Lodge Panguitch, Panguitch, UT	Buck Springs Resort, Pinetop, AZ
Elements of Comparison				
Sale Price	\$2,699,985	\$2,450,000	\$2,730,000	\$4,050,000
Number of Rooms	28	25	40	24
Price per Room	\$96,428	\$98,000	\$68,250	\$168,750
Year Open	1988	1957	1963	1993
Date of Sale	March-25	August-24	May-24	January-23
Adjustments for Transaction Characteristics (Per Room)				
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment	0.0 %	0.0 %	0.0 %	0.0 %
Adjusted Sales Price	96,428	98,000	68,250	168,750
Financing Terms	Cash Equivalent	Cash Equivalent	Cash Equivalent	Cash Equivalent
Adjustment	0.0 %	0.0 %	0.0 %	0.0 %
Adjusted Sales Price	96,428	98,000	68,250	168,750
Conditions of Sale	Normal	Normal	Normal	Normal
Adjustment	0.0 %	0.0 %	0.0 %	0.0 %
Adjusted Sales Price	96,428	98,000	68,250	168,750
Market Conditions	Similar	Similar	Similar	Inferior
Adjustment	0.0 %	0.0 %	0.0 %	5.0 %
Adjusted Sales Price	96,428	98,000	68,250	177,188
Adjustments for Property Characteristics				
Location/Market	Similar	Superior	Similar	Superior
Direction of Adjustment	=	--	=	--
Physical Condition/Facilities	Inferior	Similar	Inferior	Similar
Direction of Adjustment	+	=	+	=
Other Revenue Sources	Inferior	Inferior	Inferior	Inferior
Direction of Adjustment	+	+	+	+
Final Adjusted Unit Price	\$106,000	\$93,000	\$78,000	\$168,000

Transaction Characteristics

The purpose of this assignment is the valuation of the fee simple interest in the subject property. The "property rights conveyed" adjustment accounts for differences between the interests transferred for each of the comparable sales and that of the subject of the appraisal. The transaction price of a sale may be affected by the financing structure. When necessary, the financing terms adjustment converts extraordinary financing to market terms. The motivations of the buyer and/or seller may affect the price paid for a property. The "conditions of sale" adjustment reconciles any atypical aspects of the transaction, in conformance with the definition of market value.

Since the fall of 2023, the cost and availability of financing has improved somewhat from the period of peak interest rates and restricted financing that commenced in late 2022. Given this slight improvement, sales that occurred from late 2022 through late 2023 may reflect modestly weaker market conditions. In contrast, financing was readily available at relatively low interest rates throughout much of 2021 and 2022, supporting a somewhat stronger transaction market during that period of time.

Sale #4 received an adjustment for inferior market conditions given the higher interest rates at the time of sale. Otherwise, the comparable sales were transacted in terms that were similar to the subject property; thus, no other adjustments were made for differences in transaction characteristics.

Property Characteristics

Various qualitative factors are illustrated under the property characteristics heading. Generally speaking, these hotels are located in markets with similar demand attributes. If warranted, adjustments are applied to balance out inferior and/or superior attributes. Adjustments for location/market were applied to Sales #2 and #4 given these assets' locations in a larger market and a busier tourism area, respectively. Adjustments for physical condition/facilities were applied to Sales #1 and #3 given each asset's inferior condition level at the time of sale. Adjustments for other revenue sources were made to all comparative sales given the assets' lack of an onsite restaurant.

Conclusion

The following table illustrates our opinion of value via this approach.

Opinion of Value – Sales Comparison Approach		
Unadjusted Price per Room Range:	\$68,250 to	\$168,750
Adjusted Price per Room Range:	78,000 to	168,000
Indicated Value Range:	\$2,000,000	\$4,200,000
Concluded Value per Room:		\$110,000
Concluded Sales Comparison Approach Value:		\$2,800,000

10. COST APPROACH

The cost approach reflects a set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of, or replacement for, the existing structure; deducting accrued depreciation from the reproduction or replacement cost; and adding the estimated land value plus an entrepreneurial profit. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised.

Buyers of hotel real estate execute decisions based upon the earning potential of a property and typically gauge this after reviewing the hotel's financial statement and market conditions. A cost analysis and application of depreciation and obsolescence factors are not normally employed and thus bear minimal applicability to this appraisal engagement. In consideration of the lack of reliance on this analysis and the complexity of measuring the diverse sources of depreciation, the value of the subject property has not been estimated via the cost approach. However, an estimate of the personal property value has been developed for the purposes of allocating the opinion of value in the Reconciliation chapter.

Personal Property

The furniture, fixtures, and equipment (FF&E) are an integral part of a hotel, unlike other commercial buildings, and are necessary to operate the facilities and rent guestrooms. A hotel would not be able to generate any income attributable to the real property without furniture, fixtures, and equipment. Since a hotel's furniture, fixtures, and equipment are such integral components of its ability to generate income and are seldom removed from the property or sold separately, the value of the personal property component separate from the real property is not a particularly meaningful finding.

In accordance with the Uniform Standards of Professional Appraisal Practice (USPAP), we have delineated the market value of the subject hotel's personal property. The depreciation schedule, as illustrated in the following table, is used to estimate total depreciation of a hotel's furnishings.

Depreciation Schedule	Average	Percent
	Age	Depreciated
Source: US Hotel Appraisals	1	10 %
	2	20
	3	30
	4	40
	5	50
	6	60
	7	70
	8	80
	9	90
	10	99

Based on our review of hotel's FF&E replacement cost data provided by HVS Design, as well as the *HVS Development Cost Survey*, we have estimated the per-room replacement cost of the hotel's FF&E to equal \$15,000 per room. Because FF&E includes items permanently affixed to the property, we have applied a percentage to the FF&E estimate to arrive at an estimate of the personal property. For the subject property, we have estimated the per-room replacement cost of the personal property at \$11,250, for a total of \$281,250, which is 75% of the estimated cost of the hotel's FF&E. This ratio is within the typical range of 65% to 80% of the total FF&E cost for a select-service hotel such as the subject property. Assuming an average useful life of ten years and an effective age of two, the value of the personal property is approximately \$9,200 per room, or a total of \$230,000 (rounded). This is calculated using a straight-line depreciation schedule, which estimates total depreciation of a hotel's furnishings after two years at 20.0%.

11. RECONCILIATION

The reconciliation, which is the last step in the appraisal process, involves summarizing and correlating the data and procedures employed throughout the analysis. The relative significance, applicability, and defensibility of each estimated value are considered, and the greatest weight is given to that approach deemed most appropriate for the property being appraised. These "as is" market value estimates were derived:

Income Capitalization Approach:	\$2,900,000
Sales Comparison Approach:	2,800,000
Cost Approach:	Not Applicable

To form the basis for all three approaches, we analyzed the property itself and the economic, demographic, political, physical, and environmental factors that influence real estate values; analyzed the local market for hotel accommodations; examined the competitive environment; projected occupancy and average rate levels; and developed a forecast of income and expense that reflects anticipated income trends and cost components through a stabilized year of operation. Our nationwide experience indicates that the procedures used in estimating market value by the income capitalization approach are comparable to those employed by the hotel investors who constitute the marketplace. For this reason, we believe that the income capitalization approach produces the most supportable value estimate, and it is given the greatest weight in our final estimate of the subject property's market value.

The sales comparison approach uses actual sales of similar properties to provide an indication of the subject property's value. Although we have investigated a number of sales in an attempt to develop a range of value indications, several adjustments are necessary to render these sales prices applicable to the subject property. The adjustments, which tend to be subjective, diminish the reliability of the sales comparison approach; furthermore, typical hotel investors employ a sales comparison procedure only to establish broad value parameters. As discussed in the Cost Approach chapter, this approach was not employed in arriving at a market value estimate.

Careful consideration has been given to the strengths and weaknesses of the three approaches to value discussed above. In recognition of the purpose of this appraisal, we have given primary weight to the value indicated by the income capitalization approach.

Our opinion of the "as is" going-concern market value for the fee simple interest in the subject property, as of July 24, 2025, is

TWO MILLION NINE HUNDRED THOUSAND DOLLARS

\$2,900,000 (\$116,000 per room)

The estimate(s) of value include the land, the improvements, and the furniture, fixtures, and equipment. The "as is" going-concern market value represents an allocation of \$230,000 in personal property, \$2,670,000 in real property, and \$0 in intangible property.

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

12. ASSUMPTIONS & LIMITING CONDITIONS

1. This report is to be used in whole and not in part; furthermore, all statements of assumptions and limiting conditions apply to the entire report, including any additional forms or addenda items presented.
2. No responsibility is assumed for matters of a legal nature, nor do we render any opinion as to title, which is assumed to be marketable and free of any deed restrictions and easements. The property is valued as though free and clear unless otherwise stated.
3. We assume that there are no hidden or unapparent conditions of the sub-soil or structures, such as underground storage tanks, that would render the property more or less valuable. No responsibility is assumed for these conditions or for any engineering that may be required to discover them.
4. We have not considered the presence of potentially hazardous materials such as asbestos, urea-formaldehyde foam insulation, any form of toxic waste, polychlorinated biphenyls (PCBs), pesticides, mold, or lead-based paints. We are not qualified to detect hazardous substances and urge the client to retain an expert in this field if desired.
5. The Americans with Disabilities Act (ADA) became effective on January 26, 1992. We have conducted no specific compliance survey to determine whether the subject property has been designed in accordance with the various detailed requirements of the ADA. It is possible that the design does not conform to the requirements of the act, and such noncompliance could have an unfavorable effect on value. Because we have no direct evidence regarding this issue, our estimate of value does not consider possible noncompliance with the ADA.
6. We have made no survey of the property, and we assume no responsibility in connection with such matters. Sketches, photographs, maps, and other exhibits are included to assist the reader in visualizing the property. It is assumed that the use of the described real estate is within the boundaries of the property described and that there is no encroachment or trespass unless noted.
7. All information, financial operating statements, estimates, and opinions obtained from parties not employed by U.S. Hotel Appraisals, LLC are assumed to be true and correct. We can assume no liability resulting from misinformation.
8. Unless noted, we assume that there are no encroachments, zoning violations, or building violations encumbering the subject property.
9. The property is assumed to be in full compliance with all applicable federal, state, local, and private codes, laws, consents, licenses, and regulations (including the appropriate liquor license if applicable), and that all licenses, permits, certificates, franchises, and so forth can be freely renewed or transferred to a purchaser.
10. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless specified otherwise.
11. Transfer taxes are assessed in certain jurisdictions. In most cases, the payment of these taxes is determined between the seller and the buyer as a part of the negotiations (closing costs may also be negotiated). Thus, the sales price and other metrics indicated by the market data, such as capitalization and discount rates, reflect the impact of these factors. By considering market metrics, the influence of any transfer taxes or other closing costs has been incorporated in our estimate of market value.
12. None of this material may be reproduced in any form without our written permission, and the report cannot be disseminated to the public through advertising or other media.

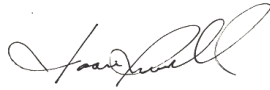
13. We are not required to give testimony or attendance in court by reason of this analysis without previous arrangements and shall do so only when our standard per-diem fees and travel costs have been paid prior to the appearance.
14. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material presented in this report, it is recommended that the reader contact us.
15. We take no responsibility for any events or circumstances that take place subsequent to either the date of value or the date of our field inspection, whichever occurs first.
16. The quality of a lodging facility's onsite management has a direct effect on a property's economic viability and value. The financial forecasts presented in this analysis assume responsible ownership and competent management. Any departure from this assumption may have a significant impact on the projected operating results and the value estimate.
17. The estimated operating results presented in this report are based upon an evaluation of the overall economy; these neither consider nor make provision for the effect of any sharp rise or decline in local or national economic conditions. To the extent that wages and other operating expenses may advance during the economic life of the property, we expect that the prices of rooms, food, beverages, and services will be adjusted to offset those advances. We do not warrant that the estimates will be attained, but they have been prepared based upon information obtained during the course of this study and are intended to reflect the expectations of a typical hotel buyer.
18. This analysis assumes continuation of all Internal Revenue Service tax code provisions as stated or interpreted on either the date of value or the date of our field inspection, whichever occurs first.
19. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity, most numbers have been rounded to the nearest tenth of a percent. Thus, these figures may be subject to small rounding errors.
20. It is agreed that our liability to the client is limited to the amount of the fee paid as liquidated damages. Our responsibility is limited to the client and use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in our engagement letter with the client.
21. Appraising hotels is both a science and an art. Although this analysis employs various mathematical calculations to provide value indications, the final estimate is subjective and may be influenced by our experience and other factors not specifically set forth in this report.
22. Any distribution of the total value between the land and improvements or between partial ownership interests applies only under the stated use. Moreover, separate allocations between components are not valid if this report is used in conjunction with any other analysis.
23. This study was prepared by U.S. Hotel Appraisals, and all opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of this company as employees, rather than as individuals.

13. CERTIFICATION

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

1. the statements of fact presented in this report are true and correct;
2. the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
3. we have no (or the specified) present or prospective interest in the property that is the subject of this report and no (or the specified) personal interest with respect to the parties involved;
4. Kasia M. Russell, MAI, has not performed services, as an appraiser or in any other capacity, on the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment;
5. we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
6. our engagement in this assignment was not contingent upon developing or reporting predetermined results;
7. 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;
8. our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice;
9. this assignment was completed on a desktop basis per the agreed upon scope of work by George Stathakes and Kasia M. Russell, MAI, with neither completing a personal inspection of the property;
10. George Stathakes provided significant real property appraisal assistance to Kasia M. Russell, MAI, and that no one other than those listed above and the undersigned prepared the analyses, conclusions, and opinions concerning the real estate that are set forth in this appraisal report; In addition to the inspection, George Stathakes participated in the research for this assignment and assisted in the report's preparation;
11. the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute;
12. the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives; and

13. as of the date of this report, Kasia M. Russell, MAI, has completed the continuing education program for Designated Members of the Appraisal Institute.



Kasia M. Russell, MAI, Executive Vice President, Development
krussell@ushotelappraisals.com, +1 (970) 227-7799
State Appraiser License (OR) C001068

ADDENDA

Item	Title
1	Glossary of Terms
2	Qualifications
3	Copy of Appraiser License(s)
4	Copy of Engagement Letter
5	Copy of Legal Description

GLOSSARY

Assessed Value: 1.) A value set on real estate and personal property by a government as a basis for levying taxes. 2.) The monetary amount for a property as officially entered on the assessment roll for purposes of computing the tax levy. Assessed values differ from the assessor's estimate of actual (market) value for three major reasons: fractional assessment ratios, partial exemptions, and decisions by assessing officials to override market value. The process of gathering and interpreting economic data to provide information that can be used by policymakers to formulate tax policy.

Average Daily Rate (ADR): A statistical unit that represents the total guest room revenue divided by the total number of occupied rooms.

Base Year: This is the historical year on which future projections are based. This could be a calendar year or a fiscal year.

Business Enterprise Value (BEV): A term applied to the concept of the value contribution of the total intangible assets of a continuing business enterprise, such as marketing and management skill, an assembled work force, working capital, trade names, franchises, patents, trademarks, contracts, leases, and operating agreements.

Capital Expenditure: Investments of cash or the creation of liability to acquire or improve an asset (e.g., land, buildings, building additions, site improvements, machinery, and equipment), as distinguished from cash outflows for expense items that are normally considered part of the current period's operations.

Capital Deduction: A deduction made from the value opinion in order to account for future capital expenditures. These expenditures, and hence the deduction, are assumed to be required in order to achieve the forecast results. The deduction is also considered in the positioning of the capitalization rate and other investment parameters.

Chain Scales: According to STR, hotel brands are categorized under the following chain scale segments: Luxury, Upper-Upscale, Upscale, Mid-Scale with Food and Beverage, Mid-Scale without Food and Beverage, and Economy. Chain scales are based primarily on the average rate achieved across a particular hotel brand.

Chronological Age: The number of years elapsed since an original structure was built; also known as "actual age" or "historical age."

Core Inflation Rate: CPI with food and energy prices (considered to be most volatile) omitted.

Departmental Expenses: The costs associated with the following departments: Rooms – Includes labor costs such as salaries, wages, and benefits for front desk, housekeeping, reservations, bell staff, and laundry employees. Other operating expenses in the rooms department include costs associated with the procurement and maintenance of linens, cleaning supplies, guest supplies, and employee uniforms; payment of central or franchise reservation fees, equipment leases, and travel agent commissions; and cost of providing a continental breakfast. Food and Beverage – A combination of food and beverage departmental expenses, which include the cost of goods, labor and related benefits, and other operating expenses. Labor costs include the employment of departmental management; cooks and kitchen personnel; and service, banquet, and bartending staff. Other food and beverage operating expenses include the procurement and maintenance of dishware, silverware, linens, restaurant and kitchen supplies, menus and printing, and special promotions. Telecommunications – Consists of all costs associated with the operation of a hotel's telephone department, including the cost of calls, the labor cost of the hotel's telephone operators, and other related expenses. It is important to note that the telecommunications expense excludes capital lease payments. Other Expenses - Comprises those expenses that offset the revenue generated by other hotel-operated (as opposed to leased) departments such as garage and parking, athletic facilities, gift shop, and equipment rental facilities.

Depreciation: 1.) In appraising, 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 improvement on the same date. 2.) In accounting, an allowance made against the loss in value of an asset for a defined purpose and computed using a specified method.

Developer's Incentive: A market-derived figure that represents the amount a developer expects to receive for his or her contribution to a project and risk.

Direct Construction Costs: 1.) Expenditures for the labor and materials used in the construction of improvements. Also called "hard costs." 2.) The labor, material, subcontractor, and heavy equipment costs directly incorporated into the construction of physical improvements.

Economic Life: The period over which improvements to real property contribute to property value.

Effective Age: Age attributed to a property on the basis of the amount of observed deterioration and obsolescence it has sustained; a property's effective age may be different from its chronological age.

Entrepreneurial Incentive: See "developer's incentive."

Equity Yield Rate: A rate of return on equity capital as distinguished from the rate of return on debt capital; the equity investor's internal rate of return. The equity yield rate considers the effect of debt financing on the cash flow to the equity investor.

Excess Land: With regard to an improved site, the land not needed to serve or support the existing improvement. With regard to a vacant site or a site considered as though vacant, the land not needed to accommodate the site's highest and best use. Such land may be separated from the larger site to have its own highest and best use, or it may allow for future expansion of the existing or anticipated improvement. See also: "surplus land."

Exposure Time: 1.) The period during which a property remains on the market. 2.) The estimated length of time 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; a retrospective estimate based on an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal. See also: "marketing period."

Extraordinary Assumption: An assumption, directly related to a specific assignment, which if found to be false could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. An extraordinary assumption may be used in an assignment only if: 1.) It is required to properly develop credible opinions and conclusions; 2.) The appraiser has a reasonable basis for the extraordinary assumption; 3.) Use of the extraordinary assumption results in a credible analysis; and 4.) The appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions.

Fair Share: That portion of total supply accounted for by the same property.

Fixed Charges/Expenses: Operating expenses that generally do not vary with occupancy and that prudent management will pay whether the property is occupied or vacant. Fixed charges include the following: Property Taxes – Typically include taxes on real estate, business and occupation, personal property, utilities, and other municipal taxes. Insurance – Cost of insuring the hotel building and its contents against fire and weather damage, as well as damage associated with equipment malfunction, such as sprinkler leakage. This expense includes all insurance except that for workers' compensation.

Full-Service Operation: A hotel operation that provides a more complete set of services than those offered at an extended-stay, select-service, or limited-service property. The services of a full-service operation may include room service, valet, concierge, transportation and tour services, entertainment facilities, barber shop, bellhop service, laundry service, free continental breakfast, restaurant and lounge, turn-down service, morning newspapers, fitness centers, and more extensive banquet and meeting space.

Going-Concern Value: 1.) The market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate. 2.) Tangible and intangible elements of value in a business enterprise resulting from factors such as having a trained work force, an operational plant, and the necessary licenses, systems, and procedures in place. 3.) The value of an operating business enterprise. Goodwill (an intangible asset category usually composed of elements such as franchise reputation, customer patronage, location, products, and similar factors) may be separately measured but is an integral component of going-concern value.

Hard Costs: See "direct costs."

Hypothetical Condition: Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property, such as market conditions or trends, or about the integrity of data used in an analysis. A hypothetical condition may be used in an assignment only if: 1.) Use of the hypothetical condition is required for legal purposes, purposes of meaning, or purposes of comparison; 2.) Use of the hypothetical condition results in a credible analysis; and 3.) The appraiser complies with the disclosure requirements set for in USPAP for hypothetical conditions.

Indirect Construction Costs: Expenditures or allowances for items other than labor and materials that are necessary for construction but are not typically part of the construction contract. Indirect costs may include administrative costs; professional fees; financing costs and the interest paid on construction loans; taxes and the builder's or developer's all-risk insurance during construction; and marketing, sales, and lease-up costs incurred to achieve occupancy or sale. Also called "soft costs."

Replacement Cost for Insurance Purposes: 1.) The value of an asset or asset group that is covered by an insurance policy. Replacement Cost can be estimated by deducting costs of non-insurable items (e.g., land value) from market value. 2.) Value used by insurance companies as the basis for insurance, which is often considered to be the replacement or reproduction cost plus allowances for debris removal or demolition less deterioration and non-insurable items; sometimes cash value or market value, but often entirely a cost concept.

Investment Value: The specific value of an investment to a particular investor or class of investors based on individual investment requirements; distinguished from market value, which is impersonal and detached. See also: "market value."

Limited-Service Operation: A hotel operation without a food and beverage department, which provides basic amenities at a reasonable price to guests.

Loan-to-Value Ratio (LTV): The ratio between a mortgage loan and the value of the property pledged as security, usually expressed as a percentage.

Market Share: That portion of a market's total demand accommodated by a given property.

Market Value: The concept of market value varies slightly between jurisdictions and is being continually refined. The following definition incorporates the most widely accepted components of market value: The most probable price, as of a specified date, in cash, in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale. A fair determination of market value assumes that the buyer and seller are acting prudently, knowledgeably, and for self-interest, and that neither is under undue duress.

Marketing Period: The time it takes an interest in real property to sell on the market subsequent to the effective date of an appraisal. This includes the anticipated time required to expose the property to a pool of prospective purchasers and to allow appropriate time for negotiation, the exercise of due diligence, and the consummation of a sale at a price supportable by concurrent market conditions. Marketing time differs from exposure time, which is always assumed to precede the effective date of an appraisal. See also: "exposure time."

Net Operating Income (NOI) or Earnings Before Interest, Taxes, Depreciation, and Amortization Less Replacement Reserve (EBITDA Less Replacement Reserve): The actual or anticipated net income that remains after all operating expenses are deducted from effective gross income, but before mortgage debt service and book depreciation are deducted; may be calculated before or after deducting replacement reserves. EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) is a term sometimes substituted for net operating income, particularly as a measure of the performance of Real Estate Investment Trusts (REITs) or under the 11th edition of the USALI.

Penetration Factor (by Segment): A rating factor that shows how well each property in the market area competes for a particular market segment, calculated by dividing a given hotel's market share by its fair share.

Per Available Room (PAR): A basis of comparison that is calculated by dividing a revenue or expense category's total dollar amount by the hotel's room count. This point of comparison is most useful when reviewing operating and fixed expense categories.

Per Occupied Room (POR): A basis of comparison that is calculated by dividing a revenue or expense category's total dollar amount by the number of occupied rooms in a given year. This point of comparison is most useful when reviewing revenue and departmental expense categories.

Property Improvement Plan (PIP): A brand-mandated plan of required renovations that enable a hotel to meet competitive standards and also contribute to the owner's ability to attain a new or renewed franchise agreement.

Replacement Cost: The estimated cost to construct a building with utility equivalent to the building being appraised. Replacement cost assumes current prices as of the effective appraisal date and the use of modern materials and current standards, design, and layout.

RevPAR (Revenue per Available Room): A unit of comparison applied in the appraisal of lodging facilities; RevPAR is calculated by multiplying a property's percentage of occupancy by its average room rate. RevPAR is used throughout the lodging industry to compare the revenue of competing facilities.

Renegotiable Rate Mortgage (RRM): An alternative mortgage loan in which the interest rate is renegotiated periodically. The loan may be either a long-term loan with periodic interest rate adjustments, or a short-term loan that is renewed periodically at new interest rates but based on a long-term mortgage.

Select-Service Operation: A hotel operation designed to answer the market demand for a level of service and amenities beyond the limited-service segment, but less than the full-service hotel segment; select-service properties offer a limited degree of food and beverage options and typically fall within middle to upper-middle tiers within their respective markets.

Site Improvements: Improvements to a site that make it suitable for its intended use or development. Site improvements include, but are not limited to, sidewalks, parking lots, freestanding signage, and landscaping.

Soft Costs: See "indirect costs."

Stability: A stage in a market area's life cycle in which the market area experiences equilibrium without marked gains or losses.

Stabilized Expense: A projected expense that is subject to change, but has been adjusted to reflect an equivalent, stable annual expense.

Stabilized Income: Income at that point in time when abnormalities in supply and demand or any additional transitory conditions cease to exist, and the existing conditions are those expected to continue over the economic life of the property; projected income that is subject to change, but has been adjusted to reflect an equivalent, stable annual income.

Stabilized Occupancy: Occupancy at that point in time when abnormalities in supply and demand or any additional transitory conditions cease to exist, and the existing conditions are those expected to continue over the economic life of the property; the optimum range of long-term occupancy that an income-producing real estate project is expected to achieve under competent management after exposure for leasing in the open market for a reasonable period of time at terms and conditions comparable to competitive offerings.

Stabilized Value: 1.) A value opinion that excludes from consideration any abnormal relationship between supply and demand such as is experienced in boom periods, when cost and sale price may exceed the long-term value, or during periods of depression, when cost and sale price may fall short of long-term value. 2.) A value opinion that excludes from consideration any transitory condition that may cause excessive construction costs (e.g., a bonus or premium for material), the abnormal inefficiency of labor, the cost of delay, or an excessive sale price.

Surplus Land: Land not necessary to support the highest and best use of the existing improvement but, because of physical limitations, building placement, or neighborhood norms, cannot be sold off separately. Such land may or may not contribute positively to value and may or may not accommodate future expansion of an existing or anticipated improvement. See also: "excess land."

Undistributed Operating Expenses: The costs associated with the following categories: Administrative & General (A&G) Expense – Includes all managerial and operational expenses that cannot be attributed to a particular department, including payroll and related expenses for the general manager, the human resources and training department, and security, clerical, and accounting operations. Other A&G expenses include office supplies, computer services, accounting and legal fees, cash overages and shortages, bad debt expenses, travel insurance, credit card commissions, transportation (non-guest), and travel and entertainment. Marketing Expense – Includes payroll and related expenses for the sales and marketing staff, direct sales expenses, advertising and promotion, travel expenses for the sales staff, and civic and community projects. Marketing expenses also include national advertising fees paid to a branded property's franchise company and the costs associated with frequent-stay programs. This expense category does not include royalty fees charged by the franchise company. Utility Expense – Utility expenses typically include electricity, fuel (oil, gas, and coal), purchased steam, and water. The utility costs include central plant and energy management systems. This category does not include waste removal, which is included in Property Operation and Maintenance Expense. Property Operations & Maintenance Expense – This category includes payroll and related expenses for maintenance personnel; maintenance supplies; repairs to and maintenance of the building and grounds; furniture and equipment; and the removal of waste. Franchise Fee – Includes only the royalty fees charged by franchise companies. Other fees or assessments are categorized under Marketing Expense or Rooms-Other Expenses. Management Fees – Fees charged by management organizations for management services or supervision. This expense includes both base and incentive fees.

Use Value: In real estate appraisal, the value a specific property has for a specific use. This may be the highest and best use of the property, or some other use specified as a condition of the appraisal and may be used where legislation has been enacted to preserve farmland, timberland, or other open-space land on urban fringes.

Kasia Russell, MAI

EMPLOYMENT

2006 to present	U.S. HOTEL APPRAISALS Portland, Oregon
2005–2006	SKAGIT VALLEY CASINO RESORT Bow, Washington
2003–2004	HOTEL BELLWETHER Bellingham, Washington

EDUCATION AND OTHER TRAINING

BA – Western Washington University

Other Specialized Training Classes Completed:

Uniform Standards of Professional Appraisal Practice
 Basic Appraisal Procedures
 Basic Appraisal Principles
 General Appraiser Income Approach (Parts I and II)
 General Appraiser Market Analysis and HBU
 General Appraiser Sales Comparison Approach
 General Appraiser Site Valuation and Cost Approach
 Business Practices and Ethics
 Statistics, Modeling and Finance
 General Appraiser Report Writing and Case Studies
 Advanced Income
 Report Writing and Valuation Analysis
 Small Hotel Valuation
 Fundamentals of Separating Real, Personal Property, and Intangible Business Assets
 Advanced Market Analysis and Highest & Best Use
 Advanced Concepts & Case Studies
 General Demonstration Appraisal Report Writing (Demo)
 OR Supervisor/Trainee Class
 CA Laws and Regulations
 Nevada Law
 Mortgage Fraud
 Oddball Appraisals
 Business and Equipment Values in a Real Estate Appraisal
 Advanced Hotel Appraising – Full-Service Hotels
 Appraisal of Owner-Occupied Commercial Properties
 Appraisal of Land Subject to Ground Lease
 Basics of Expert Witness
 Appraiser as an Expert Witness
 CA Supervisor/Trainee
 NV Law
 Business Practice and Ethics
 Commercial Land Valuation
 Analyzing Operating Expenses
 Rates and Ratios
 Small Hotel Valuation



**EDUCATION
(CONTINUED)**

Appraisal of Fast-Food Facilities
Evaluating Commercial Leases
Cost Approach
Sales Comparison Approach
Understanding Luxury Home Features
Appraisal of Industrial Buildings
Market Disturbances
Best Practices for Completing Bifurcated & Hybrid Appraisals
Appraising Today's Manufactured Homes
Introduction to Commercial Appraisal Review
Income Approach
Biennial USPAP Updates

STATE CERTIFICATIONS

Alaska, Arizona, California, Colorado, Georgia, Idaho, Nevada, Oregon, Utah, Washington

**PROFESSIONAL
AFFILIATIONS**

Appraisal Institute – Designated Member (MAI)

**SPECIAL-USE EXPERIENCE:
HOTELS**

Kasia Russell, MAI, has completed more than four going-concern appraisals of hotels within the last 36 months, and U.S. Hotel Appraisals appraises every hotel as a going concern; therefore, every hotel that the appraiser has worked on in the last 36 months was appraised as such.

The seal of the State of Oregon is centered in the background. It features an eagle with wings spread, perched on a shield. The shield contains a plow, a sheaf of wheat, and a ship. The words "STATE OF OREGON" are written in a circular border around the eagle, and the year "1859" is at the bottom. The seal is rendered in a light gray color.

Appraiser Certification and Licensure Board

State Certified General Appraiser

28 hours of continuing education required

KASIA M RUSSELL

HVS

12015 SE WINTERCRESS LANE

HAPPY VALLEY, OR 97086

License No.: C001068
Issue Date: February 01, 2025
Expiration Date: January 31, 2027

A handwritten signature in blue ink, appearing to read "Chad Koch", is positioned above a horizontal line.

Chad Koch, Administrator



HVS DALLAS – 2100 WEST LOOP SOUTH, SUITE 1001, TEXAS, 77027 - +1 (972) 890-3548 (WORK)

WWW.USHOTELAPPRAISALS.COM

July 7, 2025

Sam Watson
BOG Management
108088 North Highway 395
Lakeview, OR 97603
541-576-9377
Bogbills2@gmail.com

Re: Neon Cowboy Roadhouse + Hot Springs
Lakeview, Oregon

Dear Mr. Watson:

Thank you for your recent call pertaining to the Neon Cowboy Roadhouse + Hot Springs; we are pleased to submit this proposal for our services. This proposal sets forth a description of the objectives and scope of the assignment, along with a description of the methodology to be employed, an estimate of the time requirements, and a schedule of professional fees. The proposal also includes a list of requested information that we would require for completing the study. The proposal's key points are summarized as follows:

Type of Assignment:	Narrative Appraisal Report
Property Name:	Neon Cowboy Roadhouse + Hot Springs
Property Location:	Lakeview, Oregon
Total Timing:	10 business days from receipt of retainer
Total Fee:	\$5,000, Includes expenses
Number of Final Copies:	PDF Only (Hard Copy Upon Request)
Retainer:	\$5,000

Objective

The objective of this assignment is to perform an appraisal for the purpose of evaluating the market demand, analyzing the economics, projecting income and expense, and estimating the market value of the above-captioned property. Our valuation will be as of our inspection date and will consist of one "as is" value incorporating the land, improvements, and personal property components.

Methodology

Members of the firm will not conduct an inspection of the site and improvements as part of this scope of work; however, our team will interview onsite management personnel. They will analyze the immediate market for accommodations and review the specific area's competition. Historical income and expense statements will be reviewed and analyzed. Sales of comparable hotels will be researched and analyzed.

To arrive at our opinion of market value, we will consider the two approaches to value, with primary reliance upon the income capitalization approach based upon our forecast of income and expenses. Our analysis and report will be performed in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP).

Written Report

Complete documentation of our fieldwork, analysis, and value conclusions will be set forth in our narrative appraisal report. Conforming to the standards of the Appraisal Institute and the Appraisal Foundation, including USPAP, the narrative report will contain the following sections:

1. Executive summary and scope of work
2. Description of the site, neighborhood, and physical improvements and amenities
3. Review of the market area
4. Examination of existing and proposed competition and an analysis of the market for hotel accommodations
5. Forecast of occupancy and average rate (ADR) for the subject hotel
6. Review of highest and best use and approaches to value
7. Income capitalization approach, sales comparison approach, and development of the personal property value

8. Reconciliation and value conclusion, assumptions and limiting conditions, and certification

When appropriate, we will include graphics such as photographs, maps, surveys, plans, website screen shots, and charts to assist in visualizing our findings.

Requested Information

To aid us in performing this assignment, we request that you provide us with the following information (where applicable):

1. STAR Report in Microsoft Excel format for the most recent month, as well as December of the prior calendar year (if available)
2. Income and expense statements with full supporting schedules (in Excel):
 - a. Current YTD (also showing similar prior year's YTD period)
 - b. Prior three calendar years
3. Reforecast for current year, most recent operating budget, and marketing plan
4. The real and personal property tax bills for current year and prior three years
5. List of capital expenditures for current YTD period and the last three calendar years; capital plan for remainder of current year and next three calendar years
6. Name of current legal owner and detailed ownership history for the subject property for the last five years; if applicable, terms of purchase or sale of the subject property, including the price, date, and financing information, as well as a copy of the contract and closing statement
7. If available: any leases, management contracts, franchise agreements, mortgages, title reports, stock or partnership agreements, union agreements, service contracts, reservation reports, inspection reports, engineering reports, etc.
8. If available: past appraisals, market and feasibility studies, impact studies, prospectuses, and any Phase I or Phase II environmental audit reports

Timing & Fees

We anticipate that all phases will be completed within approximately 10 business days from the date we receive the signed proposal, retainer check, and requested information.

Our fee for the fieldwork, analysis, and preparation of the narrative appraisal report will be \$5,000, payable entirely upon execution of this agreement.

It is our normal policy to provide an electronic draft copy of our final report for your review; this draft will be in PDF and will include a watermark "DRAFT." Upon your approval of this draft, we will commence preparation of the final report. This fee includes one electronic copy of the final report, which will be delivered to you via email in PDF. Reports are not transmitted in Microsoft Word format.

Collection of Outstanding Professional Fees

The parties to this contract agree that any disputes regarding professional fees and/or other charges owed to HVS will be resolved in accordance with Texas law (TS Worldwide is a Texas-based LLC with a home office location of 2100 West Loop South, Suite 1001, Houston, Texas, 77027). The parties to this contract further agree that (a) any legal action regarding money owed to HVS will take place in Texas; (b) Texas courts have exclusive jurisdiction for resolution of disputes; and (c) the plaintiff will have the choice of venue in any county in the State of Texas.

Limitations of Liability

It is agreed that the liability of U.S. Hotel Appraisals, its employees, and anyone else associated with this assignment is limited to the amount of the fee paid as liquidated damages. You acknowledge that any opinions, recommendations, and conclusions expressed during this assignment will be rendered by the staff of U.S. Hotel Appraisals (TS Worldwide LLC) acting solely as employees and not as individuals. Any responsibility of U.S. Hotel Appraisals is limited to the client; use of our product by third parties shall be solely at the risk of the client and/or third parties.

The study described in this proposal will be made subject to certain assumptions and limiting conditions. A copy of our normal assumptions and limiting conditions will be provided upon request.

Conclusion

If this proposal meets with your acceptance, please sign below and return a copy of the executed proposal with your retainer check or notice of wire. Your signature beneath the words "Agreed to and Accepted" signifies your agreement to employ U.S. Hotel Appraisals for these services. In order to schedule our assignments and perform your study in accordance with the timing set forth above, we ask that you return an executed copy of this agreement by August 7, 2025.

If you have any questions regarding the contents of the proposal, please do not hesitate to contact me. Thank you for the opportunity to submit this proposal for your review.

Agreed to and accepted:

Sam Watson

Printed Name



Signature

7/16/2025

Date

Neon Cowboy Roadhosue

Company

Sincerely,
U.S. Hotel Appraisals



Kasia M. Russell, MAI
Executive Vice President, Development
Direct: +1 (970) 227-7799 (Work)
krussell@hvs.com

Invoice Date: July 7, 2025
Terms: Now Due

BOG Management
108088 North Highway 395
Lakeview, OR 97603

Re Hunter's Hot Springs Lodge - Lakeview, Oregon
US Hotel Appraisals Representative: Kasia M. Russell, MAI

Project	Amount Due
Narrative Appraisal Report	\$5,000

Please make all checks payable to **TS Worldwide, LLC**
(dba HVS)
Tax ID #20-2762887
Please remit to:
HVS
1615 Foxtrail Drive
Suite 230
Loveland, CO 80538

PLEASE INCLUDE A COPY OF THIS INVOICE WITH YOUR CHECK PAYMENT

Wire Instructions:

Please notify mculbertson@hvs.com of all wire transmissions.
JPMorgan Chase Bank
270 Park Avenue
New York, NY 10017
Account Name: TS Worldwide, LLC
Transit ABA #: 021000021
Swift Code: CHASUS33
Account Number: 682090837

Account 12318

 [Assessment Summary](#)

 Account Paid

Account

[Taxes](#)

[Sales History](#)

[Value History](#)

[Reports](#)

[Files](#)

Real Property

Situs Address

18088 HWY 395 N LAKEVIEW OR 97630

Mailing Address

HHSP, LLC
18088 NORTH 395 HWY
LAKEVIEW OR 97630

Map and Taxlot

39S20E04-B0-00300

Owner

HHSP, LLC

 [Related Accounts](#)

 [Name Ledger](#)  [Names](#)