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RE: EVEN Atlanta

Dear Noel

First, let us all acknowledge that forecasting the economy, or real estate markets, or the hotel market is not a pure science, and only a pure science can allow one to have certainty in an outcome based on a sequence of actions. Thus, in the hotel industry, no one can guarantee that their projections will come to fruition.

The assumptions that we employed to build our occupancy projections for the EVEN in Atlanta are detailed below and are, in my opinion, reasonable.

I am sharing the details of our thinking with your investors so that they can hopefully come to this same conclusion or, at a minimum, gain more comfort understanding the forecast.

We constructed monthly occupancy estimates in 2020, 2021, and 2022 in arriving at an annual occupancy estimate for each of these years.

Calendar 2019 was a typical year with annual occupancy in the low 70%'s…..so the monthly occupancy data was a good benchmark as to the monthly occupancy level 'anchor points' to which a market could recover.

2020

In constructing the 2020 forecast, we had actual monthly occupancy data from STR for the competitive set for January through March. January and February were normal occupancy months; the effect of the virus happened in March with a March occupancy of 36.8% or a 50% decline from March of 2019.

In forecasting April and May, we forecast a respective decline in the monthly occupancy level from the prior year of 75% and 70%, respectively. (Thus, we forecast even a worse than the actual decline in March of 50%).

In forecasting June and July, we anticipated that the bottom would have been reached, and forecast the percent decline in the monthly occupancy from the 2019 results a little less severe at a 60% decline (versus a 70% decline). But

the 60% decline is still more than the actual 50% decline experienced in March.

We than took the perspective that the decline in monthly occupancy when compared to 2019 would improve a little, as we believed America would need to be getting back to work. Thus, starting in August, we forecast the decline in monthly occupancy benchmarked to 2019 to be a decline of 55%, decreasing 5 percentage points each month thereafter so that the decline in November was 35% from the prior November result. We forecast the December decline at the same 35%.

All of this gave us an annual occupancy for 2020 of 39%.

I think these estimates are conservative …meaning things could be a little better than our conclusion.

But, if you believe that the recovery of demand in 2020 will be much slower than my conservative projections, and if you wanted to assume that the occupancy decline for every month from April onward would be 70% from the 2019 monthly performance, than the annual occupancy forecast would have been 30% instead of our 39%.

Frankly, in my personal opinion, if you get any more conservative than believing demand will be 70% off the 2019 numbers for the entire year (when the actual loss in demand in March was 50%)…than you have to assume that the country really never gets back to work for all of 2020….which is contrary to what we are seeing now, with the re-opening of business in Georgia, and a very pro-business Georgia Governor. And, therefore, I believe our 2020 forecast is REASONABLE and not 'over-reaching'.

2021

All of the phased re-openings of the economy should be completed before 2021. Thus, during 2021 business should be ramping back up with the assumption that the 2022 year is fairly close to a normal year…we forecast 2022 annual occupancy about 1 point off the 2019 performance.

From all the news I read (and I read extensively) the medical community should have a vaccine sometime during 2021. Maybe it is the last half of the year but given that some individuals are aggressively forecasting a vaccine

around the end of 2020, our assumption that we have a vaccine sometime in 2021 does not appear to be a 'stretch'.

In forecasting monthly occupancy for 2021, our forecast 'framework' was to estimate the occupancy points that a given month would be 'off' the more typical monthly occupancy achieved in 2019.

For January and February of 2021, we forecast occupancy for these months to be 25 points off the normal benchmark achieved in 2019.

Expecting commerce to continue to get stronger as it ramps back up, we decreased the 25- point delta each month by a few points, until we got to a 5 point occupancy delta in November and December of 2021. The results of our forecast were an annual occupancy for 2021 of 57%.

If you wanted to be super-conservative and take the viewpoint that every month in 2021 will be 25 occupancy points off its normal 'anchor point', then the 2021 occupancy forecast would have been 46% versus our 57%.

However, once again, if you believe every month will be off by 25 points, than you have to believe that business only grows a certain amount over 2020, and does not continue to grow and ramp up as the year progresses…which I don't believe is realistic.

2022

By calendar 2022, we are now in the third year of the recovery. Analyzing prior hotel downturns and recoveries, we know that most are 3 to 4 years in duration.

Given this downturn in the hotel industry was NOT caused by any supply or demand imbalance in the hotel market, but was caused by a national health emergency that imposed temporary and severe restrictions on travel and on the manner in which business could operate, we believe it is reasonable to forecast that demand recovery will occur within a 3-year time frame.

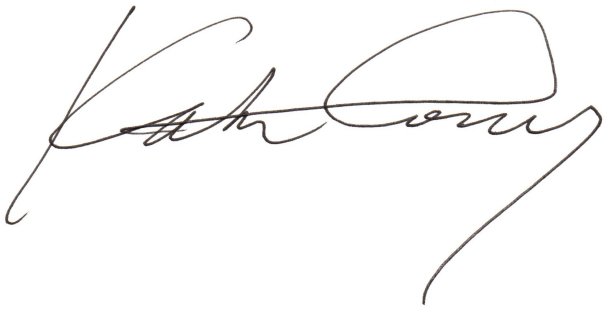
Our 2022 occupancy forecast is 70%, which is a little less than the 2019 annual occupancy.

After 2022, we grow market wide occupancy and the forecast occupancy of the subject hotel a little bit, because there will not be any major new supply threats happening during the 2020 to 2023 era as only those hotels under construction now will come to fruition as the majority of the lending community will retrench from hotel construction loans for a while and focus on existing hotels that need loan modifications or refinancing.

In summary, while you may or may not agree with the assumptions that drove our forecast, I trust the details behind our thinking will allow you to understand that we believe the assumptions to be well within the range of reasonableness.

I have detailed some sensitivity scenarios to illustrate that even significantly more conservative assumptions (which we believe would not be reasonable) would not <u>materially</u> alter the resulting annual occupancy forecasts during the recovery of demand within the competitive hotel set.

Kind regards



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