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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **KECK SENG INVESTMENTS (HONG KONG) LIMITED** (the “**Company**”), you should at once hand this circular, together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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**KECK SENG INVESTMENTS (HONG KONG) LIMITED****激成投資(香港)有限公司***(Incorporated in Hong Kong with limited liability)*

(Stock Code: 184)

**MAJOR TRANSACTION  
DISPOSAL OF HOTEL ASSETS**

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A letter from the Board is set out on page 3 to page 9 of this circular.

A notice convening the forthcoming GM of the Company to be held at 27/F Club Lusitano, 16 Ice House Street, Central, Hong Kong on Friday, 24 November 2023 at 11:00 a.m. is set out on pages 55 to 56. Whether or not you are able to attend the GM, you are requested to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Share Registrar & Transfer Office, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the GM (i.e. not later than 11:00 a.m. on Wednesday, 22 November 2023) or the adjourned meeting (as the case may be). A form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.keckseng.com.hk](http://www.keckseng.com.hk)). Completion and return of the form of proxy will not preclude you from attending and voting in person at the GM should you so wish.

*Note:* Reference to time and dates in this circular are to Hong Kong time and dates unless stated otherwise.

7 November 2023

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## DEFINITIONS

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*In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:*

“Board”	the board of Directors
“Business Day(s)”	any day other than a Saturday, Sunday or statutory holiday in Toronto, Ontario
“C\$”	Canadian dollars, the lawful currency of Canada
“Company”	Keck Seng Investments (Hong Kong) Limited, a company incorporated in Hong Kong under the Companies Ordinance (Cap. 622), the shares of which are listed on the Stock Exchange
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement
“connected person”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the consideration payable by the Purchaser to the Vendor for the Disposal in the amount of C\$43,200,000 (equivalent to approximately HK\$246,685,000), subject to adjustment in accordance with the terms and conditions of the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Hotel Assets by the Vendor pursuant to the Sale and Purchase Agreement
“GM”	the extraordinary general meeting of the Company to be convened on Friday, 24 November 2023 at 11:00 a.m. for the purpose of considering and, if thought fit, approving, among other things, the Disposal
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hotel Assets”	the assets to be disposed of by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement, the details of which are set out in the paragraph headed “Subject Assets” in this circular
“Hotel Business”	the business of the Vendor of offering and providing to the general public lodging and accommodation at the Hotel Property and other ancillary services thereto

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## DEFINITIONS

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“Hotel Property”	the Sheraton Ottawa Hotel located at 150 Albert Street, Ottawa, Ontario, the details of which are set out in the paragraph headed “Subject Assets” in this circular
“Latest Practicable Date”	1 November 2023, being the latest practicable date prior to printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Notice of Shareholders’ Approval”	the notice to the Purchaser in relation to the obtainment of Shareholders’ approval in respect of the Disposal
“Purchaser”	Sunray Group of Hotels Inc., a corporation incorporated under the laws of the Province of Ontario
“Sale and Purchase Agreement”	the sale and purchase agreement dated 6 October 2023 (Toronto time) entered into between the Vendor and the Purchaser in respect of the Disposal
“Shareholder(s)”	holder(s) of share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules
“Valuer”	LW Hospitality Advisors, a property valuer which is a third party independent of the Group and its connected persons
“Vendor”	Chateau Ottawa Hotel Inc., a company with limited liability incorporated in British Columbia, Canada, and an indirect non-wholly owned subsidiary of the Group
“%”	per cent

*For the purpose of illustration only and unless otherwise stated, conversion of C\$ into HK\$ in this circular is based on the exchange rate of C\$1.00 to HK\$5.7103. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.*

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## LETTER FROM THE BOARD

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### KECK SENG INVESTMENTS (HONG KONG) LIMITED

### 激成投資(香港)有限公司

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 184)

*Executive Directors:*

HO Kim Swee@HO Kian Guan (*Executive Chairman*)  
HO Cheng Chong@HO Kian Hock (*Deputy Executive Chairman*)  
TSE See Fan Paul  
CHAN Lui Ming Ivan  
HO Chung Hui  
HO Chung Kain@HE Chongjing (*Alternate to HO Chung Hui*)

*Registered office:*

Room 2902 West Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

*Non-executive Directors:*

HO Eng Chong@HO Kian Cheong  
HO Chung Kiat Sydney@HE Chongjie Sydney  
(*Alternate to HO Kian Cheong*)

*Independent Non-executive Directors:*

KWOK Chi Shun Arthur  
WANG Poey Foon Angela  
YU Hon To David  
Stephen TAN

7 November 2023

*To the Shareholders*

Dear Sir or Madam

## MAJOR TRANSACTION DISPOSAL OF HOTEL ASSETS

### INTRODUCTION

By an announcement dated 9 October 2023, the Board announced that the Vendor, an indirect non-wholly owned subsidiary of the Company, and the Purchaser, entered into the Sale and Purchase Agreement, pursuant to which, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Hotel Assets at the Consideration of C\$43,200,000 (equivalent to approximately HK\$246,685,000).

The purpose of this circular is to provide you with further details of the Disposal, including certain financial and general information on the Group, together with the Valuation Report.

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## LETTER FROM THE BOARD

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### THE SALE AND PURCHASE AGREEMENT

#### Date

6 October 2023 (Toronto time)

#### Parties

- (1) the Vendor, an indirect non-wholly owned subsidiary of the Company; and
- (2) the Purchaser.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

#### Subject Assets

Pursuant to the Sale and Purchase Agreement, the Vendor has conditionally agreed to dispose of, and the Purchaser has conditionally agreed to acquire, its interest in the Hotel Assets.

The Hotel Assets comprise the Hotel Property, and include (but not limited to) the land, all buildings, structures, improvements, fixtures on the land, all machinery, tools, chattels, movables, furniture, equipment and other tangible properties, inventories, consumables and operating supplies, assigned operating contracts and leases regarding the Hotel Property, licenses and permits, intellectual and industrial property rights, books and records, customer lists and accounts receivables immediately after the date of Completion in relation to the Hotel Property.

The Hotel Property is a full-service lodging facility with site area and gross building area of approximately 19,666 square feet and 233,390 square feet, respectively. It is located close to the Canadian Parliament in Ottawa. It opened in 1972. It has 236 guest rooms, a restaurant, a bar and lounge, a club lounge, approximately 10,000 square feet of meeting space, an indoor pool, a fitness room, a business center and 112 carpark spaces. The Hotel Property is owned by the Vendor and has experienced a range of fluctuating occupancy rates and room rates over the past few years.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, there are no (i) encumbrances, liens, pledges, mortgages; (ii) environmental issues; and (iii) investigations notices, pending litigation, breaches of law or title defects of material importance against or in relation to the Hotel Property.

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## LETTER FROM THE BOARD

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Certain financial information with respect to the operation of the Hotel Property, which is derived from the financial statements of the Vendor prepared in accordance with the International Financial Reporting Standards, is as follows:

	<b>For the period ended 30 June 2023 C\$'000 (unaudited)</b>	<b>For the year ended 31 December 2022 C\$'000 (audited)</b>	<b>31 December 2021 C\$'000 (audited)</b>
(Loss)/profit before taxation	(86)	1,812	(3,809)
(Loss)/profit after taxation	(89)	1,329	(2,798)

The carrying value of the Hotel Assets as at 30 June 2023, 31 December 2022 and 31 December 2021 amounted to C\$14,379,000, C\$14,344,000 and C\$15,392,000, respectively.

### Consideration

The Consideration shall be in the amount of C\$43,200,000 (equivalent to approximately HK\$246,685,000). The Consideration is subject to adjustment in accordance with the terms of the Sale and Purchase Agreement and will be settled by the Purchaser in the following manner:

- (i) prior to 5:00 p.m. (Toronto time) on the first Business Day following the date on which the Notice of Shareholders' Approval is given by the Vendor, an initial deposit of C\$500,000 (equivalent to approximately HK\$2,855,000) by wire transfer to the Vendor's solicitor in escrow, which shall be released and paid to the Vendor upon Completion;
- (ii) prior to 5:00 p.m. (Toronto time) on the first Business Day following the day on which notice in respect of waiver or satisfaction of due diligence of the Hotel Assets and the titles thereto is given by the Purchaser, a further deposit of C\$1,500,000 (equivalent to approximately HK\$8,565,000) by wire transfer to the Vendor's solicitor in escrow, which shall be released and paid to the Vendor upon Completion; and
- (iii) the remaining balance of the Consideration, subject to adjustments set out in the section headed "Adjustment to Consideration" in this circular, shall be settled upon Completion by wire transfer to the Vendor.

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser, with reference to the management accounts of the Vendor, in particular the unaudited carrying value of the Hotel Assets of approximately C\$14,379,000 as at 30 June 2023, and the available prevailing market price of similar properties in the vicinity of the Hotel Property having regard to the market conditions of and recent transactions in the property market of Ottawa. In order to assess the potential fair value of the Hotel Property, the Vendor has continuously monitored relevant property transactions completed over the years and carried out internal assessment for the Hotel Property based on factors

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## LETTER FROM THE BOARD

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including but not limited to location, product type, facilities/amenities, demand base, number of rooms, quality and infrastructure. In particular, the Vendor has considered the aggregate consideration of recent hotel property transactions in cities including Ottawa, Montreal and Kingston, involving hotel properties with an aggregate of 1,015 rooms, which was approximately C\$195,250,000, with the price per room ranging from approximately C\$170,000 to C\$224,000. The Company considers that the consideration of C\$43,200,000 for the disposal of the Hotel Property with 236 rooms, and with the price per room of approximately C\$183,000, is in line with and within the range of the market prices in the referenced transactions. Furthermore, the Vendor has considered that (i) the Consideration represents a premium of approximately 300% over the carrying amount of the Hotel Assets as at 30 June 2023; and (ii) the Disposal is in line with the Group's strategies of streamlining its portfolio and resources efficiency. To verify the internal assessment of the Hotel Property, the Valuer, being an independent property valuer, was engaged by the Group to conduct an external valuation of the Hotel Property. Based on the above and supported by the valuation of the Hotel Property as set out in the Valuation Report, the Directors are of the view that the Consideration is fair and reasonable.

### **Adjustment to Consideration**

The Vendor shall deliver a proposed statement of Completion adjustment to the Consideration to the Purchaser no later than 4 Business Days prior to the date of Completion.

In respect of the Completion adjustment, the Consideration shall be adjusted to the effect that (i) the revenues, receivables and expenses with respect to the Hotel Assets and the business related thereof accrued prior to the night audit on the date of Completion; and (ii) the liabilities and obligations with respect to the Hotel Assets and the business related thereof accrued prior to the date immediately before the date of Completion shall belong to the Vendor, whereas those thereafter shall belong to the Purchaser.

### **Conditions precedent to the Sale and Purchase Agreement**

The Disposal is conditional upon, among other things, the following conditions precedent:

- (i) the Company having obtained the Shareholders' approval in respect of the Disposal;
- (ii) the due diligence of the Hotel Assets and the titles thereto being satisfied or waived by the Purchaser prior to the first Business Day after 30 days of the date on which the Notice of Shareholders' Approval is given by the Vendor; and
- (iii) the payment of the Consideration (subject to adjustment) by the Purchaser to the Vendor.

### **Completion**

Completion shall take place on the first Business Day which is 45 days following the date on which the notice in respect of waiver or satisfaction of due diligence of the Hotel Assets and the titles thereto is given by the Purchaser, or at such other time as the parties may agree in writing.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE VENDOR AND THE GROUP

The Vendor is currently owned as to 85% by the Group and 15% by KSC Enterprises Ltd, the latter being an indirect wholly-owned subsidiary of KS Ocean Inc.. The Vendor's principal activity is operation of the Hotel Property, being its sole asset.

The principal activities of the Group are hotel and club operations, property investment and development and the provision of management services. The Company's principal activity is investment holding.

### INFORMATION ON THE PURCHASER

The Purchaser is a private company with limited liability incorporated under the laws of the Province of Ontario and is principally engaged in investment in hotels and acquisition of petroleum and retail properties. It is ultimately owned by Mr. Ray Gupta, the chairman of the Purchaser.

### REASONS FOR AND BENEFITS OF THE DISPOSAL

Against the background of current economic climate and prevailing market conditions, the Group believes it is an opportune time to realise the profits from the Disposal, while allowing the Group to streamline its portfolio of investment properties to better align it with the Group's investment objectives and parameters, whilst continuing to build a balanced and diversified portfolio of investment properties in key cities and locations where demand for high-quality hotel accommodation continues to grow, and where our expertise, experience and resources can better contribute to adding value and synergy.

The Valuer was engaged by the Group to conduct the valuation of the Hotel Property. The Valuer is certified with the relevant professional qualifications required to perform the valuation. Mr. Robert Van Laer, MAI, who was in charge of the inspection and valuation process, is a member of the Appraisal Institute, and has over 10 years of experience in valuation of hotel properties in North America. In view of the above, the Company considers that the Valuer is qualified and possesses sufficient relevant experience in performing the valuation of the Hotel Property. The valuation by the Valuer was performed under income capitalisation and sales comparison approaches. The methodology of, and the basis and assumptions adopted for, the valuation of the Hotel Property are summarised in the valuation report set out in Appendix II to this circular. The Directors have reviewed and considered the valuation report and the methodology, basis and assumptions of the valuation in particular, that (i) among various valuation approaches, the income capitalization approach is an appropriate and suitable approach to determining the market value of income generating properties in Ottawa, Ontario; (ii) the investigation and due diligence measures taken by the Valuer for conducting the valuation are to the satisfaction of the Company; and (iii) the assumptions and considerations made by the Valuer for the valuation are in line with industry practices. The Company has discussed with the Valuer on the methodology of and the basis and assumptions adopted for the valuation. The Directors are therefore of the view that they are fair and reasonable.

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## LETTER FROM THE BOARD

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### POSSIBLE FINANCIAL EFFECTS OF THE DISPOSAL

The Group will realise a gain on disposal of the Hotel Assets upon Completion, and 85% of the gain would be attributable to equity shareholders of the Company.

Based on the financial information as at 30 June 2023, the Group estimates to realise a gain before taxation and transaction costs on disposal of approximately C\$28,821,000 (equivalent to approximately HK\$164,576,000), being the difference between the estimated proceeds from the Disposal and the carrying value of the Hotel Assets.

Save as disclosed above, the Disposal will not have any material impact on the earnings, assets and liabilities of the Group.

The Shareholders shall note that the financial effect of the Disposal is subject to change upon Completion and final audit by the auditors of the Company.

The Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### USE OF PROCEEDS

As the Disposal is not driven by a need for funding, the net proceeds from the Disposal will be earmarked as working capital of the Group with no specific application timeline. Having regard to the overall macroeconomic conditions and investment environment in Asia and overseas, the Group may utilise the net proceeds from the Disposal towards seeking and investing in new business opportunities that have synergies with the Group's existing businesses with a continuing focus on hotels and properties. Such opportunities may include, but are not limited to, acquisition of hotels and/or real estate in locations with market potential for growth. The Company will make announcements as and when appropriate in compliance with the requirements of the Listing Rules. Further, in light of the prevailing high interest rate environment, the Group will proactively monitor interest-rate levels and consider the possibility of reducing its debt in order to optimise net interest costs and optimise its debt-to-equity ratio.

### LISTING RULES IMPLICATION

As one of the applicable percentage ratios (as defined in the Listing Rules) for the Disposal exceeds 25% but are all less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, and shareholders' approval requirements under the Listing Rules.

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## LETTER FROM THE BOARD

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A GM will be held to seek approval from the shareholders of the Company for the Disposal. As at the Latest Practicable Date, the Vendor is indirectly owned as to 85% by the Group and 15% by KS Ocean Inc., respectively. Goodland Limited and Kansas Holdings Limited, the two largest Shareholders holding 96,646,960 shares and 101,437,360 shares in the Company respectively, representing approximately 28.41% and 29.82% of the issued share capital of the Company, are wholly-owned subsidiaries of KS Ocean Inc., in which each of Mr. HO Kian Guan and Mr. HO Kian Hock had one-third interest in its issued shares respectively. Mr. TSE See Fan Paul is a director of KS Ocean Inc.. As such, Mr. HO Kian Guan, Mr. HO Kian Hock, Goodland Limited and Kansas Holdings Limited, Mr. TSE See Fan Paul and their close associates have a material interest in the Disposal and shall abstain from voting at the GM. Save for the above, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no other Shareholder has a material interest in the Disposal and will be required to abstain from voting on the relevant resolution to approve the Disposal at the GM.

### RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement are fair and reasonable and are in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend that all the Shareholders should vote in favour of the relevant resolution(s) to be proposed at the GM.

### FURTHER INFORMATION

Your attention is also drawn to the financial information of the Group, the Valuation Report, and the additional information set out in the appendices to this circular.

Yours faithfully  
For and on Behalf of the Board  
**Keck Seng Investments (Hong Kong) Limited**  
**HO Kian Guan**  
*Executive Chairman*

## 1. INDEBTEDNESS

At the close of business on 30 September 2023, being the latest practicable date for the purpose of preparing the indebtedness statement, the Group had indebtedness as follows:

### Borrowings

	<i>Note</i>	<i>HK\$'000</i>
<b>Secured and guaranteed</b>		
Bank loans	(i)	1,362,577
<b>Unsecured and unguaranteed</b>		
Bank loans		38,481
Loan from an associate	(ii)	464
Loans from non-controlling shareholders	(iii)	111,109
		<u>150,054</u>
<b>Total borrowings</b>		<u><u>1,512,631</u></u>

- (i) The bank loans were secured by hotel properties owned by the Group and guaranteed by the Company.
- (ii) Loan from an associate was unsecured, interest-free and repayable on demand.
- (iii) Loans from non-controlling shareholders were unsecured, interest-bearing on prime lending rate and repayable on demand except for amounts of HK\$32,736,000 and HK\$74,294,000 which were unsecured, interest-free and repayable on 30 April 2026 and 30 April 2025 respectively.

### Commitments

At 30 September 2023, the Group had capital commitments of HK\$35,392,000 which included the amount of HK\$21,982,000 which was contracted for and the amount of HK\$13,410,000 which was authorised but not contracted for.

### Contingent liabilities

At 30 September 2023, there were outstanding counter indemnities relating to guarantees issued by the banks of a subsidiary in favour of the Macau Special Administrative Region Government in respect of properties held for sale amounted to HK\$8,252,000.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other contingent liabilities outstanding at the close of business on 30 September 2023.

## **2. WORKING CAPITAL**

The Directors are of the opinion that, following completion of the Disposal, after taking into account the financial resources available to the Group, including internally generated funds and the available banking facilities, the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular, in the absence of unforeseeable circumstances.

## **3. FINANCIAL AND TRADING PROSPECTS**

The global economy saw recovery of varying degrees in the first half of 2023. The notable exception was China which turned in a relatively strong performance in the first quarter, but began to slide into areas of uncertainty with declining external trade, weak capital investment, lacklustre property sales, and high unemployment figures amongst youth. Given the size and reach of the Chinese economy and its impact on global economic activity, the direction of the Chinese economy in the coming months will have a direct bearing on economic performance worldwide.

The continuing prospect of high interest rates is also casting a long shadow on global economic and investment activities. In addition, ongoing geopolitical tensions, trade conflicts, investment restrictions, and heightened macroeconomic volatility will continue to overshadow the prospects for growth.

Macau's economy is expected to sustain its gradual post-pandemic recovery throughout the second half of 2023. However, the outlook for the real estate market remains uncertain due to potential adverse effects from global economic slowdown, China's economic deceleration, and worldwide interest rate hikes, could also dampen the recovery of Macau's real estate sector. However, the real estate market in Macau should remain stable due to limited new supply, especially in the luxury sector. Furthermore, the growing integration with the Greater Bay Area presents significant long-term growth prospects for both the local economy and the real estate market. During the second half of 2023, the focus of the Group will remain on enhancing occupancy rates and maximising tenant retention through the implementation of competitive leasing strategies.

The hospitality sector is expected to continue its recovery in the second half of 2023. However, it is important to remain vigilant as the pace of normalisation varies across regions. The Asian markets, with the exception of China, are expected to continue their recovery, while the rebound in our US and Canada markets may be slower due to potential economic slowdown, persistent inflationary pressure, and high interest rates. Given these degrees of uncertainties and with numerous hurdles and setbacks to overcome, the outlook for the hospitality sector remains uncertain, and a prolonged and arduous path to recovery is anticipated in the second half of 2023.

Approaching the second half of 2023, the Group remains committed to adopting conservative and responsible measures to maintain a strong and sustainable financial structure. The Group will maintain a cautious approach and prioritize the evaluation of potential investments that generate sustainable long-term value for shareholders. Additionally, the Group will adopt a disciplined and pragmatic approach when considering acquisitions, specifically targeting industries, countries, or regions where the Group possesses expertise and comparative advantages.

*The following is the Valuation Report prepared for the purpose of incorporation in this circular and received from LW Hospitality Advisors, an independent professional property valuer, in connection with the valuation as of 2 October 2023 of the assets held by a subsidiary of Keck Seng Investments (Hong Kong) Limited.*



200 West 41st Street, Suite 602  
New York, NY 10036  
(212) 300-6684  
www.lwhospitalityadvisors.com

November 7, 2023

*The Directors*

**Keck Seng Investments (Hong Kong) Limited (KSI)**

Re: Restricted Appraisal of the Sheraton Ottawa Hotel  
150 Albert Street  
Ottawa, Ontario K1P 5G2, Canada

To Whom It May Concern:

In accordance with the instructions from Keck Seng Investments (Hong Kong) Limited (KSI) (the “Company”) or its subsidiaries (hereafter together referred to as the “Group”), we are pleased to transmit our appraisal of the above-captioned property in the restricted appraisal report dated November 7, 2023.

The subject property consists of a 19,666 square foot site located along Albert Street in Ottawa, Ontario. The site is currently improved with an 18-story, 236-room full-service Sheraton by Marriott hotel that opened in 1972 as a Four Seasons hotel. Current amenities and facilities include the Carleton Grill, Sasha’s Lounge, indoor pool (currently closed), business center, fitness center, sundry shop, and 9,614 square feet of meeting space. The parking offering contains a total of 112 parking spaces. The property is owned by Chateau Ottawa Hotel Inc and operated by Keck Seng North America Group.

The purpose of this valuation is to estimate the “as is” market value of the fee simple estate in the above-referenced property as of October 2, 2023, the inspection date, for incorporation in a circular to the shareholders of the Company. The final opinions of value are summarized below:

Final Opinions of Value	Total Amount	Per Unit	Date of Value	# Units
As Is	\$39,500,000	\$167,000	October 2, 2023	236 Keys

Unless otherwise stated, all money amounts stated in our report are in Canadian Dollars (CAD).

Our valuation of the property held by the Group is our opinion of its market value which we would define as “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.”.

The scope of our work included an inspection of the subject, analysis of local economic and market conditions, examination of the historical operating performance of the subject, estimation of the subject’s future operating performance, and derivation of value using the Income Capitalization and Sales Comparison Approaches to valuation. The Cost Approach was not utilized as it is not considered to be a meaningful indicator of value for the subject.

To the best of our belief, this valuation conforms to requirements set forth in the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the Valuation Standards on Properties published by the Hong Kong Institute of Surveyors. It is not the intent of this brief letter report to provide an extensive discussion of our research and analysis, but instead, to constitute a statement of final value. A complete discussion of our research and analysis is contained in our full narrative report of the subject prepared for the Company.

Sources of information for the valuation included interviews with local realtors and brokers. Financial statements for the subject were provided by the Company. Since these statements were not prepared by us, we do not take responsibility for their accuracy, but have assumed that they are correct. That being said, we have no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material facts have been omitted from the information provided.

No allowance has been made in our valuation for any charges, mortgages, local taxation or amounts owing on the subject. Unless otherwise stated, it is assumed that the subject is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its market value.

Neither the whole nor any part of this report or any reference thereto may be included in any published document, circular or statement nor published in any way without the appraiser’s written approval of the form and context in which it may appear.

We declare hereby that we are independent of the Group, and are not beneficially interested in the share capital of any member of the Group and do not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

This appraisal report has been prepared in compliance with the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP) and Uniform Standards of Professional Appraisal Practice (USPAP).

Please note we take no responsibility for any events, conditions, or circumstances affecting the market or property that exists subsequent to the last day of our fieldwork, October 2, 2023.

The value opinions in this report are qualified by certain assumptions, limiting conditions, certifications, and definitions located in the full narrative appraisal.

**Extraordinary Assumptions**

Extraordinary Assumptions are assumptions which if found to be false could alter the resulting opinion or conclusion.

Given current brand standards and the subject's current condition, this appraisal assumes that the subject property will complete a change of ownership renovation during Years 1 & 2 of the projection period. The total budgeted cost is estimated to be \$22,420,000, or approximately \$95,000 per key, which is based on a review of renovation cost comparables, Marshall & Swift valuation cost estimates, as well as discussions with industry professionals specializing in the development and review of PIP budgets. We have deducted this amount from the DCF analysis. We assume the budgeted amount to be sufficient to maintain brand standards. Further, we assume that following the completion of the anticipated renovation, reserves for replacement would cover all future required renovations. We reserve the right to amend our conclusions herein upon receipt of any additional information.

This appraisal assumes that the subject property could be sold unencumbered of a management agreement. For the purposes of this analysis, we have utilized a market-based management fee of 3.00% of total revenue.

We assume the subject property will continue to operate as a branded hotel affiliated with Sheraton by Marriott, or a similar brand/collection of equal quality and recognition. We were provided with a franchise agreement, which we reviewed and considered in compiling our projections.

*If any of the aforementioned assumptions prove untrue, it may have an impact on our concluded opinion(s) of value. We reserve the right to amend our conclusions herein upon receipt of any additional information.*

**Hypothetical Conditions**

Hypothetical Conditions are assumptions made contrary to fact, but which are assumed for the purpose of discussion, analysis, or formulation of opinions.

This appraisal employs no hypothetical conditions.

This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits, and Addenda.

Respectfully submitted,

**LW Hospitality Advisors®**



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## EXECUTIVE SUMMARY

<b>General Information</b>	
Property Name	Sheraton Ottawa Hotel
Address	150 Albert Street
City	Ottawa
Province	Ontario
Zip Code	K1P 5G2
Property Type	Full-Service Upper Upscale Hotel
Legal Identification	0614.041.701.19700.0000
Interest Appraised	Fee Simple Interest
Inspected By	Robert Van Laer, MAI (in-person inspection; October 2, 2023) *Robert Van Laer, MAI has extensive experience in the valuation of hotel properties in North America for over 10 years. He is a Member of the Appraisal Institute. He has completed 1,200+ hotel valuation and advisory assignments, totaling in excess of \$10 billion in valuations.
<b>Site &amp; Improvements</b>	
Subject Site Area	0.45 Acres; 19,666 Sq. Ft.
Zoning District	MD-Mixed-Use Downtown
Flood Plain	Zone No, FEMA Flood Panel No. , January 0, 1900
Year Built	1972
Year Opened as Hotel	1972
Number of Keys	236
Number of Buildings	1
Gross Building Area (GBA)	233,380± Square Feet
Corridor Type	Interior
Property Condition	Good
Recent Major Renovation	2015/2016
Meeting Space	9,614 Sq. Ft.
Food & Beverage Outlet(s)	Two operated outlets
Retail Space(s)	No retail spaces
Parking Spaces	112 Spaces
<b>Franchise and Management Agreements</b>	
Franchisor	Franchise and License (Canadian) OPS Limited Partnership
Expiration Year	20 Years; Expiration: 2036
Management Company	Keck Seng North America Group
Management Encumbrance	No
Expiration Date (Fully Extended)	N/A; Not encumbered
<b>Highest and Best Use</b>	
As If Vacant	Commercial Development
As Improved	As Currently Improved

<b>Operating Statistics</b>		
	<b>Occupancy</b>	<b>ADR</b>
Year End 2019	76.82%	\$183.09
Year End 2020	35.85%	\$179.14
Year End 2021	19.90%	\$142.04
Year End 2022	56.63%	\$199.43
Trailing 12 Months (YE Aug 2023)	68.52%	\$210.35
Projected Year One	61.00%	\$221.18
Projected Stabilized Year (Year 5)	76.00%	\$268.82
	<b>Net Operating Income</b>	<b>Overall Capitalization Rate</b>
Year End 2019 – Adjusted*	\$2,730,338	6.95%
Year End 2020 – Adjusted*	-\$1,864,289	-4.74%
Year End 2021 – Adjusted*	-\$1,217,084	-3.10%
Year End 2022 – Adjusted*	\$2,849,538	7.25%
Trailing 12 Months – Adjusted* (YE Aug 2023)	\$2,459,527	6.26%
Year One – Adjusted*	\$1,568,947	3.99%
Stabilized Year	\$5,849,258	14.88%
<i>Stabilized Year Deflated to Year One</i>	<i>\$5,045,621</i>	<i>12.84%</i>
<i>Note, the implied cap rates are derived from the discounted cash flow conclusions</i>		
	<b>Discount Rate</b>	<b>Terminal/Residual Rate</b>
Discounted Cash Flow – As Is	10.50%	8.50%

Please note the historical ADR and Occupancy presented in the chart above are derived from the subject's reported data per STR. The Net Operating Income figures have been derived from the subject financial statements.

\* Going forward, we have projected a market-based Management Fee of 3.0% of Total Revenue and Reserves for Replacement at 4.0% of Total Revenue. Given the subject's historical financials did not include 3.0% Management Fee and 4.0% Reserves, we have presented the adjusted Net Operating Income (NOI) above for comparison purposes.

<b>Value Indications</b>	<b>Total Amount</b>	<b>Per Unit</b>	<b>Date of Value</b>	<b># Units</b>
<b>Income Capitalization Approach</b>				
As Is	<b>\$39,300,000</b>	<b>\$167,000</b>	October 2, 2023	236 Keys
<b>Sales Comparison Approach</b>				
As Is	<b>\$37,300,000 – \$41,300,000</b>	<b>\$159,000 – \$175,000</b>	October 2, 2023	236 Keys

<b>Final Opinions of Value</b>	<b>Total Amount</b>	<b>Per Unit</b>	<b>Date of Value</b>	<b># Units</b>
As Is	<b>\$39,500,000</b>	<b>\$167,000</b>	October 2, 2023	236 Keys

Please note the As Is value conclusion includes a deduction for renovation cost, equal to \$22,420,000 or \$95,000 per key. The renovation is taking place in Years 1 & 2 of the projection period.

ZONING DATA

The subject property is located within the MD-Mixed-Use Downtown zoning district, as determined by the City of Ottawa.



Zoning Summary	
Zoning Authority	City of Ottawa
Zoning District	MD-Mixed-Use Downtown
Primary Permitted Uses	Permitted uses include office, retail, commercial, and hotels
Hotels Permitted	Yes
Zoning Change Planned	No
Legally Conforming	Yes
Category	Zoning Requirement
Comments	The subject is a permitted use and conforms to zoning and parking regulations.
<i>Source: Zoning &amp; Planning Department</i>	

We know of no deed restrictions, private or public, that further limit the subject property’s use. The research required to determine whether or not such restrictions exist, however, is beyond the scope of this assignment. Deed restrictions are a legal matter and only a title examination by an attorney or Title Company can usually uncover such restrictive covenants. Thus, we recommend a title search to determine if any such restrictions do exist.

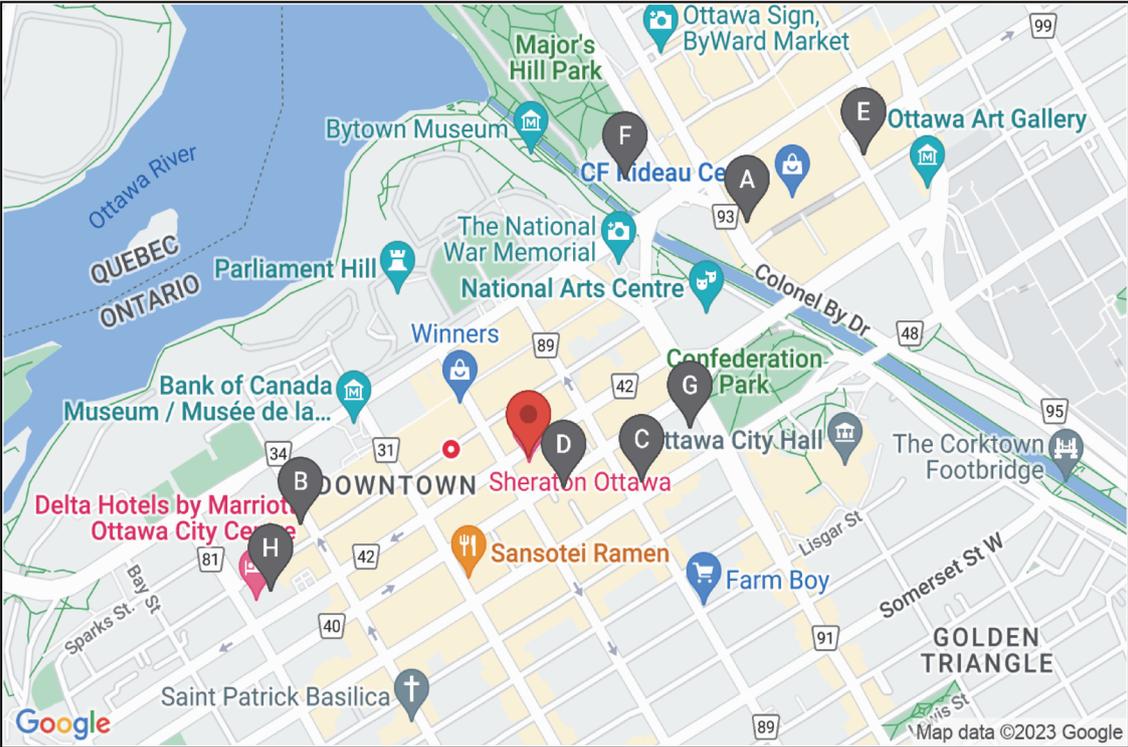
## SALIENT FACTS

<i>Intended User</i>	Keck Seng Investments (Hong Kong) Limited (KSI)
<i>Intended Use</i>	The intended use of this report is for internal decision making purposes.
<i>Scope of Work</i>	In preparing this appraisal, LWHA®: 1) Inspected the interior and exterior of the subject, including site improvements, public areas, a representative sample of guestrooms, and back of house areas; 2) Interviewed hotel management and representatives of its ownership; 3) Reviewed the subject's historical operating and financial data, agreements, as well as industry statistics and the operating statistics of similar hotels; 4) Inspected competitive properties, researched occupancies, average rates, and segmentation, and performed fair share projections for the subject. Data was obtained through interviews with on-site management and LWHA®'s internal database; 5) Prepared detailed projections of occupancy, average daily rate, and operating expenses; 6) Researched and analyzed recent comparable sales and offerings to determine capitalization and discount rates as well as indications of value per room; 7) Considered the subject's replacement cost, accrued depreciation, and the relevancy to the subject valuation; 8) Reconciled the applicable techniques to develop an opinion of value.
<i>Acquisition History</i>	As far as we are aware, there have been no sales of the subject property within the past three years. Reportedly, the subject property is under contract for sale. Although requested, we were not provided with additional information relating to the buyer, purchase price, or broker. However, it was reported that the transaction is considered to be offmarket. We reserve the right to amend our conclusions herein upon receipt of any additional information.
<i>Property Rights Appraised</i>	Fee Simple estate, including the contributory value of the furniture, fixtures and equipment. The appraisers assume that the hotel will remain open and operational.
<i>Marketing and Exposure Period</i>	The PwC Real Estate Investor Survey, as well as our interviews with knowledgeable owners and brokers, are utilized in estimating the marketing and exposure period for our opinion of value. According to the most recent PwC Real Estate Investor Survey – Second Quarter 2023, 7.2 months is the average marketing time for luxury hotels, 6.5 months for full-service hotels, 8.1 months for limited-service hotels and 5.8 months for select-service hotels. Based on the preceding, we estimate the marketing time for the subject property to be approximately 6 to 12 months. The exposure period, or retrospective time to expose the property prior to sale, is estimated to be 6 to 12 months.

COMPETITIVE LODGING MARKET ANALYSIS

Considering the branding of the subject hotel, product-type offered, amenities, ADR-positioning, condition and location, the subject property competes predominately with other similar hotels in the surrounding area. We recognize that there are various other lodging facilities in the area, which may compete with the subject to a nominal degree; however, we do not believe they compete as directly or cater to the same clientele that would choose the subject property or the majority of the competitive set of hotels.

The subject’s competitive market consists of the Westin Ottawa, Marriott Ottawa Hotel, The Metcalfe Hotel, Arc The Hotel, Novotel Ottawa, Fairmont Chateau Laurier, Lord Elgin Hotel, and Delta Hotel Ottawa City Centre. The primary competitive set for the subject hotel consists of eight hotels, which range in size from 108 to 492 rooms, and collectively contain an aggregate of 2,675 rooms. The following tables present summary information on the competitive set. This information was assembled from market interviews, property inspections, and lodging directories. Market segmentation reflects the estimated share of room nights in each of the market segments: Commercial, Meeting & Group, and Leisure.



- A) Westin Ottawa
- B) Marriott Ottawa Hotel
- C) The Metcalfe Hotel
- D) Arc The Hotel
- E) Novotel Ottawa
- F) Fairmont Chateau Laurier
- G) Lord Elgin Hotel
- H) Delta Hotel Ottawa City Centre

Primary Competitive Set Profile			Segmentation			Amenities							
Hotel	Location	Year Built	No. of Rooms	Commercial	Meeting & Group	Leisure	Total Meeting Space (Sq. Ft.)	Meeting Space per Key (Sq. Ft.)	Restaurant	Lounge	Indoor Pool	Outdoor Pool	Fitness Center
Sheraton Ottawa Hotel (Subject)	150 Albert Street, Ottawa, Ontario	1972	236	55%	25%	20%	9,614	41	X	X	X		X
Westin Ottawa	11 Colonel By Drive, Ottawa, ON	1983	492	35%	45%	20%	48,700	99	X	X	X		X
Marriott Ottawa Hotel	100 Kent Street, Ottawa, ON	1988	489	40%	40%	20%	36,162	74	X	X	X		X
The Metcalfe Hotel	123 Metcalfe Street, Ottawa, ON	1965	108	25%	20%	55%	3,000	28	X	X			X
Arc The Hotel	140 Slater Street, Ottawa, ON	1955	112	25%	20%	55%	2,717	24	X	X			X
Novotel Ottawa	33 Nicholas Street, Ottawa, ON	1988	283	40%	25%	35%	6,300	22	X	X			X
Fairmont Chateau Laurier	1 Rideau Street, Ottawa, ON	1912	426	30%	35%	35%	36,000	85	X	X	X		X
Lord Elgin Hotel	100 Elgin Street, Ottawa, ON	1941	355	30%	25%	45%	12,669	36	X	X	X		X
Delta Hotel Ottawa City Centre	101 Lyon Street North, Ottawa, ON	1967	410	40%	35%	25%	38,596	94	X	X	X		X
<b>Totals/Averages</b>			<b>2,911</b>	<b>37%</b>	<b>33%</b>	<b>30%</b>	<b>193,758</b>	<b>66.6</b>					

Property Information			Estimated 2019			Estimated 2022		
Hotel	No. of Keys	Competitive Rooms	Occupancy	Average Rate	RevPAR	Occupancy	Average Rate	RevPAR
<b>Sheraton Ottawa Hotel (Subject)</b>	<b>236</b>	<b>236</b>	<b>76.8%</b>	<b>\$183.09</b>	<b>\$140.65</b>	<b>56.6%</b>	<b>\$199.43</b>	<b>\$112.95</b>
Westin Ottawa	492	492	75% – 80%	\$195 – \$205	\$145 – \$155	55% – 60%	\$215 – \$225	\$115 – \$125
Marriott Ottawa Hotel	489	489	70% – 75%	\$175 – \$185	\$130 – \$140	55% – 60%	\$195 – \$205	\$105 – \$115
The Metcalfe Hotel	108	108	75% – 80%	\$180 – \$190	\$135 – \$145	55% – 60%	\$225 – \$235	\$130 – \$140
Arc The Hotel	112	112	75% – 80%	\$180 – \$190	\$135 – \$145	55% – 60%	\$220 – \$230	\$125 – \$135
Novotel Ottawa	283	283	75% – 80%	\$175 – \$185	\$135 – \$145	55% – 60%	\$185 – \$195	\$105 – \$115
Fairmont Chateau Laurier	426	426	75% – 80%	\$280 – \$300	\$215 – \$225	55% – 60%	\$340 – \$360	\$190 – \$200
Lord Elgin Hotel	355	355	70% – 75%	\$185 – \$195	\$135 – \$145	55% – 60%	\$190 – \$200	\$100 – \$110
Delta Hotel Ottawa City Centre	410	410	75% – 80%	\$170 – \$180	\$125 – \$135	55% – 60%	\$200 – \$210	\$110 – \$120
<b>Totals/Averages</b>	<b>2,911</b>	<b>2,911</b>	<b>75%</b>	<b>\$200.47</b>	<b>\$151.27</b>	<b>56%</b>	<b>\$226.34</b>	<b>\$126.38</b>

Property Information		Estimated 2019			Estimated 2022			
		No. of Keys	Competitive Rooms	Occupancy Penetration	ADR Penetration	RevPAR Penetration	Occupancy Penetration	ADR Penetration
<b>Sheraton Ottawa Hotel (Subject)</b>	<b>236</b>	<b>236</b>	<b>102%</b>	<b>91%</b>	<b>93%</b>	<b>101%</b>	<b>88%</b>	<b>89%</b>
Westin Ottawa	492	492	100% – 107%	97% – 102%	96% – 103%	99% – 108%	95% – 100%	91% – 99%
Marriott Ottawa Hotel	489	489	93% – 100%	87% – 92%	86% – 93%	99% – 108%	86% – 90%	84% – 91%
The Metcalfe Hotel	108	108	100% – 107%	89% – 94%	90% – 96%	99% – 108%	100% – 104%	103% – 111%
Arc The Hotel	112	112	100% – 107%	90% – 95%	90% – 96%	99% – 108%	97% – 102%	99% – 107%
Novotel Ottawa	283	283	100% – 107%	87% – 92%	90% – 96%	99% – 108%	82% – 86%	84% – 91%
Fairmont Chateau Laurier	426	426	100% – 107%	142% – 147%	143% – 149%	99% – 108%	153% – 157%	151% – 159%
Lord Elgin Hotel	355	355	93% – 100%	92% – 97%	90% – 96%	99% – 108%	84% – 88%	80% – 87%
Delta Hotel Ottawa City Centre	410	410	100% – 107%	85% – 90%	83% – 90%	99% – 108%	88% – 93%	87% – 95%
<b>Totals/Averages</b>	<b>2,911</b>	<b>2,911</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**OCCUPANCY & AVERAGE DAILY RATE PROJECTIONS**

**Historical Supply and Demand Analysis**

The following tables and charts present historical trends in the performance of the primary competitors.

<b>STR Annual Report</b>										
<i>Year</i>	<i>Supply</i>	<i>% Change</i>	<i>Demand</i>	<i>% Change</i>	<i>Occupancy</i>	<i>% Change</i>	<i>ADR</i>	<i>% Change</i>	<i>RevPAR</i>	<i>% Change</i>
2016	2,909	0.0%	783,240	-	73.8%	-	\$185.80	-	\$137.06	-
2017	2,909	0.0%	801,460	2.3%	75.5%	2.3%	\$207.75	11.8%	\$156.81	14.4%
2018	2,909	0.0%	786,533	-1.9%	74.1%	-1.9%	\$205.10	-1.3%	\$151.93	-3.1%
2019	2,909	0.0%	801,198	1.9%	75.5%	1.9%	\$200.47	-2.3%	\$151.27	-0.4%
2020	2,144	-26.3%	219,148	-72.6%	28.0%	-62.9%	\$176.16	-12.1%	\$49.33	-67.4%
2021	2,537	18.3%	256,808	17.2%	27.7%	-1.0%	\$171.06	-2.9%	\$47.44	-3.8%
2022	2,911	14.8%	593,257	131.0%	55.8%	101.3%	\$226.34	32.3%	\$126.38	166.4%
<b>CAGR</b>		<b>0.0%</b>		<b>-4.5%</b>		<b>-4.5%</b>		<b>3.3%</b>		<b>-1.3%</b>
Aug 23										
YTD 2022	2,911	-	353,775	-	50.0%	-	\$217.29	-	\$108.67	-
YTD 2023	2,911	0.0%	466,031	31.7%	65.9%	31.7%	\$240.03	10.5%	\$158.14	45.5%
TTM 2022	2,786	-	481,462	-	47.3%	-	\$206.04	-	\$97.56	-
TTM 2023	2,911	4.5%	704,027	46.2%	66.3%	39.9%	\$239.77	16.4%	\$158.87	62.8%

**Recently Opened/Proposed Supply**

The competitive supply is summarized in the table below:

<b>Competitive New Supply</b>					
<i>Name</i>	<i>Address</i>	<i>Number of Keys</i>	<i>Distance (Miles)</i>	<i>Percent Competitive</i>	<i>Opened/Anticipated Opening</i>
<b><u>Recently Opened/Proposed New Supply</u></b>					
AC Hotels by Marriott Ottawa	201 Rideau Street	160	0.9	50%	Jan-24
MOXY Ottawa	126 York Street	222	1.1	25%	Nov-24
Renaissance Ottawa	295 Slater Street	230	0.5	100%	Jan-25

The phase-in of keys is calculated in the table below:

<b>Competitive New Supply Phase-In</b>						
<i>Fiscal Year Ending:</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>	<i>2026</i>	<i>2027</i>	<i>2028</i>
AC Hotels by Marriott Ottawa	0	80	80	80	80	80
MOXY Ottawa	0	9	56	56	56	56
Renaissance Ottawa	0	0	230	230	230	230
<b>Total</b>	<b>0</b>	<b>89</b>	<b>366</b>	<b>366</b>	<b>366</b>	<b>366</b>

The following tables summarize our projection of area-wide room night demand, supply, and occupancy rates.

Projected Segmented Demand												
Segment	Base Year	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030	12/31/2031	12/31/2032	12/31/2033
<b>Commercial</b>												
Annual Growth		24.0%	8.0%	6.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Base Demand	592.1	734.3	793.0	840.6	840.6	840.6	840.6	840.6	840.6	840.6	840.6	840.6
Annual Room Nights	216,132	268,004	290,237	306,811	306,811	306,811	307,651	306,811	306,811	306,811	307,651	306,811
Displaced Demand		0	257	1,050	1,050	1,050	1,053	1,050	1,050	1,050	1,053	1,050
Induced Demand		0	3,385	13,742	13,742	13,742	13,780	13,742	13,742	13,742	13,780	13,742
Total Segment Demand	216,132	268,004	293,880	321,603	321,603	321,603	322,484	321,603	321,603	321,603	322,484	321,603
Competitive New Supply		0	12,897	52,350	52,350	52,350	52,494	52,350	52,350	52,350	52,494	52,350
<b>Meeting &amp; Group</b>												
Annual Growth		24.0%	8.0%	6.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Base Demand	538.8	668.2	721.6	764.9	764.9	764.9	764.9	764.9	764.9	764.9	764.9	764.9
Annual Room Nights	196,676	243,878	264,110	279,192	279,192	279,192	279,956	279,192	279,192	279,192	279,956	279,192
Displaced Demand		0	217	886	886	886	889	886	886	886	889	886
Induced Demand		0	1,715	7,004	7,004	7,004	7,023	7,004	7,004	7,004	7,023	7,004
Total Segment Demand	196,676	243,878	266,042	287,082	287,082	287,082	287,868	287,082	287,082	287,082	287,868	287,082
Competitive New Supply		0	6,533	26,682	26,682	26,682	26,755	26,682	26,682	26,682	26,755	26,682
<b>Leisure</b>												
Annual Growth		24.0%	8.0%	6.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Base Demand	487.9	605.0	653.4	692.6	692.6	692.6	692.6	692.6	692.6	692.6	692.6	692.6
Annual Room Nights	178,082	220,822	239,141	252,797	252,797	252,797	253,490	252,797	252,797	252,797	253,490	252,797
Displaced Demand		0	249	1,018	1,018	1,018	1,020	1,018	1,018	1,018	1,020	1,018
Induced Demand		0	3,474	14,274	14,274	14,274	14,313	14,274	14,274	14,274	14,313	14,274
Total Segment Demand	178,082	220,822	242,865	268,088	268,088	268,088	268,823	268,088	268,088	268,088	268,823	268,088
Competitive New Supply		0	13,235	54,376	54,376	54,376	54,525	54,376	54,376	54,376	54,525	54,376

Projected Segmented Demand Totals												
Segment	Base Year	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030	12/31/2031	12/31/2032	12/31/2033
<b>Commercial</b>												
Annual Growth		24.0%	8.0%	6.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Base Demand	216,132	268,004	293,880	321,603	321,603	321,603	322,484	321,603	321,603	321,603	322,484	321,603
Annual Room Nights	196,676	243,878	266,042	287,082	287,082	287,082	287,868	287,082	287,082	287,082	287,868	287,082
Displaced Demand		0	257	1,050	1,050	1,050	1,053	1,050	1,050	1,050	1,053	1,050
Induced Demand		0	3,385	13,742	13,742	13,742	13,780	13,742	13,742	13,742	13,780	13,742
Total Market Demand	590,890	732,704	802,786	876,773	876,773	876,773	879,175	876,773	876,773	876,773	879,175	876,773
% Change		24.0%	9.6%	9.2%	0.0%	0.0%	0.3%	-0.3%	0.0%	0.0%	0.3%	-0.3%
<b>Market Statistics</b>												
Existing Rooms Supply	2,911	2,911	2,911	2,911	2,911	2,911	2,911	2,911	2,911	2,911	2,911	2,911
Proposed Rooms Supply	0	0	89	366	366	366	366	366	366	366	366	366
Total Available Room Nights	1,062,515	1,062,515	1,098,092	1,195,923	1,195,923	1,195,923	1,199,199	1,195,923	1,195,923	1,195,923	1,199,199	1,195,923
Market-Wide Occupancy	56%	69%	73%	73%	73%	73%	73%	73%	73%	73%	73%	73%

\* We have utilized 2022 as the base year and competitive market data provided by Smith Travel Research (STR) for our market projections. Utilizing actual year-to-date and trailing-twelve month 2023 market data, we have reflected the anticipated demand growth for 2023. Based on our analysis of market demand and supply, we have projected the market to stabilize in line with historical figures at 73% in 2025. Prior to the global health crisis, the competitive market occupancy ranged from 73% to 76%, averaging approximately 75%. Given the anticipated new supply, we believe the market occupancy will stabilize at the lower end of the range at 73%.

### Projected Occupancy and Average Daily Rate

A hotel's ability to generate room revenue is determined by two operating statistics: annual occupancy rate and average daily room rate. In most markets, a room night analysis may be performed to quantify and forecast room night demand. The occupancy of a given hotel may be projected based on its relative competitiveness with other hotels and its penetration through the market. Individual lodging facilities may operate above or below the area-wide occupancy or average rate, depending upon the particular attributes of the property.

### Review of Historical Operating Performance

The below table summarizes the subject's occupancy, average daily rate, and revenue per available room over the past seven full operating year(s), as well as year to date (YTD) and trailing twelve month (TTM) through August 2023. Please note the data presented below is derived from the subject's STR reports.

Subject Historical Operating Metrics						
Year	Occ.%	%	ADR	%	RevPAR	%
2016	77.70%	–	\$182.60	–	\$141.87	–
2017	72.21%	–7.1%	\$191.63	4.9%	\$138.37	–2.5%
2018	77.48%	7.3%	\$190.35	–0.7%	\$147.49	6.6%
2019	76.82%	–0.9%	\$183.09	–3.8%	\$140.65	–4.6%
2020	35.85%	–53.3%	\$179.14	–2.2%	\$64.22	–54.3%
2021	19.90%	–44.5%	\$142.04	–20.7%	\$28.26	–56.0%
2022	56.63%	184.6%	\$199.43	40.4%	\$112.95	299.7%
YTD Aug 2022	49.00%	–	\$193.33	–	\$94.72	–
YTD Aug 2023	66.85%	36.4%	\$211.76	9.5%	\$141.56	49.5%
TTM Aug 2023	68.52%		\$210.35		\$144.13	

The following table illustrates our estimated penetration rates over the projection period and resultant occupancy levels:

	Historical	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030	12/31/2031	12/31/2032	12/31/2033
<b>Sheraton Ottawa Hotel</b>												
<b>Subject Property's Fair Share</b>												
Market Supply Room	2,911	2,911	3,000	3,277	3,277	3,277	3,277	3,277	3,277	3,277	3,277	3,277
Subject Property Room Count	236	236	236	236	236	236	236	236	236	236	236	236
Fair Share	8.1%	8.1%	7.9%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%
<b>Room Nights Captured by Subject</b>												
<b>Commercial</b>												
Fair Share	8.1%	8.1%	7.9%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%
Penetration Factor	153.1%	152.0%	120.0%	135.0%	152.0%	152.0%	152.0%	152.0%	152.0%	152.0%	152.0%	152.0%
Market Share	12.4%	12.6%	9.4%	9.7%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%
Demand	216,132	268,004	293,880	321,603	321,603	321,603	322,484	321,603	321,603	321,603	322,484	321,603
Market Share	12.4%	12.6%	9.4%	9.7%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%	10.9%
Capture	26,832	33,678	27,740	31,272	35,210	35,210	35,306	35,210	35,210	35,210	35,306	35,210
<b>Meeting &amp; Group</b>												
Fair Share	8.1%	8.1%	7.9%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%
Penetration Factor	76.5%	80.0%	60.0%	70.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Market Share	6.2%	6.5%	4.7%	5.0%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%
Demand	196,676	243,878	266,042	287,082	287,082	287,082	287,868	287,082	287,082	287,082	287,868	287,082
Market Share	6.2%	6.5%	4.7%	5.0%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%
Capture	12,196	15,817	12,556	14,475	16,542	16,542	16,588	16,542	16,542	16,542	16,588	16,542
<b>Leisure</b>												
Fair Share	8.1%	8.1%	7.9%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%
Penetration Factor	67.6%	70.0%	50.0%	60.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%
Market Share	5.5%	5.7%	3.9%	4.3%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Demand	178,082	220,822	242,865	268,088	268,088	268,088	268,823	268,088	268,088	268,088	268,823	268,088
Market Share	5.5%	5.7%	3.9%	4.3%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Capture	9,757	12,532	9,552	11,586	13,517	13,517	13,554	13,517	13,517	13,517	13,554	13,517
<b>Total Capture</b>	<b>48,785</b>	<b>62,027</b>	<b>49,848</b>	<b>57,333</b>	<b>65,269</b>	<b>65,269</b>	<b>65,448</b>	<b>65,269</b>	<b>65,269</b>	<b>65,269</b>	<b>65,448</b>	<b>65,269</b>
<b>Subject Property Projected Occupancy</b>												
Room Nights Captured	48,785	62,027	49,848	57,333	65,269	65,269	65,448	65,269	65,269	65,269	65,448	65,448
Available Room Nights	86,140	86,140	86,376	86,140	86,140	86,140	86,376	86,140	86,140	86,140	86,376	86,376
Occupancy	57%	72%	58%	67%	76%	76%	76%	76%	76%	76%	76%	76%
Fiscal Year Adjusted Room Nights Captured	48,785	52,952	55,412	63,269	65,269	65,448	65,269	65,269	65,269	65,448	65,269	65,269
Fiscal Year Occupancy	61%	61%	64%	73%	76%	76%	76%	76%	76%	76%	76%	76%
<b>Overall Market Share</b>	<b>7%</b>											
<b>Overall Penetration</b>	<b>85%</b>	<b>85%</b>	<b>88%</b>	<b>100%</b>	<b>104%</b>							

\* We have utilized 2022 as the base year for our projections. Based on the subject's actual year-to-date and trailing-twelve month 2023 data, we have reflected the subject's change in penetration for 2023. Going forward, we have projected the subject's penetration levels to decrease during the anticipated renovation, but subsequently increase and stabilize in line with historical figures. Prior to the global health crisis, subject occupancy ranged from 72% to 78%, averaging approximately 76%. Given the anticipated improved condition and performance following the completion of the renovation, we believe the subject will stabilize toward the upper end of the range at 76%.

### Average Daily Rate Projection

We examined the rate structure and achieved average room rates and RevPARs of the competitive hotels in the market, in concluding the subject property's average room rate. These are depicted in the following table.

<b>Estimated Competitive ADR – 2022</b>		
<b><i>Property</i></b>	<b><i>ADR</i></b>	<b><i>RevPAR</i></b>
Sheraton Ottawa Hotel (Subject)	\$199.43	\$112.95
Westin Ottawa	\$215 – \$225	\$115 – \$125
Marriott Ottawa Hotel	\$195 – \$205	\$105 – \$115
The Metcalfe Hotel	\$225 – \$235	\$130 – \$140
Arc The Hotel	\$220 – \$230	\$125 – \$135
Novotel Ottawa	\$185 – \$195	\$105 – \$115
Fairmont Chateau Laurier	\$340 – \$360	\$190 – \$200
Lord Elgin Hotel	\$190 – \$200	\$100 – \$110
Delta Hotel Ottawa City Centre	\$200 – \$210	\$110 – \$120
<b><i>Market Average</i></b>	<b><i>\$226.34</i></b>	<b><i>\$126.38</i></b>
<b>Subject Actual ADR – 2022</b>	<b>\$199.43</b>	

We have utilized the subject's year-end 2022 average daily rate (ADR) of \$199.43 as the base for our analysis, and applied 7.50% growth for the first 9 month(s) of 2023 in consideration of the actual year-to-date performance, the trailing twelve-month average daily rate (ADR) of \$210.35, and in order to align with the projection year.

The competitive market exhibited an ADR increase of 32.3% in 2022. The subject property exhibited an ADR increase of 40.4% in 2022. The competitive market exhibited an ADR increase of 10.5% year-to-date compared to the previous year. The subject property exhibited an ADR increase of 9.5% year-to-date compared to the previous year. Given the recent ADR growth, we believe there to be rate growth potential going forward. Additionally, we believe there to be rate growth potential following the completion of the subject's \$22,420,000, or approximately \$95,000 per key renovation.

Going forward, average daily rate is forecasted to increase by 5.00% in Year 1 of the projection period. Thereafter, as demand continues to recover in the market, and taking into account the anticipated renovation and the lingering effects of the pandemic, we anticipate ADR to increase by 5.00% in Year 2. Subsequently, ADR is projected to increase by 6.00% in Year 3, increase by 5.00% in Year 4, and increase by 4.00% in Year 5 of the projection period. In the subsequent years, average daily rate is forecasted to increase at the underlying rate of inflation of 3.00% per year. A discussion of our inflation forecast is included in the Income Capitalization Approach section of this report. The projections are based on overall market trends and expectations of local operators, taking into account the subject's location, projected occupancy levels, anticipated renovation, and Sheraton by Marriott brand affiliation.

The projections are considered reasonable given on a deflated basis the projections are in line with the 2022 market average.

<b>Subject Projected ADR</b>		
Year	ADR Growth	Projected ADR
Actual ADR (2022)		\$199.43
<i>TTM/Fiscal Year Adjustment</i>	7.5%	\$210.65
10/1/2023 – 9/30/2024	5.0%	\$221.18
10/1/2024 – 9/30/2025	5.0%	\$232.24
10/1/2025 – 9/30/2026	6.0%	\$246.17
10/1/2026 – 9/30/2027	5.0%	\$258.48
10/1/2027 – 9/30/2028	4.0%	\$268.82
10/1/2028 – 9/30/2029	3.0%	\$276.89
10/1/2029 – 9/30/2030	3.0%	\$285.19
10/1/2030 – 9/30/2031	3.0%	\$293.75
10/1/2031 – 9/30/2032	3.0%	\$302.56
10/1/2032 – 9/30/2033	3.0%	\$311.64
10/1/2033 – 9/30/2034	3.0%	\$320.99
10/1/2034 – 9/30/2035	3.0%	\$330.62
10/1/2035 – 9/30/2036	3.0%	\$340.53
10/1/2036 – 9/30/2037	3.0%	\$350.75
10/1/2037 – 9/30/2038	3.0%	\$361.27

**VALUATION PROCESS**

Three approaches are generally used to estimate market value: the income capitalization, sales comparison, and cost approaches. These approaches may indicate different results that must be reconciled in deriving the final estimate. In estimating the value of the subject property, we attempted to re-create the thought processes and analyses that potential buyers of such a property would use. The most likely buyers for this property would rely primarily upon a discounted cash flow analysis of the anticipated income stream from the property. The sales comparison approach was employed as a secondary and supportive technique. Because the cost approach does not reflect these income-related considerations and requires a number of highly subjective depreciation estimates, in addition to the existence of the current improvement, this approach was omitted from the valuation process of this specific property.

**Reconciliation**

Reconciliation and correlation of value indications is the final step in the valuation process. Given the particular appraisal problem and purpose, the appraiser assesses the reliability of each approach and the quality of the data considered. Most weight is given to the approach that produces the most reliable solution and most closely reflects the behavior of typical investors. Based upon our experience in the lodging investment market, we believe that the Income Capitalization Approach produces the most supportable value opinion, and it has been given the greatest weight in developing our value conclusion.

	Actual – Year End 2018			Actual – Year End 2019			Actual – Year End 2020					
	2018	2019	2020	2018	2019	2020	2018	2019	2020			
<b>Sheraton Ottawa Hotel Full Operating History</b>												
Year Ending December 31:	2018	2019	2020									
Number of Days in Year:	365	365	366									
Number of Rooms:	236	236	236									
Annual Available Rooms:	86,140	86,140	86,376									
Occupied Rooms:	66,744	66,173	30,966									
Annual Occupancy:	77.48%	76.82%	35.85%									
Average Rate:	\$191.49	\$181.95	\$74.52									
RevPAR:	\$148.37	\$139.77	\$26.72									
<b>Revenue</b>	<b>\$(000's)</b>	<b>Gross %</b>	<b>PAR</b>	<b>POR</b>	<b>\$(000's)</b>	<b>Gross %</b>	<b>PAR</b>	<b>POR</b>	<b>\$(000's)</b>	<b>Gross %</b>	<b>PAR</b>	<b>POR</b>
Rooms Revenue	12,781	76.7%	54,155	191.49	12,040	76.8%	51,018	181.95	2,308	65.5%	9,778	74.52
Food & Beverage Revenue	3,539	21.2%	14,996	53.02	3,367	21.5%	14,266	50.88	653	18.5%	2,767	21.09
Other Operated Departments Revenue	174	1.0%	739	2.61	128	0.8%	542	1.93	571	16.2%	2,421	18.45
Parking Revenue	162	1.0%	688	2.43	139	0.9%	589	2.10	(8)	-0.2%	(36)	-0.27
<b>Total Revenue</b>	<b>16,656</b>	<b>100.0%</b>	<b>70,578</b>	<b>249.56</b>	<b>15,674</b>	<b>100.0%</b>	<b>66,414</b>	<b>236.86</b>	<b>3,524</b>	<b>100.0%</b>	<b>14,931</b>	<b>113.79</b>
<b>Departmental Expenses</b>												
Rooms Expense	3,844	30.1%	16,288	57.59	3,503	29.1%	14,845	52.94	953	41.3%	4,039	30.78
Food & Beverage Expense	3,068	86.7%	13,000	45.97	3,104	92.2%	13,155	46.91	853	130.7%	3,615	27.55
Other Operated Departments Expense	204	116.8%	863	3.05	211	165.3%	896	3.19	99	17.3%	419	3.19
Parking Expense	-	0.0%	-	0.00	-	0.0%	-	0.00	-	0.0%	-	0.00
<b>Total Departmental Expenses</b>	<b>7,116</b>	<b>42.7%</b>	<b>30,151</b>	<b>106.61</b>	<b>6,819</b>	<b>43.5%</b>	<b>28,895</b>	<b>103.05</b>	<b>1,905</b>	<b>54.1%</b>	<b>8,073</b>	<b>61.53</b>
<b>Departmental Income (Loss)</b>	<b>9,541</b>	<b>57.3%</b>	<b>40,426</b>	<b>142.94</b>	<b>8,854</b>	<b>56.5%</b>	<b>37,519</b>	<b>133.81</b>	<b>1,618</b>	<b>45.9%</b>	<b>6,858</b>	<b>52.27</b>
<b>Undistributed Operating Expenses</b>												
Administrative & General	1,484	8.9%	6,289	22.24	1,745	11.1%	7,396	26.38	1,312	37.2%	5,560	42.37
Information & Telecommunications Systems	-	0.0%	-	0.00	-	0.0%	-	0.00	-	0.0%	-	0.00
Sales & Marketing	1,065	6.4%	4,513	15.96	1,100	7.0%	4,661	16.62	389	11.0%	1,647	12.55
Franchise Fees	511	3.1%	2,166	7.66	554	3.5%	2,348	8.38	119	3.4%	502	3.83
Utility Costs	827	5.0%	3,505	12.39	371	2.4%	1,573	5.61	387	11.0%	1,640	12.50
Property Operation & Maintenance	589	3.5%	2,495	8.82	640	4.1%	2,712	9.67	364	10.3%	1,541	11.75
<b>Total Undistributed Operating Expenses</b>	<b>4,476</b>	<b>26.9%</b>	<b>18,968</b>	<b>67.07</b>	<b>4,411</b>	<b>28.1%</b>	<b>18,690</b>	<b>66.66</b>	<b>2,570</b>	<b>72.9%</b>	<b>10,889</b>	<b>82.99</b>
<b>Gross Operating Profit (GOP)</b>	<b>5,064</b>	<b>30.4%</b>	<b>21,458</b>	<b>75.87</b>	<b>4,444</b>	<b>28.4%</b>	<b>18,829</b>	<b>67.15</b>	<b>(951)</b>	<b>-27.0%</b>	<b>(4,032)</b>	<b>-30.73</b>
<b>Fixed Charges</b>												
Management Fee	208	1.3%	882	3.12	196	1.2%	830	2.96	36	1.0%	153	1.17
Property Taxes	484	2.9%	2,051	7.25	487	3.1%	2,064	7.36	494	14.0%	2,091	15.94
Insurance	119	0.7%	503	1.78	129	0.8%	547	1.95	173	4.9%	731	5.57
Reserve for Replacement	-	0.0%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00
<b>Total Fixed Charges</b>	<b>811</b>	<b>4.9%</b>	<b>3,437</b>	<b>12.15</b>	<b>812</b>	<b>5.2%</b>	<b>3,441</b>	<b>12.27</b>	<b>702</b>	<b>19.9%</b>	<b>2,976</b>	<b>22.68</b>
<b>Hotel Cash Flow</b>	<b>4,253</b>	<b>25.5%</b>	<b>18,022</b>	<b>63.72</b>	<b>3,632</b>	<b>23.2%</b>	<b>15,388</b>	<b>54.88</b>	<b>(1,654)</b>	<b>-46.9%</b>	<b>(7,007)</b>	<b>-53.41</b>
<b>*NOI Adjusted for 3.00% of Total Revenue Management Fee and 4.00% of Total Revenue for Reserves for Replacement</b>	<b>3,295</b>	<b>19.8%</b>	<b>13,964</b>	<b>49.37</b>	<b>2,730</b>	<b>17.4%</b>	<b>11,569</b>	<b>41.26</b>	<b>(1,864)</b>	<b>-52.9%</b>	<b>(7,900)</b>	<b>-60.21</b>

\* Going forward, we have projected a market-based Management Fee of 3.0% of Total Revenue and Reserves for Replacement at 4.0% of Total Revenue. Given the subject's historical financials did not include 3.0% Management Fee and 4.0% Reserves, we have presented the adjusted Net Operating Income (NOI) above for comparison purposes.

Sheraton Ottawa Hotel Full Operating History	Actual – Year End 2021			Actual – Year End 2022			Trailing 12 Month Actual (YE August 31)		
	2021	Gross %	PAR	2022	Gross %	PAR	Trailing 12 Month	Gross %	PAR
Year Ending December 31:	2021			2022			Trailing 12 Month		
Number of Days in Year:	365			365			365		
Number of Rooms:	236			236			236		
Annual Available Rooms:	86,140			86,140			86,140		
Occupied Rooms:	17,139			48,785			58,922		
Annual Occupancy:	19.90%			56.63%			68.40%		
Average Rate:	\$142.02			\$199.69			\$210.92		
RevPAR:	\$28.26			\$113.09			\$144.27		
<b>Revenue</b>	<b>\$ (000's)</b>	<b>Gross %</b>	<b>PAR</b>	<b>\$ (000's)</b>	<b>Gross %</b>	<b>PAR</b>	<b>\$ (000's)</b>	<b>Gross %</b>	<b>PAR</b>
Rooms Revenue	2,434	75.2%	10,314	9,742	77.9%	41,278	12,428	83.0%	52,660
Food & Beverage Revenue	1	0.0%	6	1,459	11.7%	6,184	1,912	12.8%	8,103
Other Operated Departments Revenue	800	24.7%	3,392	1,306	10.4%	5,532	1,017	6.8%	4,311
Parking Revenue	-	0.0%	-	(9)	-0.1%	(39)	(376)	-2.5%	(1,594)
<b>Total Revenue</b>	<b>3,236</b>	<b>100.0%</b>	<b>13,712</b>	<b>12,497</b>	<b>100.0%</b>	<b>52,955</b>	<b>14,981</b>	<b>100.0%</b>	<b>63,480</b>
<b>Departmental Expenses</b>									
Rooms Expense	1,138	46.8%	4,822	2,706	27.8%	11,467	3,661	29.5%	15,511
Food & Beverage Expense	17	1205.8%	73	1,290	88.4%	5,465	1,980	103.5%	8,388
Other Operated Departments Expense	83	10.4%	351	150	11.5%	635	188	18.4%	795
Parking Expense	-	0.0%	-	-	0.0%	-	-	0.0%	-
<b>Total Departmental Expenses</b>	<b>1,238</b>	<b>38.3%</b>	<b>5,247</b>	<b>4,146</b>	<b>33.2%</b>	<b>17,568</b>	<b>5,828</b>	<b>38.9%</b>	<b>24,694</b>
<b>Departmental Income (Loss)</b>	<b>1,998</b>	<b>61.7%</b>	<b>8,465</b>	<b>8,351</b>	<b>66.8%</b>	<b>35,387</b>	<b>9,153</b>	<b>61.1%</b>	<b>38,785</b>
<b>Undistributed Operating Expenses</b>									
Administrative & General	1,019	31.5%	4,317	1,552	12.4%	6,576	1,758	11.7%	7,450
Information & Telecommunications Systems	-	0.0%	-	-	0.0%	-	-	0.0%	-
Sales & Marketing	352	10.9%	1,490	743	5.9%	3,149	1,107	7.4%	4,690
Franchise Fees	121	3.7%	512	487	3.9%	2,062	622	4.2%	2,636
Utility Costs	440	13.6%	1,865	620	5.0%	2,626	658	4.4%	2,790
Property Operation & Maintenance	418	12.9%	1,772	563	4.5%	2,384	767	5.1%	3,251
<b>Total Undistributed Operating Expenses</b>	<b>2,350</b>	<b>72.6%</b>	<b>9,956</b>	<b>3,964</b>	<b>31.7%</b>	<b>16,797</b>	<b>4,913</b>	<b>32.8%</b>	<b>20,816</b>
<b>Gross Operating Profit (GOP)</b>	<b>(352)</b>	<b>-10.9%</b>	<b>(1,491)</b>	<b>4,387</b>	<b>35.1%</b>	<b>18,590</b>	<b>4,241</b>	<b>28.3%</b>	<b>17,969</b>
<b>Fixed Charges</b>									
Management Fee	-	0.0%	-	-	0.0%	-	-	0.0%	-
Property Taxes	489	15.1%	2,073	506	4.1%	2,146	547	3.7%	2,320
Insurance	149	4.6%	633	157	1.3%	663	185	1.2%	784
Reserve for Replacement	-	0.0%	-	-	0.0%	-	-	0.0%	-
<b>Total Fixed Charges</b>	<b>639</b>	<b>19.7%</b>	<b>2,706</b>	<b>663</b>	<b>5.3%</b>	<b>2,809</b>	<b>732</b>	<b>4.9%</b>	<b>3,104</b>
<b>Hotel Cash Flow</b>	<b>(991)</b>	<b>-30.6%</b>	<b>(4,197)</b>	<b>3,724</b>	<b>29.8%</b>	<b>15,781</b>	<b>3,508</b>	<b>23.4%</b>	<b>14,865</b>
<b>*NOI Adjusted for 3.00% of Total Revenue Management Fee and 4.00% of Total Revenue for Reserves for Replacement</b>	<b>(1,217)</b>	<b>-37.6%</b>	<b>(5,157)</b>	<b>2,850</b>	<b>22.8%</b>	<b>12,074</b>	<b>2,460</b>	<b>16.4%</b>	<b>10,422</b>

\* Going forward, we have projected a market-based Management Fee of 3.0% of Total Revenue and Reserves for Replacement at 4.0% of Total Revenue. Given the subject's historical financials did not include 3.0% Management Fee and 4.0% Reserves, we have presented the adjusted Net Operating Income (NOI) above for comparison purposes.

**HOST Report**

Sheraton Ottawa Hotel STR 2023 Hotel Profitability Review		Host Weighted Average		Full-Service Chain-Affiliated		Full-Service East North Central		Full-Service Urban		Full-Service Upper Upscale			
Category		Ratio to Sales	PAR	POR	Ratio to Sales	PAR	POR	Ratio to Sales	PAR	POR	Ratio to Sales	PAR	POR
Occupancy (of Sample)	61.26%	63.64%	56.77%	60.94%	63.11%								
Average Size Of Property (Rooms)	475	410	415	510	564								
Average Daily Rate	\$295.37	\$312.21	\$253.56	\$316.16	\$292.50								
<b>REVENUE</b>													
Rooms Revenue	66.0%	66.085	295.37	312.21	68.5%	52,460	253.56	67.6%	70,277	316.16	63.7%	67,004	292.50
Food Revenue	15.3%	15,367	68.57	73.50	14.9%	11,394	55.07	14.7%	15,331	68.97	16.0%	16,844	73.53
Food & Beverage Revenue	27.1%	27,267	121.70	129.44	26.8%	20,544	99.30	26.2%	27,282	122.73	28.3%	29,768	129.95
Other Operated Departments Revenue	6.9%	7,086	31.43	39.27	4.7%	3,599	17.40	6.2%	6,461	29.07	8.1%	8,483	37.03
<b>Total Revenue</b>	<b>111.3%</b>	<b>100,438</b>	<b>448.50</b>	<b>480.92</b>	<b>100.0%</b>	<b>111,102</b>	<b>480.92</b>	<b>100.0%</b>	<b>104,020</b>	<b>467.97</b>	<b>136.8%</b>	<b>105,256</b>	<b>459.49</b>
<b>DEPARTMENTAL EXPENSES</b>													
Rooms Expense	27.1%	17,831	79.81	81.47	28.8%	15,098	72.97	27.7%	19,433	87.43	26.1%	17,512	76.45
Food & Beverage Expense	70.6%	19,240	85.90	92.99	70.7%	14,518	70.17	73.5%	20,048	90.19	67.2%	20,014	87.37
Other Operated Departments Expense	70.8%	2,336	10.36	14.81	71.6%	1,249	6.04	63.7%	2,003	9.01	73.2%	2,550	11.13
Total Departmental Expenses	45.5%	39,407	176.07	189.28	53.8%	43,727	189.28	39.9%	41,484	186.63	38.1%	40,076	174.95
<b>Total Departmental Profit</b>	<b>70.1%</b>	<b>61,031</b>	<b>272.43</b>	<b>291.64</b>	<b>82.9%</b>	<b>67,374</b>	<b>291.64</b>	<b>60.1%</b>	<b>62,535</b>	<b>281.34</b>	<b>61.9%</b>	<b>65,180</b>	<b>284.54</b>
<b>UNDISTRIBUTED OPERATING EXPENSES</b>													
Administrative & General Information & Telecommunications Systems	8.8%	8,772	39.22	41.54	9.2%	7,073	34.19	9.0%	9,388	42.24	8.3%	8,754	38.21
Sales & Marketing	1.5%	1,337	5.98	5.97	1.5%	1,131	5.47	1.4%	1,466	6.59	1.7%	1,330	5.80
Franchise Fees	7.0%	6,989	31.26	32.47	6.8%	5,780	27.94	7.1%	7,349	33.06	6.7%	7,100	30.99
Utility Costs	1.5%	1,522	6.82	7.35	1.5%	1,485	7.18	1.3%	1,321	5.94	1.5%	1,592	6.95
Property Operation & Maintenance	3.3%	3,352	14.97	15.66	3.4%	2,572	12.43	3.4%	3,494	15.72	3.4%	3,548	15.49
Total Undistributed Operating Expenses	4.7%	4,640	20.77	21.38	4.4%	4,939	19.64	5.3%	4,804	21.61	4.4%	4,660	20.34
<b>Gross Operating Profit (GOP)</b>	<b>28.8%</b>	<b>26,612</b>	<b>119.02</b>	<b>124.36</b>	<b>25.9%</b>	<b>28,729</b>	<b>124.36</b>	<b>39.5%</b>	<b>22,104</b>	<b>106.84</b>	<b>26.7%</b>	<b>27,822</b>	<b>117.79</b>
Management Fee	<b>34.1%</b>	<b>34,419</b>	<b>153.41</b>	<b>167.28</b>	<b>34.8%</b>	<b>38,645</b>	<b>167.28</b>	<b>30.9%</b>	<b>34,713</b>	<b>156.17</b>	<b>36.3%</b>	<b>38,197</b>	<b>166.74</b>
<b>Income Before Fixed Charges</b>	<b>3.7%</b>	<b>3,525</b>	<b>15.72</b>	<b>17.64</b>	<b>3.7%</b>	<b>4,076</b>	<b>17.64</b>	<b>4.5%</b>	<b>3,529</b>	<b>15.87</b>	<b>3.6%</b>	<b>3,787</b>	<b>16.53</b>
<b>Selected Fixed Charges</b>	<b>30.6%</b>	<b>30,894</b>	<b>137.69</b>	<b>149.63</b>	<b>31.1%</b>	<b>34,569</b>	<b>149.63</b>	<b>30.0%</b>	<b>31,185</b>	<b>140.29</b>	<b>32.7%</b>	<b>34,410</b>	<b>150.21</b>
Property Taxes	3.8%	3,745	16.81	16.00	4.7%	3,607	17.44	4.1%	4,306	19.37	3.2%	3,382	14.76
Insurance	1.2%	1,208	5.38	6.09	1.0%	769	3.71	1.2%	1,286	5.78	1.2%	1,283	5.60
Reserve For Replacement	1.9%	1,994	8.77	10.80	0.0%	0	0.00	2.3%	2,399	10.79	2.5%	2,591	11.31
<b>Hotel Cash Flow</b>	<b>23.7%</b>	<b>23,947</b>	<b>106.73</b>	<b>116.74</b>	<b>24.3%</b>	<b>26,969</b>	<b>116.74</b>	<b>21.9%</b>	<b>23,194</b>	<b>104.35</b>	<b>25.8%</b>	<b>27,153</b>	<b>118.54</b>

**Expense Comparables**

A table detailing the operating performance of five comparable hotels is presented below. The comparable statements were taken from our proprietary database.

Sheraton Ottawa Hotel Competitive Review		Comp Weighted Average		Comp Hotel 1		Comp Hotel 2		Comp Hotel 3		Comp Hotel 4		Comp Hotel 5							
Category		Ratio to Sales	PAR	POR	Ratio to Sales	PAR	POR	Ratio to Sales	PAR	POR	Ratio to Sales	PAR	POR						
Annual Occupancy:	70%				73%			68%			78%		68%						
Number of Rooms:	398				385-425			340-375			430-475		275-305						
Average Daily Rate:	\$231				\$197			\$203			\$305		\$206						
<b>Revenue</b>																			
Rooms Revenue	65.1%	60,157	231.47		57.9%	51,056	219.95	70.3%	52,561	196.84	62.4%	50,316	202.55	67.6%	86,416	305.11	67.5%	51,114	205.79
Food & Beverage Revenue	30.9%	28,136	109.89		36.3%	31,993	137.83	25.3%	18,950	70.97	36.4%	29,343	118.12	26.6%	34,044	120.20	31.5%	23,827	95.93
Other Operated Departments Revenue	2.3%	2,179	8.74		5.8%	5,081	21.89	1.1%	804	3.01	1.2%	969	3.90	1.9%	2,435	8.60	1.0%	750	3.02
Parking Revenue	1.7%	1,760	6.33		0.0%	0	0.00	3.3%	2,491	9.33	0.0%	0	0.00	3.8%	4,900	17.30	0.0%	0	0.00
<b>Total Revenue</b>	<b>100.0%</b>	<b>92,223</b>	<b>356.43</b>		<b>100.0%</b>	<b>88,130</b>	<b>379.66</b>	<b>100.0%</b>	<b>74,805</b>	<b>280.15</b>	<b>100.0%</b>	<b>80,628</b>	<b>324.56</b>	<b>100.0%</b>	<b>127,795</b>	<b>451.21</b>	<b>100.0%</b>	<b>75,691</b>	<b>304.74</b>
<b>Departmental Expenses</b>																			
Rooms Expense	23.1%	13,768	53.26		27.5%	14,025	60.42	23.4%	12,279	45.98	19.2%	9,681	38.97	21.5%	18,557	65.52	23.7%	12,119	48.79
Food & Beverage Expense	65.1%	18,397	71.75		74.3%	23,762	102.37	68.7%	13,024	48.78	44.9%	13,181	53.06	71.1%	24,205	85.46	59.5%	14,167	57.04
Other Operated Departments Expense	18.9%	623	2.66		50.1%	2,546	10.97	10.3%	83	0.31	0.0%	0	0.00	0.3%	7	0.03	39.9%	299	1.20
Parking Expense	57.2%	2,220	7.97		0.0%	0	0.00	114.9%	2,861	10.72	0.0%	0	0.00	131.0%	6,417	22.66	0.0%	0	0.00
<b>Total Departmental Expenses</b>	<b>37.7%</b>	<b>35,008</b>	<b>135.64</b>		<b>45.8%</b>	<b>40,334</b>	<b>173.76</b>	<b>37.8%</b>	<b>28,247</b>	<b>105.79</b>	<b>28.4%</b>	<b>22,862</b>	<b>92.03</b>	<b>38.5%</b>	<b>49,186</b>	<b>173.66</b>	<b>35.1%</b>	<b>26,585</b>	<b>107.03</b>
<b>Departmental Income (Loss)</b>	<b>62.3%</b>	<b>57,225</b>	<b>220.79</b>		<b>54.2%</b>	<b>47,796</b>	<b>205.91</b>	<b>62.2%</b>	<b>46,558</b>	<b>174.36</b>	<b>71.6%</b>	<b>57,766</b>	<b>232.53</b>	<b>61.5%</b>	<b>78,609</b>	<b>277.55</b>	<b>64.9%</b>	<b>49,106</b>	<b>197.71</b>
<b>Undistributed Operating Expenses</b>																			
Administrative & General	8.8%	8,389	32.32		9.6%	8,482	36.54	6.8%	5,059	18.95	8.7%	7,029	28.30	10.6%	13,508	47.69	7.6%	5,786	23.29
Information & Telecommunications																			
Systems	1.4%	1,440	5.49		1.9%	1,635	7.05	0.9%	693	2.59	0.5%	409	1.65	2.3%	2,968	10.48	1.1%	808	3.26
Sales & Marketing	8.1%	7,669	29.41		7.5%	6,610	28.47	8.0%	5,979	22.39	6.6%	5,312	21.38	9.6%	12,225	43.17	8.8%	6,647	26.76
Franchise Fees	4.4%	3,575	14.51		6.2%	5,490	23.65	5.1%	3,806	14.25	5.5%	4,402	17.72	0.0%	0	0.00	7.4%	5,587	22.49
Utility Costs	3.2%	2,827	11.03		3.6%	3,132	13.49	4.3%	3,223	12.07	2.6%	2,110	8.49	2.2%	2,864	10.11	3.4%	2,579	10.38
Property Operation & Maintenance	4.0%	3,655	14.07		3.7%	3,238	13.95	5.3%	3,956	14.81	3.3%	2,631	10.59	3.8%	4,909	17.33	3.8%	2,888	11.63
<b>Total Undistributed Operating Expenses</b>	<b>30.0%</b>	<b>27,555</b>	<b>106.82</b>		<b>32.4%</b>	<b>28,588</b>	<b>123.16</b>	<b>30.4%</b>	<b>22,716</b>	<b>85.07</b>	<b>27.2%</b>	<b>21,894</b>	<b>88.13</b>	<b>28.5%</b>	<b>36,475</b>	<b>128.78</b>	<b>32.1%</b>	<b>24,295</b>	<b>97.82</b>
<b>Gross Operating Profit (GOP)</b>	<b>32.3%</b>	<b>29,670</b>	<b>113.97</b>		<b>21.8%</b>	<b>19,209</b>	<b>82.75</b>	<b>31.9%</b>	<b>23,842</b>	<b>89.29</b>	<b>44.5%</b>	<b>35,873</b>	<b>144.40</b>	<b>33.0%</b>	<b>42,134</b>	<b>148.76</b>	<b>32.8%</b>	<b>24,811</b>	<b>99.89</b>
<b>Fixed Charges</b>																			
Management Fee	2.8%	2,610	10.00		1.9%	1,717	7.40	2.9%	2,197	8.23	3.0%	2,438	9.82	3.0%	3,834	13.54	3.5%	2,650	10.67
Property Taxes	3.4%	3,027	11.86		3.9%	3,436	14.80	3.6%	2,727	10.21	3.9%	3,134	12.62	2.4%	3,049	10.76	3.5%	2,664	10.73
Insurance	0.7%	636	2.47		0.7%	630	2.72	0.6%	480	1.80	1.1%	883	3.55	0.6%	782	2.76	0.4%	308	1.24
Reserve for Replacement	2.9%	2,797	10.57		2.3%	2,042	8.80	4.0%	2,988	11.19	0.0%	-	0.00	4.0%	5,112	18.05	4.0%	3,028	12.19
<b>Total Fixed Charges</b>	<b>10.4%</b>	<b>9,704</b>	<b>37.15</b>		<b>8.9%</b>	<b>7,825</b>	<b>33.71</b>	<b>11.2%</b>	<b>8,392</b>	<b>31.43</b>	<b>8.0%</b>	<b>6,456</b>	<b>25.99</b>	<b>12.0%</b>	<b>15,299</b>	<b>54.02</b>	<b>11.4%</b>	<b>8,650</b>	<b>34.83</b>
<b>Hotel Cash Flow</b>	<b>21.9%</b>	<b>19,955</b>	<b>76.78</b>		<b>12.9%</b>	<b>11,383</b>	<b>49.04</b>	<b>20.7%</b>	<b>15,449</b>	<b>57.86</b>	<b>36.4%</b>	<b>29,355</b>	<b>118.16</b>	<b>21.0%</b>	<b>26,835</b>	<b>94.75</b>	<b>21.4%</b>	<b>16,161</b>	<b>65.07</b>
<b>NOI Adjusted for 3.00% Management and 4.00% Reserves</b>	<b>20.6%</b>	<b>18,905</b>	<b>72.41</b>		<b>10.2%</b>	<b>8,974</b>	<b>38.66</b>	<b>20.6%</b>	<b>15,398</b>	<b>57.67</b>	<b>32.4%</b>	<b>26,149</b>	<b>105.26</b>	<b>21.0%</b>	<b>26,835</b>	<b>94.75</b>	<b>21.9%</b>	<b>16,541</b>	<b>66.59</b>



Detailed Projections of Income and Expense

Situation Ottawa Hotel Cash Flow Detail	DCF Year 1					DCF Year 2					DCF Year 3					DCF Year 4					Stabilized DCF Year 5				
	Amount	Gross %	PAR	POR		Amount	Gross %	PAR	POR		Amount	Gross %	PAR	POR		Amount	Gross %	PAR	POR		Amount	Gross %	PAR	POR	
Projected Fiscal Year Ending September 30:	2024					2025					2026					2027					2028				
Number of Days in Year:	366					365					365					365					366				
Number of Rooms:	236					236					236					236					236				
Annual Available Rooms:	86,376					86,140					86,140					86,140					86,376				
Occupied Rooms:	52,689					55,130					62,882					65,646					65,646				
Annual Occupancy:	61.00%					64.00%					73.00%					76.00%					76.00%				
Average Rate:	221.18					232.24					246.17					258.48					268.82				
Rev/PAR:	134.92					148.63					179.71					196.45					204.30				
<b>Revenue</b>																									
Rooms Revenue	11,653,833	88.5%	49,381	221.18	12,803,243	81.4%	54,251	232.24	15,479,900	76.3%	65,593	246.17	16,921,886	76.8%	71,703	17,646,959	77.0%	74,775	268.82						
Food & Beverage Revenue	1,111,107	8.4%	4,708	21.09	2,319,691	14.8%	9,829	42.08	3,921,467	19.4%	16,642	62.46	4,171,979	18.9%	17,678	4,299,845	18.8%	18,220	65.50						
Other Operated Departments Revenue	176,536	1.3%	747	3.35	185,568	1.2%	786	3.37	204,127	1.0%	865	3.25	214,712	1.0%	910	221,440	1.0%	938	3.37						
Parking Revenue	229,199	1.7%	971	4.35	411,680	2.6%	1,744	7.47	677,210	3.3%	2,870	10.77	726,121	3.3%	3,077	749,937	3.3%	3,178	11.42						
<b>Total Revenue</b>	<b>13,170,475</b>	<b>100.0%</b>	<b>55,807</b>	<b>249.96</b>	<b>15,720,182</b>	<b>100.0%</b>	<b>66,611</b>	<b>285.15</b>	<b>20,288,703</b>	<b>100.0%</b>	<b>85,969</b>	<b>322.65</b>	<b>22,054,697</b>	<b>100.0%</b>	<b>93,567</b>	<b>22,918,181</b>	<b>100.0%</b>	<b>97,111</b>	<b>349.12</b>						
<b>Departmental Expenses</b>																									
Rooms Expense	3,608,956	31.0%	15,292	68.49	3,633,015	28.4%	15,394	65.90	3,843,824	24.8%	16,287	61.13	4,059,294	24.0%	17,200	4,183,359	23.7%	17,735	63.76						
Food & Beverage Expense	1,121,163	100.9%	4,751	21.28	2,098,311	90.5%	8,891	38.06	3,128,895	79.6%	13,250	49.73	3,311,919	79.4%	14,034	3,414,094	79.4%	14,466	52.01						
Other Operated Departments Expense	33,470	19.0%	142	0.64	34,789	18.7%	147	0.63	37,031	18.1%	157	0.59	38,553	18.0%	163	39,789	18.0%	169	0.61						
Parking Expense	183,559	80.0%	777	3.48	288,176	70.0%	1,221	5.23	406,326	60.0%	1,722	6.46	435,672	60.0%	1,846	449,962	60.0%	1,907	6.85						
<b>Total Departmental Expenses</b>	<b>4,946,948</b>	<b>37.6%</b>	<b>20,962</b>	<b>93.89</b>	<b>6,054,291</b>	<b>38.5%</b>	<b>25,654</b>	<b>109.82</b>	<b>7,414,076</b>	<b>36.5%</b>	<b>31,416</b>	<b>117.90</b>	<b>7,845,438</b>	<b>35.6%</b>	<b>33,343</b>	<b>19,844</b>	<b>86.8%</b>	<b>34,276</b>	<b>123.23</b>						
<b>Departmental Income (Loss)</b>	<b>8,223,526</b>	<b>62.4%</b>	<b>34,845</b>	<b>156.08</b>	<b>9,665,891</b>	<b>61.5%</b>	<b>40,957</b>	<b>175.33</b>	<b>12,874,627</b>	<b>63.5%</b>	<b>54,554</b>	<b>204.74</b>	<b>14,189,259</b>	<b>64.4%</b>	<b>60,124</b>	<b>14,828,977</b>	<b>64.7%</b>	<b>62,835</b>	<b>225.89</b>						
Undistributed Operating Expenses Administrative & General	1,448,288	11.0%	6,137	27.49	1,513,892	9.6%	6,415	27.46	1,623,086	8.0%	6,877	25.81	1,696,811	7.7%	7,190	1,756,028	7.7%	7,441	26.75						
Information & Telecommunications	245,716	1.9%	1,041	4.66	255,062	1.6%	1,081	4.63	269,145	1.3%	1,140	4.28	279,744	1.3%	1,185	289,281	1.3%	1,226	4.41						
Sales & Marketing	1,075,626	8.2%	4,558	20.41	1,128,358	7.2%	4,781	20.47	1,219,321	6.0%	5,167	19.39	1,278,317	5.8%	5,417	1,323,430	5.8%	5,608	20.16						
Franchise Fees	699,230	5.3%	2,963	13.27	768,195	4.9%	3,255	13.93	928,794	4.6%	3,956	14.77	1,015,313	4.6%	4,302	1,058,818	4.6%	4,487	16.13						
Utility Costs	688,751	5.2%	2,918	13.07	712,293	4.5%	3,019	12.92	715,726	3.7%	3,160	11.86	772,793	3.5%	3,275	798,818	3.5%	3,385	12.17						
Property Operation & Maintenance	783,879	6.0%	3,322	14.88	825,258	5.2%	3,497	14.97	898,808	4.4%	3,809	14.29	944,922	4.3%	4,004	978,633	4.3%	4,147	14.91						
<b>Total Undistributed Operating Expenses</b>	<b>4,941,511</b>	<b>37.5%</b>	<b>20,939</b>	<b>93.79</b>	<b>5,203,157</b>	<b>33.1%</b>	<b>22,047</b>	<b>94.38</b>	<b>5,684,880</b>	<b>28.0%</b>	<b>24,088</b>	<b>90.41</b>	<b>5,987,901</b>	<b>27.2%</b>	<b>25,372</b>	<b>6,205,007</b>	<b>27.1%</b>	<b>26,292</b>	<b>94.52</b>						
<b>Gross Operating Profit (GOP)</b>	<b>3,328,015</b>	<b>24.9%</b>	<b>13,907</b>	<b>62.29</b>	<b>4,462,734</b>	<b>28.4%</b>	<b>18,910</b>	<b>80.95</b>	<b>7,189,747</b>	<b>35.4%</b>	<b>30,465</b>	<b>114.34</b>	<b>8,201,359</b>	<b>37.2%</b>	<b>34,752</b>	<b>125.28</b>	<b>8,623,970</b>	<b>37.6%</b>	<b>36,542</b>	<b>131.37</b>					
Fried Charges	395,114	3.0%	1,674	7.50	471,605	3.0%	1,998	8.55	608,661	3.0%	2,579	9.68	661,041	3.0%	2,801	10,101	3.0%	2,913	10.47						
Management Fee	595,766	4.5%	2,524	11.31	624,425	4.0%	2,646	11.33	630,669	3.1%	2,672	10.03	636,976	2.9%	2,699	9,731	2.9%	2,719	10.48						
Property Taxes	195,368	1.5%	828	3.71	200,679	1.3%	850	3.64	206,699	1.0%	876	3.29	212,900	1.0%	902	219,888	1.0%	932	3.35						
Insurance	-	0.0%	-	0.00	-	0.0%	-	0.00	811,548	4.0%	3,439	12.91	881,388	4.0%	3,735	916,727	4.0%	3,884	13.96						
Reserve for Replacement	1,186,249	9.0%	5,026	22.51	1,296,709	8.2%	5,495	23.52	1,257,577	11.1%	9,566	35.90	2,292,305	10.9%	10,137	2,774,712	12.1%	11,757	42.27						
<b>Total Fixed Charges</b>	<b>2,095,766</b>	<b>15.9%</b>	<b>8,880</b>	<b>39.78</b>	<b>3,166,025</b>	<b>20.1%</b>	<b>13,415</b>	<b>57.43</b>	<b>4,932,170</b>	<b>24.3%</b>	<b>20,899</b>	<b>78.44</b>	<b>5,809,054</b>	<b>26.4%</b>	<b>24,015</b>	<b>88.73</b>	<b>5,849,288</b>	<b>25.5%</b>	<b>24,785</b>	<b>89.10</b>					
<b>Hotel Cash Flow</b>	<b>1,588,947</b>	<b>11.9%</b>	<b>6,648</b>	<b>29.78</b>	<b>2,537,217</b>	<b>16.1%</b>	<b>10,751</b>	<b>46.02</b>	<b>4,932,170</b>	<b>24.3%</b>	<b>20,899</b>	<b>78.44</b>	<b>5,809,054</b>	<b>26.4%</b>	<b>24,015</b>	<b>88.73</b>	<b>5,849,288</b>	<b>25.5%</b>	<b>24,785</b>	<b>89.10</b>					
NOI Adjusted for 3.00% Management and 4.00% Reserves																									

\* During the anticipated renovation, we projected Net Operating Income (NOI) to decrease from current levels. Following the completion of the anticipated renovation, we believe it to be reasonable that subject performance will improve. As such, we have projected occupancy to stabilize in line with historical levels and Average Daily Rate (ADR) to exhibit moderate growth. Expenses were projected in line with industry averages, comparable properties, and the subject's actual historical performance. Overall, we believe our cash flow projections to be reasonable and well-supported.

**DISCOUNTED CASH FLOW ANALYSIS****Capitalization and Discount Rates**

Capitalization is defined as the process of converting a series of anticipated future periodic installments of net income into present value. The anticipated net income stream is converted into a value opinion by a rate that attracts capital to purchase investments with similar characteristics, such as risk, terms and liquidity. The capitalization process takes into consideration the quantity, quality and durability of the income stream in determining which rates are appropriate for valuing the subject hotel.

Discounted cash flow analysis can be used to develop an opinion of present value of an income stream. Periodic cash flows and the projected reversion amount at the end of a holding period are discounted at an appropriate rate. Our analysis refers to an all-cash purchase. The following text details our analysis.

Based upon our knowledge of current investment returns required by typical hotel investors, along with factors affecting investment risk specific to the subject property, we employed a reversionary capitalization rate of 8.50% for the subject property.

The discount rate is the rate of return which equals the sum of the real return anticipated in the investment plus a change in value and any risk premiums associated with the specific investment when compared to alternative investments. It is the average annual rate of return necessary to attract capital based upon the overall investment characteristics.

The discount rate selection requires the appraiser to interpret the attitudes and expectations of market participants. Discount rates are partly a function of perceived risks. Risk is a function of general economic conditions and characteristics of the investment. The critical elements of an investment include the quantity and certainty of gross income, operating expenses, and resultant net income over some future time period. Value is a reflection of future income expectations and such elements are risky.

A determination of the proper discount and terminal capitalization rate(s) for the subject involved speaking with investors and brokers of hotel properties throughout the country, discussing investment parameters with other hospitality industry experts, and considering the results of several published investment surveys.

The investor surveys summarized in the following table have been used in our selection of the appropriate discount and terminal capitalization rate(s) for the subject hotel. It should be noted that the surveys often lag the market and are not always a true representation of current return requirements. This is especially true in the current landscape as there are very few recent transactions to gauge. While the data is not perfect, it is generally relied upon by investors in the market and will be used in this analysis.

Hotel Investor Survey						
Type	Discount Rate		Overall Cap Rate		Residual Cap Rate	
	Range	Average	Range	Average	Range	Average
<b>PwC Hotels</b>						
Luxury/Upper-Upscale						
Q2 2023	6.75% – 12.00%	9.50%	4.00% – 10.00%	7.70%	6.00% – 9.50%	7.80%
Q1 2023	6.75% – 12.00%	9.45%	4.00% – 10.00%	7.45%	6.00% – 9.50%	7.80%
Q4 2022	6.50% – 11.00%	9.33%	4.00% – 9.50%	7.13%	5.75% – 9.50%	7.67%
Q3 2022	6.50% – 11.00%	9.33%	4.00% – 9.50%	6.92%	5.75% – 9.50%	7.38%
Q2 2022	6.50% – 11.00%	9.27%	4.00% – 9.50%	6.77%	5.00% – 9.50%	7.34%
Full Service						
Q2 2023	7.50% – 12.00%	10.05%	4.50% – 10.00%	8.00%	4.50% – 10.00%	8.20%
Q1 2023	7.50% – 12.00%	10.10%	4.50% – 10.00%	8.05%	4.50% – 10.00%	8.15%
Q4 2022	8.00% – 12.00%	9.98%	5.00% – 9.00%	7.25%	5.00% – 10.00%	8.05%
Q3 2022	8.00% – 12.00%	9.98%	5.00% – 9.00%	7.25%	5.00% – 10.00%	8.05%
Q2 2022	8.00% – 11.00%	9.88%	5.50% – 9.00%	7.35%	5.50% – 10.00%	8.10%
Limited Service*						
Q2 2023	10.00% – 15.00%	11.60%	8.00% – 11.50%	9.75%	8.00% – 12.50%	10.20%
Q1 2023	10.00% – 15.00%	11.50%	8.00% – 11.50%	9.65%	8.00% – 12.50%	10.10%
Q4 2022	10.00% – 14.00%	11.40%	8.00% – 11.50%	9.75%	8.00% – 12.50%	10.10%
Q3 2022	9.00% – 13.00%	10.70%	8.00% – 11.50%	9.68%	8.00% – 12.50%	9.85%
Q2 2022	9.00% – 12.00%	9.95%	8.00% – 10.50%	9.18%	8.00% – 12.00%	9.45%
Select Service**						
Q2 2023	9.00% – 15.00%	11.70%	7.50% – 10.00%	8.80%	7.50% – 11.50%	9.17%
Q1 2023	9.00% – 15.00%	11.60%	7.25% – 10.00%	8.75%	7.50% – 11.50%	9.25%
Q4 2022	10.00% – 14.00%	11.40%	7.00% – 10.00%	8.50%	7.50% – 11.50%	9.05%
Q3 2022	9.00% – 13.50%	11.00%	7.00% – 10.00%	8.40%	7.50% – 11.50%	8.95%
Q2 2022	9.00% – 12.00%	10.55%	7.00% – 9.50%	8.10%	7.00% – 10.00%	8.25%
* Limited Service includes midscale and economy lodging with rooms only						
** Select Service includes upscale and upper-midscale lodging with rooms only						
Source: PwC Real Estate Investor Survey – Q2 2023						
Hotel Investor Survey						
Type	Discount Rate		Overall Cap Rate		Residual Cap Rate	
	Range	Average	Range	Average	Range	Average
<b>RERC</b>						
First-Tier Properties*						
West	8.5% – 12.0%	10.4%	6.5% – 9.8%	8.1%	7.5% – 10.3%	8.8%
Midwest	9.0% – 10.0%	9.6%	8.0% – 9.0%	8.4%	8.3% – 10.0%	9.1%
South	7.5% – 12.0%	9.9%	6.0% – 9.0%	8.2%	6.5% – 9.5%	8.8%
East	9.2% – 10.8%	10.1%	7.9% – 9.0%	8.4%	8.8% – 9.5%	9.1%
Second-Tier Properties**						
West	9.5% – 13.5%	11.3%	7.5% – 11.3%	9.0%	8.5% – 11.8%	9.7%
Midwest	10.0% – 13.0%	11.3%	9.0% – 10.0%	9.7%	10.0% – 11.3%	10.4%
South	10.5% – 13.0%	11.2%	7.0% – 10.0%	9.1%	7.5% – 10.5%	9.7%
East	9.9% – 12.0%	11.3%	8.6% – 11.0%	9.7%	9.7% – 11.5%	10.4%
Third-Tier Properties***						
West	10.5% – 14.0%	12.1%	8.0% – 11.8%	9.7%	9.3% – 12.3%	10.5%
Midwest	11.0% – 12.5%	11.8%	10.0% – 11.5%	10.6%	11.0% – 11.8%	11.3%
South	11.0% – 14.0%	12.3%	9.5% – 11.5%	10.5%	10.0% – 12.0%	11.1%
East	11.0% – 14.0%	12.3%	9.7% – 13.0%	10.7%	10.3% – 13.5%	11.4%
* First-tier investment properties are defined as new or newer quality construction in prime to good locations						
** Second-tier investment properties are defined as aging, former first-tier properties, in good to average locations						
*** Third-tier investment properties are defined as older properties with function inadequacies and/or in marginal locations						
Source: Situs RERC Real Estate Report – Q1 2023						

The discount and terminal rate selections are applied in conjunction with all discounted cash flow assumptions. In addition to the available investor surveys, numerous market participants were interviewed and consulted to gather applicable information. While the impacts from the COVID-19 pandemic have largely subsided and overall operating metrics for hotels have continued to improve, a substantial increase in interest rates ensued in 2022 which is putting pressure on the capital markets.

Our analysis of applicable terminal capitalization and discount rates for the subject property specifically considered the building type and condition, the current local hotel market conditions, estimated future trends in the local and national market and current investor considerations and required returns on investment for similar investments in comparable hotels where the equivalent interest is being conveyed.

The following factors have been considered in the overall discount and terminal capitalization rate(s) selection for the subject property.

Factors suggesting a lower rate of risk include:

- The subject has good access within the urban center, proximate to various modes of transportation;
- The subject is located within close proximity of numerous corporate offices such as Deloitte, Accenture, General Dynamics, EY, and Nav Canada;
- The subject property benefits from several leisure demand generators such as Parliament Hill, Canadian War Museum, Rideau Canal, National Gallery, and Canadian Museum of Nature;
- The subject is affiliated with the Sheraton by Marriott brand and benefits from its reservation system and guest loyalty program.

Factors suggesting a higher rate of risk include:

- The actual age of the property is 51 years; additionally, the subject operations are unionized;
- There is risk associated with successful execution of the \$22,420,000, or approximately \$95,000 per key renovation;
- The subject hotel market has relatively low barriers to entry with ease of construction for new supply;
- Any unforeseen events (i.e. supply additions and weak economy) could alter our cash flow and valuation assumptions;
- There is uncertainty surrounding the full impact and recovery from the COVID-19 pandemic, as well as the increased challenges investors are facing regarding the debt markets and rising interest rates.

In the PwC Hotel Investor Survey presented previously, discount rates for luxury/upper-upscale hotels ranged from 6.75% to 12.00% with an average of 9.50%. In the RERC Real Estate Survey presented previously, discount rates for Second-Tier – East hotels ranged from 9.90% to 12.00% with an average of 11.30%. Based on the aforementioned factors, we believe a discount rate of 10.50% is appropriate.

In the PwC Hotel Investor Survey, residual capitalization rates for luxury/upper-upscale hotels ranged from 6.00% to 9.50% with an average of 7.80%. In the RERC Real Estate Survey presented previously, residual capitalization rates for Second-Tier - East hotels ranged from 9.70% to 11.50% with an average of 10.40%. We used a terminal capitalization rate of 8.50% considering the location and condition of the subject, outlook of economic conditions, and investor sentiment.

**Salient Income Capitalization Approach Assumptions****Subject Property:**

- **\$22,420,000**, or approximately **\$95,000** per room renovation in 2024/2025. Deducted in Years 1 and 2 of the projection period.
- Stabilized Year: **Year 5 or FY 2027/2028**
- \*Anticipated increased performance following the completion of the anticipated renovation.

**Occupancy/Demand Assumptions:**

- Stabilized Market Occupancy: **73.0%**
- Stabilized Subject Occupancy: **76.0%**

**Average Daily Rate (ADR) Assumptions:**

- Year 1 Projection: **5.0%**
- Year 2 Projection: **5.0%**
- Year 3 Projection: **6.0%**
- Year 4 Projection: **5.0%**
- Year 5 Projection: **4.0%**
- Remaining Years: **3.0%**

**Expense Projections:**

- Supported by industry averages, comparable properties, and actual property historical performance.
- Subject Property Stabilized Gross Operating Profit margin: **37.6%**
- Subject Property Stabilized Net Operating Income margin: **25.5%**

**Discounted Cash Flow Assumptions:** *\*Selected based industry standards, investor surveys, professional experience, and discussions with market participants.*

- Hold Period: **10 Years**
- Reversionary Year: **Year 11**
- Stabilized Year: **Year 5**
- Discount Rate: **10.50%**
- Residual/Terminal Capitalization Rate: **8.5%**
- Cost of Sale: **3.0%**

**Conclusion:**

- Discounted Cash Flow Conclusion: **\$39,300,000**

*Discounted Cash Flow – As Is as of October 2, 2023*

Sheraton Ottawa Hotel DCF Analysis - As Is										
Assumptions			Reversion Calculation (10Y)				Returns (10Y)			
Discount Rate		10.50%	Year 11 CF:		\$6,858,792	PV of Cash:		\$10,466,340		
Residual Cap Rate		8.50%	Gross Reversion:		\$80,691,666	PV of Reversion:		\$28,838,830		
Cost of Sale		3.0%	Cost of Sale:		(\$2,420,750)	Avg Annual Cash on Cash		7.86%		
Hold Period (Years)		10	Net Reversion:		\$78,270,916	CF% of Yield:		26.63%		
Reversion Year +		1	Stabilized Year:		5	Reversion % of Yield:		73.38%		
Analysis Year	Year	Fiscal Year End	Net Cash Flow	Net Reversion	Adjustments	Undiscounted CF	Discount Factor	Discounted CF	% of Yield	Annual Cash on Cash Return
0	2023	9/30/2023	-	-	-	-	1.00000	-	0.00%	NA
1	2024	9/30/2024	\$2,095,766	-	(11,210,000)	-\$9,114,234	0.90498	-\$8,248,175	-20.99%	-23.19%
2	2025	9/30/2025	\$3,166,025	-	(11,210,000)	-\$8,043,975	0.81898	-\$6,587,887	-16.76%	-20.47%
3	2026	9/30/2026	\$4,932,170	-	-	\$4,932,170	0.74116	\$3,655,537	9.30%	12.55%
4	2027	9/30/2027	\$5,809,054	-	-	\$5,809,054	0.67073	\$3,896,335	9.91%	14.78%
5	2028	9/30/2028	\$5,849,258	-	-	\$5,849,258	0.60700	\$3,550,499	9.03%	14.88%
6	2029	9/30/2029	\$5,916,471	-	-	\$5,916,471	0.54932	\$3,250,043	8.27%	15.05%
7	2030	9/30/2030	\$6,093,913	-	-	\$6,093,913	0.49712	\$3,029,426	7.71%	15.51%
8	2031	9/30/2031	\$6,276,776	-	-	\$6,276,776	0.44989	\$2,823,829	7.19%	15.97%
9	2032	9/30/2032	\$6,492,275	-	-	\$6,492,275	0.40714	\$2,643,239	6.73%	16.52%
10	2033	9/30/2033	\$6,658,985	78,270,916	-	\$84,929,902	0.36845	\$31,292,326	79.62%	216.11%
Reversion NOI:			\$6,858,792		Total:	\$109,141,609		\$39,300,000	100.00%	
								\$167,000	Per Key	(236 Keys)

Value, Overall Rate, Value per Room						
		Exit Cap Rate				
		8.00%	8.25%	8.50%	8.75%	9.00%
Discount Rate	10.00%	\$43,150,183	\$42,178,581	\$41,264,131	\$40,401,936	\$39,587,641
		4.86%	4.97%	5.08%	5.19%	5.29%
		\$182,840	\$178,723	\$174,848	\$171,195	\$167,744
	10.25%	\$42,116,912	\$41,167,118	\$40,273,194	\$39,430,352	\$38,634,334
		4.98%	5.09%	5.20%	5.32%	5.42%
		\$178,461	\$174,437	\$170,649	\$167,078	\$163,705
	10.50%	\$41,107,597	\$40,179,074	\$39,305,170	\$38,481,203	\$37,703,013
		5.10%	5.22%	5.33%	5.45%	5.56%
		\$174,185	\$170,250	\$166,547	\$163,056	\$159,759
	10.75%	\$40,121,624	\$39,213,850	\$38,359,474	\$37,553,919	\$36,793,117
		5.22%	5.34%	5.46%	5.58%	5.70%
		\$170,007	\$166,160	\$162,540	\$159,127	\$155,903
	11.00%	\$39,158,399	\$38,270,864	\$37,435,536	\$36,647,942	\$35,904,103
		5.35%	5.48%	5.60%	5.72%	5.84%
		\$165,925	\$162,165	\$158,625	\$155,288	\$152,136

\* Given the nature of operating hotels and how investors typically analyze and underwrite hotel investments, we believe a sensitivity analysis reflecting the change in risk rates to be best suited for the subject property.

## SALES COMPARISON APPROACH

The Sales Comparison Approach is used to estimate the value of real estate by comparing recent sales of similar properties in the surrounding or competing area to the subject property. Inherent in this approach is the principle of substitution. The approach is applicable when an active market provides sufficient quantities of reliable data that can be verified from authoritative sources. The comparative process involves judgment as to the similarity of the subject and the comparable sales.

In the case of hotel properties, comparisons among hotels can be very difficult given the unique characteristics of each property. Hotels represent not only real estate but are also businesses that are often difficult to compare. Hotels can differ by physical characteristics, market orientation, management affiliation, reputation, operating characteristics, locality, and other factors. As such direct comparison of hotel sales is usually considered a secondary approach. Additionally, different investors perceive hotels as valuable for different reasons; for example, they may look for:

1. *An immediate return of cash flow through re-flagging or new management;*
2. *The establishment of a long-term presence in a market where they are under-represented;*
3. *Upscale/Trophy hotel ownership to establish a high profile;*
4. *A perceived bargain relative to cost; and,*
5. *Management fees in addition to cash flow.*

In the case of the subject, the direct sales comparison approach is utilized as a guide to suggest a reasonable range of values of the subject hotel. The value of the subject hotel development is derived primarily from the Income Capitalization Approach.

### Methodology

In the Sales Comparison Approach, the value of a hotel is developed by comparing it with similar, recently sold hotel properties in the surrounding or competing area. Inherent in this approach is the principle of substitution, which holds that when a property is replaceable in the market, its value tends to be set at the cost of acquiring an equally desirable substitute property, assuming that no costly delay is encountered in making the substitution. The Sales Comparison Approach to value emphasizes the physical elements of the subject in conjunction with income. For hotels, price per room is the most common unit of comparison. We researched and identified sales we believe to be relevant to the subject property.

Hotel transaction volume experienced a dramatic decline in March 2020 as the response to the COVID-19 outbreak resulted in travel restrictions and stay-at-home orders across the country, creating uncertainty in the lodging markets. New transactions during the second quarter of 2020 were extremely limited. Once the initial shock of the pandemic subsided, transaction volume began to pick up in the second half of 2020 and into 2021. 2021 was considered to be a very strong year for hotel transaction volume. Debt markets were relatively open, especially for well location properties geared towards leisure travel. Beginning in the second half of 2022, interest rates began to increase dramatically causing another shock to the hotel transaction market. As of Q4 2022, transactions have slowed dramatically as many hotel lenders have moved to the sidelines. In reviewing the transactions presented below, it is important to consider the timing of the sale, as market conditions pre-COVID, at the onset of the pandemic in 2020, and later into the pandemic were notably different. Inherently, the Sales Comparison Approach analyzes historical data, which may not always be fully reflective of the current market.

The best available transaction data for the subject property is presented below. The relevant transactions were reportedly single asset, arms-length sales, unless otherwise indicated.

Select Hotel Sales							
Date	Property Name	City	Province	Rooms	Year Built	Price	Per Room
Jul-23	Ottawa Marriott Hotel	Ottawa	ON	489	1972	\$86,500,000	\$176,892
Jun-23	Best Western Premier Toronto Airport Carlingview Hotel	Toronto	ON	119	1990	\$13,000,000	\$109,244
Feb-23	Hotel Le Crystal	Montréal	QC	131	2008	\$36,500,000	\$278,626
Jan-23	InterContinental Hotel Montreal	Montréal	QC	357	1998	\$80,000,000	\$224,090
Nov-22	Hotel 2170 Lincoln	Montréal	QC	219	1973	\$61,000,000	\$278,539
Sep-22	Radisson Blu Toronto Downtown	Toronto	ON	157	1985	\$25,000,000	\$159,236
Jul-22	Four Points by Sheraton Kingston	Kingston	ON	169	2000	\$28,750,000	\$170,118
Dec-21	Sheraton Hotel Le Centre Montreal	Montréal	QC	825	1982	\$206,250,000	\$250,000

### Analysis of Comparable Sales

The sales utilized represent the best data available for comparison with the subject. They were selected from our research of comparable improved sales. These sales were chosen based upon similar segmentation, markets and branding. All sales were considered an arm's-length transaction and required no adjustments for financing terms or conditions of sale. We have identified and described the following relevant sales in further detail. However, it is important to note that there have been limited comparable sales in Ottawa and as such we have not presented any adjustments. Further, we believe the Ottawa Marriott Hotel to be the most applicable sales comparable; however, we have discussed two additional sales below (InterContinental Hotel Montreal and Four Points by Sheraton Kingston) for informational purposes only.

- In July 2023, the 489-room Ottawa Marriott Hotel located in Ottawa, ON was purchased for approximately \$86,500,000, or \$176,892 per key. The buyer was Manga Hotels. The hotel was built in 1988. The sale is considered comparable given its location, product type, branding, facility/amenities, and demand base. Please note that this property is included within the subject's competitive set.
- In January 2023, the 357-room InterContinental Hotel Montreal located in Montreal, QC was purchased for approximately \$80,000,000, or \$224,090 per key. The buyer was Groupe Mach. The hotel was built in 1998. The sale is considered comparable given its location, product type, facility/amenities, and demand base.
- In July 2022, the 169-room Four Points by Sheraton Kingston in Kingston, ON was purchased for approximately \$28,750,000, or \$170,118 per key. The buyer was Easton's Group of Hotels. The hotel was built in 2000. The sale is considered comparable given its location, product type, facility/amenities, and demand base.

The Sales Comparison Approach is difficult to apply in the case of complex hotel properties because of the numerous differences between the subject and comparable sales. Some of the differences between the comparable sales and the subject property can often include location and accessibility, size, services and facilities offered, market conditions, chain affiliation, market orientation, management, rate structure, age, physical condition, date of sale, the highest and best use of the land, and the anticipated profitability of the operation. Circumstances surrounding a sale, including financing terms, tax considerations, income guarantees, sales of partial interests, duress on the part of the buyer or seller, or a particular deal structure, result in disparities between the actual sales price and pure market value. Additionally, it is usually very difficult to obtain the marketing period, and an accurate capitalization rate, for the comparable sales. In practice, it is virtually impossible to quantify the appropriate adjustment factors accurately because of their number and complexity, as well as the difficulty in obtaining specific, detailed information. Any attempt to manipulate the necessary adjustments is insupportable and purely speculative.

Because an appraiser is expected to reflect the analytical processes and actions of typical buyers and sellers rather than to create an insupportable and highly subjective valuation approach, the investment rationale of hotel owners is an essential consideration. As specialists in the valuation of hotels, we find that typical buyers and sellers purchase properties based upon a thorough analysis of anticipated future economic benefits of property ownership rather than on historical sales data. The Sales Comparison Approach should therefore be used to provide a general range of values that will serve as a check against the value indicated by the Income Capitalization Approach.

In appraising lodging facilities, it is often difficult to find an adequate number of recent sales that are truly comparable to the subject property. Although it is often necessary to consider comparable sales outside the subject property's market area, the resulting adjustments greatly diminish the reliability of the conclusions. Most observers of hotel transactions are unable to determine the true motivations of the buyers and sellers. Acquiring a hotel often represents a highly ego-driven process where many external, non-market factors influence the purchase price. Unless the appraiser can quantify these influences, there is no way of knowing whether the purchase price paid actually reflects market value.

Finally, when appraising hotels, the degree of comparability between the subject property and a comparable sale is usually so diverse that many subjective and unsubstantiated adjustments are required. Each adjustment represents a potential for error and thereby diminishes the reliability of this approach. As a result of these shortcomings, the use of the Sales Comparison Approach in valuing hotels is primarily limited to checking the value indicated by the Income Capitalization Approach.

### **Conclusion via Sales Comparison Approach**

Given the limited applicability of the Sale Comparison Approach to hotels and limited comparable sales in Ottawa, we have given the majority of the weight of our analysis to the Income Capitalization Approach and primarily utilized the sales comparison approach as a check of reasonableness. As such, we have concluded a reasonable sales comparison approach range to be approximately 5.0% above and below the Income Capitalization Approach conclusion of \$39,300,000, or approximately \$167,000 per key. LWHA projects that the value via Sales Comparison Approach ranges from approximately \$159,000 - \$175,000 per key, for a total consideration ranging from \$37,300,000 – \$41,300,000.

The primary methodology relied upon in this analysis was the Discounted Cash Flow Analysis. Additionally, we have relied upon the Sales Comparison Approach as a secondary approach. The results are as follows:

<i>Value Indications</i>	<i>Total Amount</i>	<i>Per Unit</i>	<i>Date of Value</i>	<i># Units</i>
<b>Income Capitalization Approach</b>				
As Is	<b>\$39,300,000</b>	<b>\$167,000</b>	October 2, 2023	236 Keys
<b>Sales Comparison Approach</b>				
As Is	<b>\$37,300,000 – \$41,300,000</b>	<b>\$159,000 – \$175,000</b>	October 2, 2023	236 Keys

*Please note the As Is value conclusion includes a deduction for renovation cost, equal to \$22,420,000 or \$95,000 per key. The renovation is taking place in Years 1 & 2 of the projection period.*

In our Income Capitalization Approach to value, the subject property has been valued by analyzing the local market for transient accommodations and developing a projection of income and expense that reflects the current and future anticipated income and expense trends over a ten-year holding period. The net income is then capitalized and discounted to the date of value by an appropriate internal rate of return through a discounted cash flow analysis. Implied direct capitalization rates were also illustrated.

The Sales Comparison Approach reflects an opinion of value as indicated by the actual sales of hotels. In this approach, we searched the regional and national market for transactions of similar property types. Several sales of major hotels were examined, and this approach was useful in providing value parameters to bracket the value concluded to by the Income Capitalization Approach.

The Cost Approach estimates market value by computing the cost of replacing the property and subtracting any depreciation resulting from physical deterioration, functional obsolescence, and external (or economic) obsolescence. The value of the land, as if vacant and available, is then added to the depreciated value of the improvements for a total value estimate. The Cost Approach is most reliable for estimating the value of new properties; however, as the improvements deteriorate, and market conditions change, the resultant loss in value becomes increasingly difficult to quantify accurately. Moreover, our experience with hotel investors shows that this group of buyers and sellers relies upon the methods of the income approach (as well as a review of sales data) when making decisions; the cost approach generally does not play a significant role. Considering such factors, we do not consider the Cost Approach to be appropriate for the valuation of the subject property.

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 and utilized the Sales Comparison Approach as a check for reasonableness.

**CERTIFICATION OF THE APPRAISAL**

We certify to the best of our knowledge and belief:

1. The statements of fact contained 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 my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have not performed services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding 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 Canadian Uniform Standards of Professional Appraisal Practice and Uniform Standards of Professional Appraisal Practice.
9. Robert Van Laer, MAI (in-person inspection; October 2, 2023) has made an in-person inspection of the property that is the subject of this report. Jonathan Jaeger, MAI, ISHC; and Evan Weiss, MRICS did not inspect the subject property.
10. No one else provided significant real property appraisal assistance to the person(s) signing this certification.

11. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and 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.
13. As of the date of this report, Robert Van Laer, MAI; and Jonathan Jaeger, MAI, ISHC have completed the continuing education program for Designated Members of the Appraisal Institute.



Robert Van Laer, MAI  
Senior Vice President



Jonathan Jaeger, MAI, ISHC  
Senior Managing Director



Evan Weiss, MRICS  
COO, Principal

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at the Latest Practicable Date, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code") were as follows:

### Number of ordinary shares (unless otherwise specified)

*Long positions:*

Name of Company	Name of Directors	Personal Interests <sup>(1)</sup>	Corporate/ Other Interests	Total	% Interest
Keck Seng Investments (Hong Kong) Limited	HO Kian Guan	496,480	198,084,320 <sup>(2)</sup>	198,580,800	58.37
	HO Kian Hock	20,480	198,084,320 <sup>(2)</sup>	198,104,800	58.23
	HO Kian Cheong	55,160,480	–	55,160,480	16.21
	TSE See Fan Paul	288,720	–	288,720	0.08
	Stephen TAN	–	900,000 <sup>(3)</sup>	900,000	0.26
Lam Ho Investments Pte Ltd	HO Kian Guan	–	32,410,774 <sup>(4)</sup>	32,410,774	99.70
	HO Kian Hock	–	32,410,774 <sup>(4)</sup>	32,410,774	99.70
	HO Kian Cheong	96,525	–	96,525	0.30
Shun Seng International Limited	HO Kian Guan	–	83,052 <sup>(5)</sup>	83,052	83.05
	HO Kian Hock	–	83,052 <sup>(5)</sup>	83,052	83.05
	HO Kian Cheong	1,948	–	1,948	1.95
Hubei Qing Chuan Hotel	HO Kian Guan	–	13,163,880 <sup>(6)</sup>	13,163,880	80.76

Name of Company	Name of Directors	Personal Interests <sup>(1)</sup>	Corporate/ Other Interests	Total	% Interest
Company Limited – paid in registered capital in US\$	HO Kian Hock	–	13,163,880 <sup>(6)</sup>	13,163,880	80.76
	HO Kian Cheong	1,017,120	–	1,017,120	6.24
	KWOK Chi Shun	–	–	–	–
	Arthur	–	489,000 <sup>(7)</sup>	489,000	3.00
Golden Crown Development Ltd – common shares	HO Kian Guan	–	56,675,000 <sup>(8)</sup>	56,675,000	80.96
	HO Kian Hock	–	56,675,000 <sup>(8)</sup>	56,675,000	80.96
	HO Kian Cheong	1,755,000	–	1,755,000	2.51
	TSE See Fan Paul	50,000	–	50,000	0.07
Ocean Gardens Management Company Limited	HO Kian Guan	–	1,000,000 <sup>(9)</sup>	1,000,000	100.00
	HO Kian Hock	–	1,000,000 <sup>(9)</sup>	1,000,000	100.00
Shun Cheong International Limited	HO Kian Guan	–	4,305 <sup>(10)</sup>	4,305	43.05
	HO Kian Hock	–	4,305 <sup>(10)</sup>	4,305	43.05
	HO Kian Cheong	195	–	195	1.95
	KWOK Chi Shun Arthur	–	5,500 <sup>(11)</sup>	5,500	55.00
KSF Enterprises Sdn Bhd – ordinary shares	HO Kian Guan	–	31,705,000 <sup>(12)</sup>	31,705,000	100.00
	HO Kian Hock	–	31,705,000 <sup>(12)</sup>	31,705,000	100.00
KSF Enterprises Sdn Bhd – redeemable convertible preferred shares	HO Kian Guan	–	24,000,000 <sup>(13)</sup>	24,000,000	100.00
	HO Kian Hock	–	24,000,000 <sup>(13)</sup>	24,000,000	100.00
Chateau Ottawa Hotel Inc – common shares	HO Kian Guan	–	9,000,000 <sup>(14)</sup>	9,000,000	100.00
	HO Kian Hock	–	9,000,000 <sup>(14)</sup>	9,000,000	100.00
Chateau Ottawa Hotel Inc – preferred shares	HO Kian Guan	–	2,700,000 <sup>(15)</sup>	2,700,000	100.00
	HO Kian Hock	–	2,700,000 <sup>(15)</sup>	2,700,000	100.00

*Notes:*

- (1) This represents interests held by the relevant Directors as beneficial owners.
- (2) This represents 101,437,360 shares held by Kansas Holdings Limited and 96,646,960 shares held by Goodland Limited. Both companies are subsidiaries of KS Ocean Inc., the controlling shareholder of the Company, in which each of HO Kian Guan and HO Kian Hock had 1/3 interest in its ordinary share and preference share, respectively.
- (3) This represents 180,000 shares held by Stephen Tan as one of the joint executors/administrators of the estate of Chan Yau Hing, Robin and 720,000 shares held by United Asia Enterprises Inc which is controlled corporation of Stephen Tan.

- (4) This represents 29,776,951 shares (91.60%) indirectly held by the Company and 2,633,823 shares (8.10%) held by Kansas Holdings Limited in which each of HO Kian Guan and HO Kian Hock had 1/3 interest indirectly.
- (5) This represents 75,010 shares (75.01%) indirectly held by the Company and 8,042 shares (8.04%) held by Kansas Holdings Limited in which each of HO Kian Guan and HO Kian Hock had 1/3 interest indirectly.
- (6) This represents US\$8,965,000 (55.00%) indirectly contributed by the Company and US\$4,198,880 (25.76%) contributed by Kansas Holdings Limited in which each of HO Kian Guan and HO Kian Hock had 1/3 interest indirectly.
- (7) This represents interests held by AKA Project Management International Limited which was wholly owned by KWOK Chi Shun Arthur.
- (8) This represents 49,430,000 shares (70.61%) indirectly held by the Company and 7,245,000 shares (10.35%) held by Goodland Limited in which each of HO Kian Guan and HO Kian Hock had 1/3 interest indirectly.
- (9) This represents 1 quota of Ptc999,000 (99.90%) indirectly held by the Company and 1 quota of Ptc1,000 (0.10%) held by Goodland Limited in which each of HO Kian Guan and HO Kian Hock had 1/3 interest indirectly.
- (10) This represents 3,501 shares (35.01%) indirectly held by the Company and 804 shares (8.04%) held by Kansas Holdings Limited in which each of HO Kian Guan and HO Kian Hock had 1/3 interest indirectly.
- (11) This represents interests held by Ample Star Enterprise Limited in which KWOK Chi Shun Arthur had a controlling interest.
- (12) This represents 7,926,250 ordinary shares (25.00%) directly held by the Company, 7,926,249 ordinary shares (25.00%) held by Kansas Holdings Limited in which each of HO Kian Guan and HO Kian Hock had 1/3 interest indirectly and 15,852,501 ordinary shares (50.00%) held by Keck Seng (Malaysia) Berhad in which each of HO Kian Guan and HO Kian Hock was a substantial shareholder and a director.
- (13) This represents 6,000,000 redeemable convertible preference shares (25.00%) directly held by the Company, 6,000,000 redeemable convertible preference shares (25.00%) held by Kansas Holdings Limited in which each of HO Kian Guan and HO Kian Hock had 1/3 interest indirectly and 12,000,000 redeemable convertible preference shares (50.00%) held by Keck Seng (Malaysia) Berhad in which each of HO Kian Guan and HO Kian Hock was a substantial shareholder and a director.
- (14) This represents 7,650,000 common shares (85.00%) indirectly held by the Company; 1,350,000 common shares (15.00%) held by KSC Enterprises Ltd. in which each of HO Kian Guan and HO Kian Hock had 1/3 interest indirectly.
- (15) This represents 2,295,000 preferred shares (85.00%) indirectly held by the Company; 405,000 preferred shares (15.00%) held by KSC Enterprises Ltd. in which each of HO Kian Guan and HO Kian Hock had 1/3 interest indirectly.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### 3. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date, there existed the following arrangements:

- (a) Goodland Limited (“**Goodland**”) acts as the project manager of Golden Crown Development Limited for its Ocean Gardens development in Taipa Island, Macau for a management fee and is also responsible for marketing the development.
- (b) Goodland provides management services to Ocean Incorporation Ltd in return for a management fee.

Messrs Ho Kian Guan and Ho Kian Hock were interested in the above arrangements as substantial shareholders and directors of Goodland.

Save as disclosed above, as at the Latest Practicable Date,

- (a) none of the Directors was materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Group; and
- (b) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up.

### 4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective close associates was considered to have any interest in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors or their respective close associates were appointed to represent the interests of the Company and/or the Group.

### 5. SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service contract between any Director and any member of the Group which is not determinable within one year without payment of compensation other than by statutory compensation.

**6. MATERIAL CONTRACTS**

Save and except the Sale and Purchase Agreement, details of which are disclosed in the letter from the Board set out in this circular, no contracts, not being contracts entered in the ordinary course of business of the Group, have been entered into by members of the Group within two years immediately preceding the date of this circular and up to and including the Latest Practicable Date which are or may be material.

**7. MATERIAL ADVERSE CHANGE**

The Company is not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up.

**8. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

**9. EXPERT'S QUALIFICATION AND CONSENT**

The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
LW Hospitality Advisors	Independent professional property valuer

As at the Latest Practicable Date, the above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, report and/or opinion and reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up.

**10. GENERAL**

- (a) The English text of this circular shall prevail over the Chinese text.
- (b) The company secretary of the Company is Mr. Cheng Ka Kit, who is an associate member of both of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.
- (c) The registered office of the Company is at Room 2902 West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.
- (d) The Share Registrar & Transfer Office of the Company is Tricor Tengis Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

**11. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company ([www.keckseng.com.hk](http://www.keckseng.com.hk)) for a period of 14 days from the date of this circular (both days inclusive):

- (a) the Sale and Purchase Agreement;
- (b) the valuation report issued by LW Hospitality Advisors, the text of which is set out in Appendix II to this circular; and
- (c) the written consents referred to in the paragraph headed “9. EXPERT’S QUALIFICATION AND CONSENT” of this appendix.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### KECK SENG INVESTMENTS (HONG KONG) LIMITED

### 激成投資(香港)有限公司

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 184)

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting of the Company (the “GM”) will be held at 27/F Club Lusitano, 16 Ice House Street, Central, Hong Kong on Friday, 24 November 2023 at 11:00 a.m. to consider and, if thought fit, pass with or without amendments the following resolution as ordinary resolution:

#### ORDINARY RESOLUTION

1. **“THAT:**

- (a) the sale and purchase agreement dated 6 October 2023 (Toronto Time) (the “**Sale and Purchase Agreement**”, details of which are disclosed in the circular of the Company dated 7 November 2023 (the “**Circular**”)) entered into between Chateau Ottawa Hotel Inc. (the “**Vendor**”), an indirect non-wholly owned subsidiary of the Company, as vendor, and Sunray Group of Hotels Inc. (the “**Purchaser**”), as purchaser, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Hotel Assets, as defined in the Circular, at the consideration of C\$43,200,000 (equivalent to approximately HK\$246,685,000) and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved; and
- (b) any one or more director(s) (the “**Director(s)**”) of the Company be and are hereby generally and unconditionally authorised to do all such acts and things, to sign and execute all such documents for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Sale and Purchase Agreement and the transactions contemplated thereunder, and to make and agree to make such variations of the terms of the Sale and Purchase Agreement as they may in their discretion consider to be appropriate, necessary or desirable and in the interests of the Company and its shareholders as a whole.”

On Behalf of the Board

**Keck Seng Investments (Hong Kong) Limited**

**HO Kian Guan**

*Executive Chairman*

Hong Kong, 7 November 2023

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Notes:*

- (a) For the purpose of determining shareholders who are entitled to attend and vote at the forthcoming GM to be held on Friday, 24 November 2023, the Register of Members of the Company will be closed from Tuesday, 21 November 2023 to Friday, 24 November 2023, both days inclusive. In order to qualify for attending and voting at the GM, all transfer documents should be lodged for registration with the Company's Share Registrar & Transfer Office, Tricor Tengis Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. (Hong Kong time) on Monday, 20 November 2023, being the last share registration date.
- (b) A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed. To be valid, a proxy form together with the power of attorney or other authority, if any, under which it is signed or a notorially certified copy of that power of attorney or authority, must be deposited at the Company's Share Registrar & Transfer Office, Tricor Tengis Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for the above meeting (i.e. not later than 11:00 a.m. on Wednesday, 22 November 2023 (Hong Kong time)) or the adjourned meeting (as the case may be).
- (c) In accordance with the relevant requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and for good corporate governance practice, the resolution(s) set out in this notice will be voted on by poll.
- (d) A member who is a corporation may by resolution of its directors or other governing body authorize any of its officials or any other person to act as its representative at the meeting and exercise the same powers on its behalf as if he had been an individual member of the Company and such corporation shall be deemed to be present in person at any such meeting if a person so authorized is present thereat.
- (e) Unless the context requires otherwise, references to time and dates in this notice are to Hong Kong time and dates.
- (f) As at the date of this announcement, the Board of the Company comprises Mr. HO Kian Guan, Mr. HO Kian Hock, Mr. TSE See Fan Paul, Mr. CHAN Lui Ming Ivan and Mr. HO Chung Hui (whose alternate is Mr. HO Chung Kain) as executive directors, Mr. HO Kian Cheong (whose alternate is Mr. HO Chung Kiat Sydney) as non-executive director, and Mr. KWOK Chi Shun Arthur, Ms. WANG Poey Foon Angela, Mr. YU Hon To David and Mr. Stephen TAN as independent non-executive directors.