



TO:

RE: Comfortable Inn Hotel Demo

12345 Ocean Breeze Ave.  
Laguna Beach, CA.

**COMPARABLE MARKET ANALYSIS (CMA) / BROKER PRICING OPINION (BPO)**

NAI Capital has completed a preliminary review of the information provided for the above referenced property based upon current economic and market conditions, including a market rent survey, vacancy and occupancy analysis, comparable sold properties, available financing options with current underwriting guidelines with a "Mark to Market Decline" analysis. In addition, a review of potential competing properties that are current for sale if applicable.

This proposal is our Broker Pricing Opinion or "BPO" for marketing your property per your request. The following properties included are the most recent available closed transactions, however, due to the change in the market from 2008 to current, we have made economic adjustments consistant current lending, appraisal and investment underwritng. In our opinion, the current range of value is from \$35,000,000 to \$36,000,000 depending upon marketing exposure, pricing and available financing. NAI capital will provide you professional advisory representation to exclusively market your property. Please see marketing outline menu of options .

**RECENT CLOSED TRANSACTIONS**

	ADDRESS	CITY, ZIP	# ROOMS	VALUE PER SQ FT	CAP RATE	ADR	OCCUPANCY	TOTAL SQ FT
1	300 W Ocean Ave.	Laguna Beach, CA.	250	\$233	10.75%	\$170.00	68.00%	165,000
2	200 E Ocean Ave.	Laguna Beach, CA.	235	\$233	10.75%	\$175.00	68.00%	155,000
3	6 N. Ocean Ave.	Laguna Beach, CA.	250	\$233	10.75%	\$178.00	67.50%	155,000
4	0	0	0	\$233	0.00%	\$0.00	0.00%	0
5	0	0	0	\$233	0.00%	\$0.00	0.00%	0
6	0	0	0	\$233	0.00%	\$0.00	0.00%	0

**SUBJECT PROPERTY**

12345 Ocean Breeze Ave. Laguna Beach, CA. 224 \$233 11.15% \$165.00 65.00% 150,000

**Subject Property:** Condition of Building: \_\_\_\_\_ Condition of FF & E's: \_\_\_\_\_ Condition & Age of Roof: \_\_\_\_\_  
Type of Roof: \_\_\_\_\_. Age of Plumbing: \_\_\_\_\_, Type of Plumbing: \_\_\_\_\_. Type of Parking: \_\_\_\_\_.  
Amenities: \_\_\_\_\_

**Current Economic & Market Conditions (Mark to Market Decline):** The current market for apartment buildings has declined from the 2007-2008 growth momentum. Rents have declined and vacancies have increased. Landlords are offering rent concessions, move in specials and existing tenant rent reductions. Cap Rates have increased from the 2007-2008 market range of 5% to 5.50% to a current estimated Cap Rate range from 6% to 7%. Current lenders are reviewing appraisals with mandated Cap Rates from 6% to 7%.

**2008 Sales Comparables:** Sales comparables dated from 2nd to 3rd quarter 2008 were driven with late 2007 momentum, typically with a 3 to 6 month marketing period, and a 2 to 3 month escrow and 2 to 3 month pre-listing process. Financing was abundently available with portfolio lending banks that used market rent analysis and DCR's from 1.25 to 1.40, Capital Markets (CMBS) lenders at 1.25 to 1.40 DCR's and SBA Financing from 1.25 to 1.40 DCR's. Loan to value ranges were from 75% to 85% LTV.

**2009 Financing:** Current financing includes portfolio lending banks up to 85% (SBA) and Portfolio Bank programs from 50% LTV to 70% LTV.

## 12 POINT MARKETING PLAN

**NAI Capital** offers full service brokerage exposure or our discreet marketing approach. The “Discreet” marketing approach includes our outline below, however, it is only offered to experienced, seasoned and qualified professionals and or investors. Our concept is to thoroughly analyze your property using appraisal methodology comparison, current financing options and adjustments for the current economic conditions in the market. Our experience suggest It is better to price the property at 5% above the appraised value and hold firm with multiple investors to create a bidding environment then to ask 20% more than the appraised value and see what happens!

### **Pricing Strategies:**

Analysis of income, expenses, cash flow, cap rates (market & actual), GRM’s (market & actual), price per sq ft, cost per unit and comparable sales. NAI will provide a limited scope appraisal methodology comparable analysis (BPO) including realistic financing options including current underwriting

### **Inspect Property:**

Complete knowledge of physical attributes and/or recommendations for capital improvements or repairs.

### **Marketing Package:**

Property set-up, pricing analysis, comparable sales, similar properties currently on the market, rent survey, demographic –economic reports.

### **Internet WebVest Website Link:**

The complete marketing package and other property information will be placed on the WebVest Internet software system to provide easy Internet access and viewing of all of the property information to attract investors or cooperating brokers to be e-mailed out to our network data base.

### **Mailing Campaign:**

Introduction “Just Listed” color 6” x 9” postcard sent to all NAI clients, all local property owners, all real estate agents and brokers that are actively listing or selling similar properties. This post card will also include the property specific website link for easy internet access for information on the property.

### **Telephone Contact:**

Telephone calls made to all clients and surrounding property owners with follow up letters and marketing packages will be sent to all owners of similar properties. NAI will engage additional marketing team if necessary.

### **Loopnet & WebVest/ Internet Exposure:**

Loopnet set up including a marketing package available on Loopnet. Just listed property link to be sent to all local property owners e-mail database. Secondary source of exposure via fax.

### **Networking:**

Network with select brokers, Property Management Companies, Lenders, Insurance Companies, Title Company representatives, CPA’s, Real Estate Attorneys and Escrow Companies.

### **Advertising:**

Weekly ads in newspapers, real estate journals, magazines as appropriate. i.e. L.A. Times classified and Wall Street Journal, etc.

### **Seller Updates:**

Weekly contact with seller to answer questions and offer feedback on buyer response, so that we make the necessary changes or adjustments in order to accomplish the seller’s goals.

### **Pricing Updates:**

Feedback to seller on number of showings or inquiries, number of similar competing properties available and selling including monthly review of recent sales activity and changes in the market (i.e. financing, etc.).

### **Contract to Closing:**

Writing up and Presenting Offers to Seller; Counter-Offer Process, Inspection/Due Dilligence, Buyer’s Loan Process, Escrow and closing

	Subject Property	Sales Comp #1	Sales Comp #2	Sales Comp #3
Situs Address	12345 Ocean Breeze Ave.	300 W Ocean Ave.	200 E Ocean Ave.	6 N. Ocean Ave.
City, State, Zip	Laguna Beach, CA.	Laguna Beach, CA.	Laguna Beach, CA.	Laguna Beach, CA.



Project Name	Comfortable Inn Hotel Demo	Doubletree	Marriott	Lowes
Sales Price	\$35,000,000	\$32,000,000	\$38,500,000	\$38,000,000
Sale Date		07/01/09	06/01/09	05/01/09
# Rooms	224	250	235	250
Bldg Sq Ft (GBA)	150,000	165,000	155,000	155,000
% Occupancy	65.00%	68.00%	68.00%	67.50%
ADR	\$165.00	\$170.00	\$175.00	\$178.00
Cap Rate	11.15%	10.75%	10.75%	10.75%
Market Cap Rate	11.15%	10.75%	10.75%	10.75%
Cost per Sq Ft	\$233	\$233	\$233	\$233
Lot Size	2.5 Acres	3 Acres	3 Acres	3 Acres
Type of Hotel	Luxury	Luxury	Luxury	Luxury
Year Built	1988	1990	1990	1990
# of Stories	4-Story	3-Story	2-Story	2-Story
Restaurant	Yes	Yes	Yes	Yes
Bar / Club	Yes	Yes	Yes	Yes
Gym / Spa	Yes	Yes	Yes	Yes
House Pool / Jacuzzi	No	Yes	Yes	Yes
Scenic View	Yes	No	No	No
Amenities		Extended Stay Options	Extended Stay Options	Extended Stay Options
Comments	Business Center	Business Center	Business Center	Business Center
Comments	Internet Connection	Internet Connection	Internet Connection	Internet Connection

**Comments / Amenities:**

Subject Property	
Comparable #1	
Comparable #2	
Comparable #3	

Project Name:	Comfortable Inn Hotel Demo			
Property Address	12345 Ocean Breeze Ave.	Total Building Sq Ft	150,000	
	Laguna Beach, CA.	Cost / Sq Ft	\$233	
Estimated Value	\$35,000,000	Cap Rate	11.15%	
Proposed Financing (1st TD)	\$24,500,000	70.00%	Market Cap Rate	11.15%
Subordinate Financing (2nd TD)	\$0	0.00%	% Occupancy	65.00%
Total Financing	\$24,500,000	70.00%	ADR	\$165.00
Cash Down Payment	\$10,500,000	30.00%	Land Area	2.5 Acres

	Current	Stabilized
<b>Number Of Rooms:</b>	<b>224</b>	<b>224</b>
Occupancy:	65.00%	65.00%
Occupied Rooms:	53,144	53,144
<b>Average Daily Rate:</b>	<b>\$165.00</b>	<b>\$165.00</b>

**PROPERTY FEATURES**

Restaurant:	Yes
Restaurant, Bar, Club:	Yes
House Pool / Jacuzzi:	Yes
Gym & Spa:	Yes
Tennis Court:	No
Golf Course:	No
Cable TV:	Yes
Internet Connection:	Yes
Scenic View:	Yes
Banquet Facilities:	Yes

Year Built / Year Renoviated:	1988	2004
Gross Building Area (Sq Ft):	150,000	
Hotel Type / # of Stories:	Luxury	4-Story
Type of Facilities Offered:	Convention	
Hotel Class:	Luxury	
Hotel Chain / Franchise:	Yes	

Amenities: Ocean view suites, 5,649 Sq Ft of meeting & banquet rooms, pool, spa, gym and 3,500 Sq Ft restaurant.  
 Strong corporate presence, strategic central southern california location and improving financial performance.

Revenue	Current	Stabilized	POR	% of Gross	PAR
Rooms	\$8,768,760	\$8,768,760	\$165.00	52.10%	\$39,146
Food	\$5,215,000	\$5,215,000	\$98.13	30.98%	\$23,281
Beverage	\$2,031,000	\$2,031,000	\$38.22	12.07%	\$9,067
Telephone	\$361,000	\$361,000	\$6.79	2.14%	\$1,612
Other Income	\$456,000	\$456,000	\$8.58	2.71%	\$2,036
<b>Total Revenue</b>	<b>\$16,831,760</b>	<b>\$16,831,760</b>	<b>\$316.72</b>	<b>100.00%</b>	<b>\$75,142</b>

**Annual Operating Expenses**

Less Operating Expenses	\$12,931,000	Rooms	\$2,122,000
Net Operating Income	\$3,900,760	Food & Beverage	\$5,208,000
1st TD Debt Service	7.250% \$2,172,634	Telephone	\$320,000
2nd TD Debt Service	0.000% \$0	Other Income Expenses	\$265,000
Total Debt Service	\$2,172,634	Administration & General	\$1,359,000
Cash Flow after Debt Service	\$1,728,126	Management Fee	\$502,000
Cash on Cash Return (ROE)	16.46%	Marketing	\$821,000
		Property Operations & Maintenance	\$623,000
		Utilities/Energy (Undetailed)	\$644,000
		Real Estate Taxes	\$456,000
		Property Insurance	\$107,000
		Reserves (FF& E's)	\$504,000
		Miscellaneous	\$0
		Advertising & Promotion	\$0

PLEASE DO NOT CONTACT THE HOTEL. CALL LISTING AGENT.

NAI makes no warranty or representation about the content of this investment summary. It is your responsibility to independently confirm its accuracy and completeness. Any projections, opinions, assumptions or estimates used are for example only and do not represent the current or future performance of the property. The above information is from sources deemed to be reliable. Please complete your own due diligence and investigations.

<b>Total Operating Expenses</b>	<b>\$12,931,000</b>
<b>% Gross Operating Income:</b>	<b>76.83%</b>

**SUGGESTED PRICING SCHEDULE**

Project Name: Comfortable Inn Hotel Demo  
 Property Address: 12345 Ocean Breeze Ave.  
 Laguna Beach, CA.

**OPINION OF VALUE PRICING RECOMMENDATION**

	<u>(1) LISTING PRICE</u>	<u>(2) VALUE</u>	<u>(3) VALUE</u>
<b>RECOMMENDED PRICING</b>	<b>\$35,000,000</b>	<b>\$36,000,000</b>	<b>\$35,500,000</b>
SCHEDULED GROSS REVENUE	\$16,831,760	\$16,831,760	\$16,831,760
% OCCUPANCY	65.00%	65.00%	65.00%
OPERATING EXPENSES	\$12,931,000	\$12,931,000	\$12,931,000
% OPERATING EXPENSES	76.83%	76.83%	76.83%
NET OPERATING INCOME (NOI)	\$3,900,760	\$3,900,760	\$3,900,760
DEBT SERVICE	\$2,172,634	\$2,172,634	\$2,172,634
CASH FLOW	\$1,728,126	\$1,728,126	\$1,728,126
DOWN PAYMENT	\$10,500,000	\$11,500,000	\$11,000,000
PERCENT DOWN	30.00%	31.94%	30.99%
FINANCING (1ST TD)	7.250% \$24,500,000	\$24,500,000	\$24,500,000
SUBORDINATE FINANCING	0.000% \$0	\$0	\$0
TOTAL FINANCING	\$24,500,000	\$24,500,000	\$24,500,000
PERCENT FINANCED	70.00%	68.06%	69%
CAPITALIZATION RATE (CURRENT)	11.15%	11.15%	11.15%
CAPITALIZATION RATE (MARKET)	11.15%	11.15%	11.15%
CASH ON CASH RETURN	16.46%	15.03%	15.71%
COST PER SQUARE FOOT	\$233	\$233	\$233

**COMMENTS**

Economic Conditions: Cap Rates approximately 11% to 13% with 65% to 75% Financing.

1 (1) LISTING PRICE	\$35,000,000	Suggested listing price approximately 5% above estimated value.
2 (2) VALUE	\$36,000,000	Estimated value for 90 day marketing period with 60 day escrow.
3 (3) VALUE	\$35,500,000	Estimated value for 180 day marketing period with 90 day escrow.

Narrative Comments

	2007	2008	YTD-2009 12/31/2009	YTD-ANULZD 12	Actual Current Rents	Stabilized	FINAL UW
<b>Comfortable Inn Hotel Demo</b>							
Number Of Rooms:	290	290	290	290	224	224	224
Occupancy:	67.00%	67.00%	67.00%	67.00%	65.00%	65.00%	65.00%
Occupied Rooms:	70,920	70,920	70,920	70,920	53,144	53,144	53,144
Average Daily Rate:	\$122.70	\$122.70	\$122.70	\$122.70	\$165.00	\$165.00	\$165.00
Rooms	8,701,823	8,701,823	8,701,823	8,701,823	8,768,760	8,768,760	8,768,760
Food	5,215,000	5,215,000	5,215,000	5,215,000	5,215,000	5,215,000	5,215,000
Beverage	2,031,000	2,031,000	2,031,000	2,031,000	2,031,000	2,031,000	2,031,000
Telephone	361,000	361,000	361,000	361,000	361,000	361,000	361,000
Other Income	456,000	456,000	456,000	456,000	456,000	456,000	456,000
Total Revenue	16,764,823	16,764,823	16,764,823	16,764,823	16,831,760	16,831,760	16,831,760
<b>Operating Expenses</b>							
Rooms	5,215,000	5,215,000	5,215,000	5,215,000	2,122,000	2,122,000	2,122,000
Food & Beverage	2,031,000	2,031,000	2,031,000	2,031,000	5,208,000	5,208,000	5,208,000
Telephone	361,000	361,000	361,000	361,000	320,000	320,000	320,000
Other Income Expenses	456,000	456,000	456,000	456,000	265,000	265,000	265,000
Administration & General	1,359,000	1,359,000	1,359,000	1,359,000	1,359,000	1,359,000	1,359,000
Management Fee	502,000	502,000	502,000	502,000	502,000	502,000	502,000
Marketing	821,000	821,000	821,000	821,000	821,000	821,000	821,000
Property Operations & Maintenance	623,000	623,000	623,000	623,000	623,000	623,000	623,000
Utilities/Energy (Undetailed)	644,000	644,000	644,000	644,000	644,000	644,000	644,000
Real Estate Taxes	456,000	456,000	456,000	456,000	456,000	456,000	456,000
Property Insurance	107,000	107,000	107,000	107,000	107,000	107,000	107,000
Reserves (FF& E's)	504,000	504,000	504,000	504,000	504,000	504,000	504,000
Miscellaneous				0			
Advertising & Promotion				0			
Health Insurance				0			
Liability Insurance				0			
Worker's Compensation Insurance				0			
License & Permits				0			
Linens & Laundry				0			
Payroll				0			
Office Expense				0			
Legal Fees				0			
Accounting				0			
R & M (Building)				0			
R & M (Grounds)				0			
R & M (Heating & Cooling)				0			
R & M (Equipment)				0			
R & M (Pool)				0			
Utilities (Cable TV)				0			
Utilities (Electricity)				0			
Utilities (Heating Gas)				0			
Utilities (Trash Disposal)				0			
Utilities (Water & Sewer)				0			
Salaries & Wages (Office)				0			
Salaries & Wages (Maids)				0			
<b>TOTAL OPERATING EXPENSES</b>	<b>\$13,079,000</b>	<b>\$13,079,000</b>	<b>\$13,079,000</b>	<b>\$13,079,000</b>	<b>\$12,931,000</b>	<b>\$12,931,000</b>	<b>\$12,931,000</b>
Expenses %	78.01%	78.01%	78.01%	78.01%	76.83%	76.83%	76.83%
<b>NET OPERATING INCOME</b>	<b>\$3,685,823</b>	<b>\$3,685,823</b>	<b>\$3,685,823</b>	<b>\$3,685,823</b>	<b>\$3,900,760</b>	<b>\$3,900,760</b>	<b>\$3,900,760</b>
1st TD Debt Service	(\$2,172,634)	(\$2,172,634)	(\$2,172,634)	(\$2,172,634)	(\$2,125,052)	(\$2,125,052)	(\$2,172,634)
<b>DSCR (Qualifying)</b>	<b>1.70</b>	<b>1.70</b>	<b>1.70</b>	<b>1.70</b>	<b>1.84</b>	<b>1.84</b>	<b>1.80</b>
2nd TD Debt Service	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Combined Debt Service	(\$2,172,634)	(\$2,172,634)	(\$2,172,634)	(\$2,172,634)	(\$2,125,052)	(\$2,125,052)	(\$2,172,634)
<b>COMBINED DSCR (Qualifying)</b>	<b>1.70</b>	<b>1.70</b>	<b>1.70</b>	<b>1.70</b>	<b>1.84</b>	<b>1.84</b>	<b>1.80</b>
Breakeven Interest Rate					15.590%	15.590%	15.590%
<b>Cap Rate</b>					<b>11.145%</b>	<b>11.145%</b>	<b>11.145%</b>

<b>Loan Amount</b>	\$24,500,000	<b>Interest Rate</b>	7.250%	<b>Qualifying Rate</b>	7.500%	<b>1ST TD LTV</b>	70.00%
<b>Estimated Value</b>	\$35,000,000		Amortization	25		<b>CLTV</b>	70.00%
<b>Total Sq Ft (GBA)</b>	150,000	Subordinate Financing (2nd TD)	\$0	Rate (2nd TD)	0.00%	20	Amortization

**APPRAISAL GUIDELINE ESTIMATE CAP RATE SIZER**

Cap Rate Sizer	NOI	Cap Rate	Value	% Max LTV	Max Loan	LTV to Sales Price
	\$3,900,760	12.000%	\$32,506,333	80.00%	\$26,005,067	74.30%

Maximum loan amount based on LTV & Cap Rate guidelines: \$26,005,067  
Purchase Price \$35,000,000  
% Loan to Purchase Price 74.30%

**DEBT COVERAGE RATIO SIZER ANALYSIS**

DCR SIZER-CURRENT RENTS		DCR SIZER-MARKET RENTS		DCR SIZER	
ACTUAL RENTS		APPRAISAL GUIDELINES		FINAL UNDERWRITING	
NOI	\$3,900,760	NOI	\$3,900,760	NOI	\$3,900,760
NOI for DS	\$2,786,257	NOI for DS	\$2,786,257	NOI for DS	\$2,786,257
Minimum DCR	1.400	Minimum DCR	1.400	Minimum DCR	1.400
Max Loan / DCR	\$28,822,003	Max Loan / DCR	\$28,822,003	Max Loan / DCR	\$28,822,003
Interest Rate	7.500%	Interest Rate	7.500%	Interest Rate	7.500%
Amortization	240	Amortization	240	Amortization	240
Loan to Value	82.35%	Loan to Value	82.35%	Loan to Value	82.35%

**COMMENTS**

2007 Operating History: \_\_\_\_\_  
2007 Operating History: \_\_\_\_\_  
2007 Operating History: \_\_\_\_\_  
2008 Operating History: \_\_\_\_\_  
2008 Operating History: \_\_\_\_\_  
2008 Operating History: \_\_\_\_\_  
2009 YTD Annualized: \_\_\_\_\_  
2009 YTD Annualized: \_\_\_\_\_  
2009 YTD Annualized: \_\_\_\_\_  
Actual / Current Rents: \_\_\_\_\_  
Market Rents: \_\_\_\_\_  
Final Underwriting (UW): \_\_\_\_\_  
2007 Replacements: \_\_\_\_\_  
2008 Replacements: \_\_\_\_\_  
2009 Replacements: \_\_\_\_\_  
2007 Capital Improvements: \_\_\_\_\_  
2008 Capital Improvements: \_\_\_\_\_  
2009 Capital Improvements: \_\_\_\_\_

**COMMENTS**

\_\_\_\_\_

**EXIT STRATEGY**

Long term holding plan. Permanant long term fixed rate financing for 7 to 10 year terms.



1990 South Bundy Drive, Suite 630 | Los Angeles | California | 90025

Prepared for:

RE: Comfortable Inn Hotel Demo

12345 Ocean Breeze Ave.

Laguna Beach, CA.

Date: 6/1/2007

CURRENT / MARKET RENTS	Current Rents	Current Rents	Current Rents	Current Rents	Current Rents
LOAN PROGRAM OPTIONS	ARM- 12 MAT	3-Year Fixed / ARM	5-Year Fixed / Balloon	7-Year Fixed / Balloon	10-Year Fixed / Balloon
PURCHASE PRICE / VALUE	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000
LOAN AMOUNT	\$24,500,000	\$24,500,000	\$24,500,000	\$24,500,000	\$24,500,000
LOAN TO VALUE (DCR)	70.00%	70.00%	70.00%	70.00%	70.00%
LOAN TO VALUE (Guidelines)	70%	70%	70%	70%	70%
DEBT COVERAGE RATIO	1.35	1.35	1.35	1.35	1.35
CURRENT INTEREST RATE	6.250%	7.000%	7.500%	7.875%	8.000%
VARIABLE RATE MARGIN	2.55%	2.65%	0.00%	0.00%	0.00%
CEILING (First Adjustment)	10.700%	11.250%	0.000%	0.000%	0.000%
LOAN TERM	30/30	30/30	30/5	30/7	30/10
AMORTIZATION IN YEARS	25	25	25	25	30
MONTHLY PAYMENT	\$161,619	\$173,161	\$181,053	\$187,071	\$189,095
RECOURSE	Negotiable	Negotiable	Negotiable	Negotiable	Negotiable
IMPOUNDS	Taxes & Insurance	Taxes & Insurance	Taxes & Insurance	Taxes & Insurance	Taxes & Insurance
PRE-PAYMENT	1.25, 1.25, 1.25	1.25, 1.25, 1.25	Yield Maintenance	Yield Maintenance	Yield Maintenance
LOAN FEE	1.00%	1.00%	1.00%	1.00%	1.00%

Current financing options from preliminary underwriting as of above date. Please call for current update. To complete a preliminary submission (underwriting pre-qual), please provide the following documentation: Prior three (3) years operating statement and current YTD (Year to date) operating statement, current Financial Statement for the borrowing entity and all applicable individuals, copy of schedule of real estate owned with resume and or profile of property management experience and current credit report if available.

Rates & Terms are subject to change without notice with market conditions.